

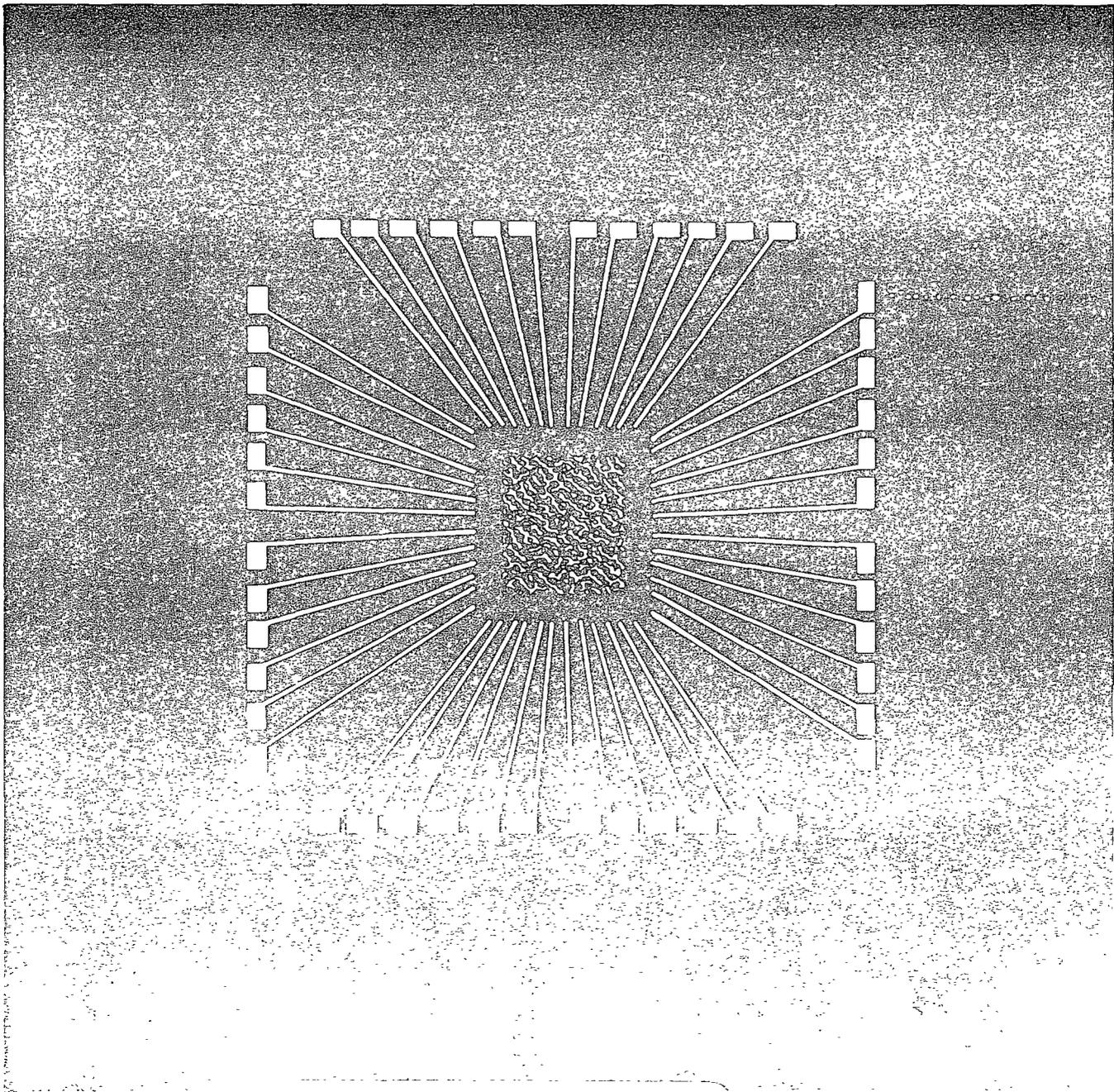
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United States General Accounting Office

1-10-77

A Bibliography of Documents Issued by the GAO on Matters Related to:

ADP



EC 18734

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Citation Section

092129

Computer Assisted Information Retrieval Services: Data Files Through the GAO Library System. August 1979. 46 pp. by GAO Office of Librarian.

Contact: Office of Librarian.

Abstract: A list of the automated reference services available through the GAO Library System is presented. Currently, more than 30 million citations of books, technical reports, journal articles, Government documents, dissertations, legal and legislative information, research in progress, and organizations are stored and searchable. The systems and processes involved in compiling a bibliography are explained.

092130

Questions Designed To Aid Managers and Auditors in Assessing the ADP Planning Process. September 9, 1979. 85 pp.

by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

This publication has been issued as an exposure draft.

Contact: Financial and General Management Studies Division.

Abstract: The Automatic Data Processing (ADP) Group of the GAO Financial and General Management Studies Division prepared and compiled a publication containing the results of their research and experience in the management of ADP planning. A question and answer format is used to identify and to amplify approximately 58 elements considered essential to the operation of an effective ADP planning process. By comparing the actual management of ADP planning with these elements, an assessment can be developed of the quality of the planning process. The ADP planning process has been divided into five major subject areas: (1) organizational involvement, (2) direction, (3) structure, (4) control, and (5) reporting. A chapter is devoted to each of these. There are approximately 367 questions covering the five subject areas.

092131

Supplemental Security Income Quality Assurance System: An Assessment of Its Problems and Potential for Reducing Erroneous Payments. HRD-77-126; B-164031(4). May 23, 1978. 37 pp. plus 4 appendices (12 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Contact: Human Resources Division.

Organization Concerned: Department of Health, Education, and Welfare; Social Security Administration.

Congressional Relevance: Congress; *Sen.* Birch Bayh.

Authority: Budget and Accounting Act, 1921 (31 U.S.C. 53). Social Security Amendments of 1972. Accounting and Auditing Act (31 U.S.C. 67). 42 U.S.C. Supp. V.

Abstract: The Social Security Administration (SSA) has had many problems in administering the Supplemental Security Income (SSI) Program since it began in January 1974. SSA estimates that, at the end of 1976, over \$1.4 billion had been overpaid and \$277 million had been underpaid to recipients. These estimates are based on data gathered by the quality assurance system which attempts to identify problems and formulate corrective action plans and recommendations for improving program operations and administration. The program also provides data for determining the liability of the Federal Government to States for incorrect State supplemental payments which are administered by SSA. GAO selected a random sample of 556 quality assurance cases to evaluate the accuracy and reliability of the system's review procedures and field operations. **Findings/Conclusions:** Several weaknesses prevent this system from being more effective. GAO found 3.4 percent more cases with payment errors than quality assurance. Quality assurance made

incorrect determinations on 32 of the 150 deficiencies it identified. Weaknesses affecting the accuracy and reliability of the information generated by the system include: (1) quality assurance procedures were not followed in 38 percent of the sample cases; (2) the form used to document case findings is not structured to assure that all relevant data are obtained and that the case is developed thoroughly; (3) recipient files containing pertinent information on factors affecting eligibility and payment status were not always reviewed; and (4) training for quality assurance personnel was inadequate and not uniform. Error rate statistics are understated because SSA excludes cases from the quality assurance sample, which may bias sample findings, and does not report certain types of errors. Data used for determining the Government's liability to the States for incorrect Federal payments of State supplements are obtained every 6 months. This reduces the amount of quality assurance resources that could be used for indepth corrective action analyses. The system's data base does not provide enough data to make detailed corrective action recommendations. SSA does not have a formal corrective action system to assure that quality assurance data and resources are used effectively. While SSA has three program evaluation groups to measure and evaluate the quality of SSI, their activities appear to be redundant. **Recommendation To Agencies:** The Secretary of Health, Education, and Welfare should direct the Commissioner of Social Security to improve the uniformity, accuracy, and reliability of the quality assurance system's review process and data by: (1) adopting a revised form designed to obtain and record during the review process all pertinent data on a recipient's eligibility and payment amount; (2) assessing its case review policy and considering review of case files on all sample cases and, in conjunction with other SSA components, resolving the problems of obtaining case files through the SSI claims control system; (3) establishing an adequate and uniform training program; (4) assessing how exclusion policies may bias sample findings and taking appropriate action to remove or minimize any bias; and (5) reporting all errors found during the review process. The Secretary should also direct the Commissioner to concentrate more quality assurance resources on correcting and evaluating specific program problems by: (1) studying the feasibility of using some other mechanism, such as the SSI overpayment system for determining the Federal Government's liability to the States for incorrect payments of State supplements; (2) directing more of the quality assurance resources to gather additional data on types and causes of errors and to utilize more fully this data in evaluating and reporting corrective actions that may be needed; and (3) establishing a formal corrective action system directed to an orderly evaluation of program problems and methods to reduce the problems. Finally, the Secretary should direct the Commissioner to assess the need for four social security groups to evaluate the SSI program.

092132

[BPA Management of ADP Systems Development Activities]. B-115369. May 30, 1978. 3 pp. plus 2 enclosures (10 pp.).

Letter to Sterling Munro, Administrator, Bonneville Power Administration; by John P. Carroll, Regional Manager, GAO Field Operations Division: Regional Office (Seattle).

Contact: Field Operations Division: Regional Office (Seattle).

Organization Concerned: Bonneville Power Administration.

Abstract: GAO reviewed the Bonneville Power Administration (BPA) management of automatic data processing (ADP) systems development activities. BPA has serious weaknesses in its ADP systems management, which GAO believes warrant immediate action. Because the ADP management plan lacks meaningful information about individual systems, is inaccurate, is not authoritative, and is not considered mandatory, the plan cannot be and has not been used as a tool to manage ADP systems. BPA top management has removed itself from managing ADP system developments.

BPA does not estimate the costs or benefits of future systems and does not accumulate costs incurred to develop systems. Without this information, BPA cannot determine whether projects are justified and cannot manage the development process by stopping it if costs exceed plans. The Administrator of BPA should directly involve his in managing ADP resources to: (1) provide and endorse agencywide policies, standards, guidelines, and procedures governing ADP systems development; and (2) plan, approve, monitor, and review individual system developments by instituting thresholds requiring top-level review, standards for lower level review, and delegations of authority directly to individuals responsible for day-to-day ADP resources management. The Administrator should also improve ADP systems development planning by: (1) collecting ongoing, developmental, and operating costs for each system and comparing those costs to plans and estimated benefits; (2) identifying systems performing similar functions for different organizations; (3) identifying systems using, or with potential for using, data from other systems; (4) identifying costly and continuing developments; and (5) identifying and itemizing developments exceeding cost or other criteria requiring top management review. Further, the Administrator should implement a cost accounting and budget system that will allow tracking actual versus estimated system development and equipment use costs by application and should develop and enforce uniform agencywide policies, standards, guidelines, and procedures governing ADP systems development, including project management.

092133

[FEA Procurement of Automatic Data Processing Services]. B-178205.52. April 16, 1976. 3 pp.

Letter to Rep. John E. Moss; Rep. Jack Brooks, Chairman, House Committee on Government Operations; by Elmer B. Staats, Comptroller General.

Contact: Financial and General Management Studies Division.

Organization Concerned: General Services Administration.

Congressional Relevance: House Committee on Government Operations; Rep. John E. Moss; Rep. Jack Brooks.

Authority: Automatic Data Processing Equipment Act (40 U.S.C. 759). F.P.R. 1-4.11. F.P.R. 1-13.205-20. F.P.R. 1-15.205-50. Fed. Reg. 50034. A.S.P.R. 3-1100.2(b). A.S.P.R. 3-1100. F.P.M.R. 101-32.203.2. F.P.M.R. 101-32.4. Federal Management Circular 74-5.

Abstract: GAO has expressed concern to the General Services Administration (GSA) that the spirit of the Brooks Act could be violated by automatic data processing (ADP) equipment acquisitions under facilities management services contractors. GSA review and delegation of procurement authority procedures and justification provisions had not been applied to ADP services procurements. GSA has reinterpreted its responsibilities under the Brooks Act and issued regulations which increased its role in the ADP services area. The provisions had the effect of increasing the GSA review role in agency procurements of ADP services, particularly where the Government will or may acquire title to ADP equipment through a services contract. A planned amendment to Federal procurement regulations will make the regulations applicable to Government contractors when the equipment or system is leased and full leased costs are paid by the Government, or when ADP equipment is purchased by a contractor for the account of the Government, or when the title of ADP equipment will pass to the Government. GSA will consider expanding ADP equipment procurement and contracting guidance to all Federal agencies to assure that contractor incentives for efficient and economical contract performance will be preserved and to assure close control of costs that will be included in the Government contract prices. These regulations will also increase GAO involvement in the ADP services area to help assure that ADP requirements are properly reviewed and justified.

092134

[Data Base Management Practices at Selected Government Agencies]. LCD-76-121; B-115369. July 7, 1976. 8 pp.

Report to Secretary, Department of Defense; by Werner Grosshans (for Fred J. Shafer, Director), GAO Logistics and Communications Division.

Contact: Logistics and Communications Division.

Organization Concerned: Defense Supply Agency; Potter Data Systems, Inc.

Abstract: Five of the six Defense Supply Agency (DSA) supply centers are equipped with one or more central processing units and related peripheral equipment. Each computer center has a large amount of data stored on magnetic disk drives which make up a large part of the total electronic data processing hardware costs. GAO reviewed disk space utilization at three of the centers. **Findings/Conclusions:** Thirty percent of the space on disk drives on line was not required to support current levels of operations. Unneeded disk equipment could be used at other Government activities to avoid new procurements or to replace rented equipment. Some of the data occupying disk space should not have been stored on disks as it was out of date, contained unneeded system prints, or contained unneeded versions of working data sets. Unused disk space results in considerable cost. However, there was no requirement by DSA that studies of disk space utilization be made, or that available information which could be used to measure disk space utilization be reported. No studies of disk space utilization have been made. At their discretion, functional managers could review the utilization of disk space. There was no written criteria which specified the packing density of data. As long as the functional managers had enough disk space available for their particular files, there was no concern about the total amount of disk space available. In some cases, files were located on disks in such a manner that resulting free space was extremely fragmented, rendering it essentially unusable because the segments of space were too small to be allocated for use. DSA wanted to retain the currently installed disk drives to handle increased workload in the event of mobilization or disaster. A DSA disk drive replacement program is underway which would result in about 70 percent of the space on new disk drives not being used. **Recommendation To Agencies:** The Secretary of Defense should have DSA study its disk space utilization to identify disk drives excess to its needs and monitor the DSA proposed actions for managing disk space to insure that the expected benefits are actually obtained.

092135

[The Role of the Computer in Improving Productivity in Delivery of Governmental Services]. B-115369. August 22, 1977. 2 pp.

Letter to Wayne G. Granquist, Associate Director for Administrative Management, Office of Management and Budget; Reorganization Task Force; by Elmer B. Staats, Comptroller General.

Contact: Financial and General Management Studies Division.

Organization Concerned: Office of Management and Budget; Reorganization Task Force.

Abstract: GAO was requested to provide its views on the role of the computer in improving productivity in the delivery of Governmental services. A primary concern should be the measurement of productivity. Measurement criteria should be established at the time a program is initiated. This is to provide objective, accepted yardsticks by which to judge the effectiveness of the program after it becomes operational. Priorities should set for efforts in the computer productivity area. GAO suggested the following priorities: (1) programs with known or suspected high-error rates; (2) programs which are known to be deficient in management controls or ac-

mandatory for a hardware vendor to quote a separate price for the conversion part of the procurement and optional that the Government accept the offer. Award for conversion will be made according to predetermined criteria identified in the request for proposals (RFP) as part of a two-step procurement. Criteria to determine the proper inclusions in the cost of software conversions include: (1) application programs must be in standard COBOL or FORTRAN; (2) programs must be needed by the agency; (3) programs must have an economic life equal to or greater than the target computer system's life; (4) programs must be running on the existing computer system at the time of the delegation of procurement authority; and (5) redesign or resystemization shall be considered in preference to conversion for parts of the software inventory which are appropriate for conversion. The following constraints are placed upon the contract requirements for conversion: (1) adequate documentation will be provided to the vendor; (2) the specific volume of conversion will be stated in the RFP; (3) only the conversion dollar amount proposed by the hardware vendor will be considered in evaluating the conversion part of his overall proposal; and (4) hardware vendors and vendors of conversion services will be apprised of the basis for making awards in the RFP. The proposed approach to conversion will be evaluated against Federal policy and regulation.

092140

[Delegation of GSA Procurement Authority for Automatic Data Processing Equipment Acquisitions]. B-115369. April 14, 1976. 3 pp. Letter to Department of Justice: Office of the Attorney General; by Elmer B. Staats, Comptroller General.

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Justice: Office of the Attorney General; General Services Administration; Office of Management and Budget; Department of Justice: Office of Legal Counsel.

Authority: Automatic Data Processing Equipment Act (40 U.S.C. 759). 47 Comp. Gen. 275. 48 Comp. Gen. 462. 48 Comp. Gen. 464. 51 Comp. Gen. 457. 51 Comp. Gen. 460. 55 Comp. Gen. 60. H. Rept. 89-802.

Abstract: The Department of Justice requested an opinion as to whether the Brooks Act permits delegations of procurement authority by the General Services Administration (GSA) for automatic data processing (ADP) equipment acquisitions if it is determined to be in the interest of economy and efficiency of operations or essential to national defense or security. GAO believes that the Act allows GSA to delegate its procurement authority to agencies to acquire ADP equipment under such circumstances. The Act also provides for GSA to delegate this authority when it finds it necessary or desirable to allow for the orderly implementation of a program for the utilization of ADP equipment. While the single purchaser concept was to prevail after an orderly step-by-step transition from individual agency management of ADP equipment to coordinated management by GSA, Congress recognized that, during the transitional period, GSA could delegate its procurement authority. However, GAO agrees with the Department of Justice's opinion that the Act allows GSA to delegate its procurement authority at any time, either prior to or after the full implementation of the single purchaser concept when it finds that the standards contained in the Act have been met. Delegations of procurement authority after achievement of this concept would be the exception rather than the rule and should be specifically justified by GSA on a case-by-case basis.

092141

[Basic Educational Opportunity Grant Program]. MWD-76-110; B-164031(1). March 15, 1976. 5 pp.

Report to Secretary, Department of Health, Education, and Welfare; by Gregory J. Ahart, Director, GAO Manpower and Welfare Division.

Contact: Manpower and Welfare Division.

Organization Concerned: Office of Education; Department of Health, Education, and Welfare.

Authority: Higher Education Act of 1965 (20 U.S.C. 1070).

Abstract: GAO reviewed the Office of Education's Basic Educational Grant Program to determine how well the program was meeting its legislative objectives and how well the Office of Education was administering it. **Findings/Conclusions:** GAO believes that the processing of grant applications could be improved by using a mark-sense application instead of the existing form, which requires keypunching. In the mark-sense process, optical scanning equipment reads the data and transcribes it directly onto magnetic tape. Office of Education officials believe that the keypunch form is easier for parents to complete, and most school financial aid officials included in the GAO review felt that students could deal with the mark-sense procedures. **Recommendation To Agencies:** The Secretary of Health, Education, and Welfare should consider adopting mark-sense processing of the basic grant application. When considering such a change, careful attention should be given to experience gained since the program started so that any design for new applications will provide the best mode for data verification.

092142

[USDA Proposal To Acquire Automatic Data Processing Equipment]. LCD-76-120; B-146864. April 16, 1976. 3 pp.

Report to Sen. Gale W. McGee, Chairman, Senate Committee on Appropriations: Agriculture and Related Agencies Subcommittee; by Elmer B. Staats, Comptroller General.

Contact: Logistics and Communications Division.

Organization Concerned: Department of Agriculture.

Congressional Relevance: House Committee on Government Operations; Senate Committee on Appropriations: Agriculture and Related Agencies Subcommittee; *Rep.* John E. Moss; *Sen.* Gale W. McGee.

Authority: F.P.M.R. 101-32.403-1.

Abstract: A review was conducted of the Department of Agriculture's (USDA) proposal to acquire automatic data processing equipment for two of its computer centers. One of the centers was experiencing difficulties with its newly installed system. These difficulties were attributed to the type of disk drives being used. The center concluded that the only satisfactory solution was to replace the disk drives with drives providing an improved switching capability. Since these were available from one source only, USDA issued a sole-source contract for the drives. Later a competitive procurement was issued for a brand name or equal replacement. Based on the USDA stated need for such equipment, authorization was given for the acquisition of the double drives to replace the old single density disk drives. **Findings/Conclusions:** The review showed that the center had not made a study justifying the need for expansion to a mass storage system nor of the related need to convert from single density disk drives to double density disk drives. The switching capability had later been made available by another vendor at substantially less cost under a mandatory requirements contract. Under Federal property management regulations, agencies are required to use mandatory requirements contracts when the equipment included in the contract will satisfy their data processing needs. The original requests for proposals for the double density disk drives have been canceled, and the leasing will be completed under the mandatory requirements contract.

Citation Section

countability; (3) programs which use large amounts of resources; and (4) programs with inordinate delays in responding to citizen's actions. A great amount of success can be accomplished with the efficient application of computer technology to improving delivery systems.

092136

[DOE Compliance With Brooks Act]. B-115369. February 6, 1978. 4 pp.

Letter to Allie B. Latimer, General Counsel, General Services Administration; by Paul G. Dembling, General Counsel.

Contact: Office of the General Counsel.

Organization Concerned: General Services Administration; Department of Energy.

Authority: Automatic Data Processing Equipment Act (40 U.S.C. 759). 41 C.F.R. 101-32.

Abstract: GAO initiated a review of recent acquisitions of automatic data processing (ADP) equipment by the predecessor agencies of the Department of Energy (DOE) or their contractors to determine their compliance with the Brooks Act and the General Services Administration (GSA) implementing regulations. The GSA position appears to be that only service contractors are subject to GSA authority under the Brooks Act in their acquisition and use of ADP. GAO is concerned that this view may not be in accord with the GAO understanding of the past GSA interpretation and implementation of the Act. Many DOE procurements serve as examples of this discrepancy, and most DOE contractors operate under contracts subject to: (1) the Government's control of funds to insure proper expenditures; and (2) the Government's right to furnish services, property, or equipment. GAO noted that, under this type of contract, title to all equipment purchased by the contractor passes directly to the Government. The contracts provide that procurement through Government sources of supply is available to the contractor and is to be utilized by the contractor when it is in the best interest of the Government to do so. However, DOE records show examples of ADP equipment purchases by contractors without active GSA participation. Records also show that a DOE contractor was able to take advantage of volume purchase discounts which GSA was unable to do. Finally, DOE records show that contractors acquired ADP equipment without GSA approval to accomplish routine administrative tasks which might have been supplied by the Government using present capacity. GAO recognizes that the Brooks Act refers only to Federal agencies. However, the intent of the Act would be seriously undermined if an agency could avoid its application by merely having a contractor acquire its ADP equipment.

092137

[Acquisition of Automatic Data Processing Equipment at Federal Judicial Center]. B-193861. August 24, 1979. 3 pp.

Letter to Rep. Jack Brooks, Chairman, House Committee on Government Operations; by John D. Heller, Acting Comptroller General.

Contact: Financial and General Management Studies Division.

Organization Concerned: Federal Judicial Center; General Services Administration.

Congressional Relevance: House Committee on Government Operations; Rep. Jack Brooks.

Authority: Automatic Data Processing Equipment Act (P.L. 89-306). Speedy Trial Act of 1974. B-193861 (1979).

Abstract: A survey was initiated to review allegations that the Federal Judicial Center (FJC) was acquiring automatic data processing (ADP) equipment without complying with the Brooks Act, Federal procurement regulations, and competitive procurement statutes. FJC officials maintained that it was exempt from the provisions of

the Act and other regulations relating to the procurement of ADP equipment because: (1) the provisions in the legislation that created FJC show that Congress intended that FJC be exempt from legislation otherwise requiring central control over the procurement of ADP equipment; and (2) the need for FJC independence from the General Services Administration (GSA) involvement in ADP procurement is provided by the legislation in the Speedy Trial Act of 1974. GAO reviewed the legislative histories of FJC and the Acts involved and could find no support for the position taken by FJC. Therefore, GAO held that FJC must comply with the Brooks Act and the GSA implementing regulations in all ADP equipment procurements. A report was issued to FJC for its use with all future procurements of ADP equipment.

092138

[Management of GSA Federal Data Processing Centers]. April 7, 1976. 8 pp.

Letter to Jack Eckerd, Administrator, General Services Administration; by Robert G. Rothwell (for Fred J. Shafer, Director), GAO Logistics and Communications Division.

Contact: Logistics and Communications Division.

Organization Concerned: General Services Administration.

Authority: OMB Circular A-76.

Abstract: GAO reviewed the management of the program under which the General Services Administration's (GSA) Federal data processing centers (FDPC) provide systems analyst and programmer (S&P) services to other Federal agencies. The review included an examination of pertinent Office of Management and Budget (OMB) circulars, GSA regulations and procedures, studies, reports, correspondence, and contracts of various agencies relating to the acquisition of S&P services. OMB Circular A-76 states that the Government's policy toward obtaining commercially available services is to rely on the private enterprise system unless the national interest requires a Government agency to provide the services directly. In accordance with this, each Government agency is required to review its commercial activities at least once every 3 years to justify in-house performance. The GAO review showed that: (1) GSA has not performed studies of its S&P services as required by OMB Circular A-76, and (2) commercial S&P rates in various GSA-FDPC regions were for the most part lower than GSA-FDPC rates. GAO believes that the large number of commercial firms offering S&P services provides the Government with a competitive marketplace for these services and that, by providing such services, GSA is acting contrary to the policy set forth in OMB Circular A-76. GAO believes that GSA should make an evaluation, as required in the circular, to justify its continuing to provide in-house S&P services to agencies.

092139

[USDA Proposal for Handling Conversions in ADPE Procurements]. March 25, 1977. 1 p. plus 1 attachment (7 pp.).

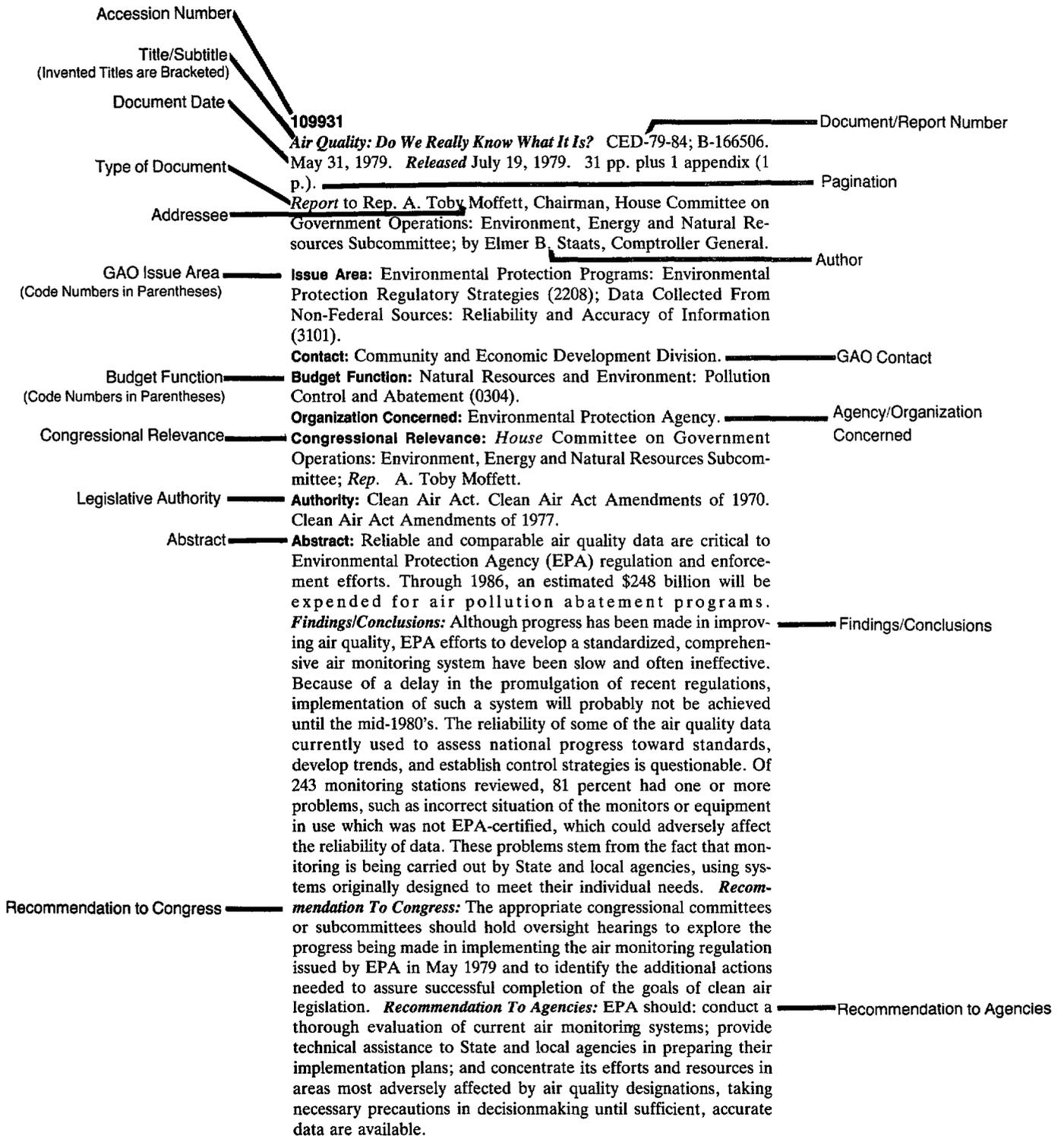
Letter to Henry W. Meetze, Director, Office of Automated Data Systems, Department of Agriculture; by Donald L. Eirich, Associate Director, GAO Logistics and Communications Division.

Contact: Logistics and Communications Division.

Organization Concerned: Department of Agriculture; Department of Agriculture; Office of Automated Data Systems.

Abstract: With modifications, GAO generally concurred with the Department of Agriculture's suggested approach to handling conversions in the procurement of automatic data processing (ADP) equipment. GAO also agreed with the proposed approach to be used in the pending procurements for two computer centers, and it will monitor the application of the approach in the two procurements for possible applicability to other ADP equipment procurements by the Government. In the proposed approach, it is

SAMPLE CITATION



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INTRODUCTION

This ADP bibliography contains citations and abstracts of ADP-related documents released by the U.S. General Accounting Office from January 1976 through December 1980. Included are references to audit reports, staff studies, speeches, testimonies, Comptroller General Decisions, and other GAO documents. This bibliography can be used for a variety of purposes, including thorough researching of a specific topic, locating a particular document, maintaining current awareness, and general browsing.

HOW TO USE THE BIBLIOGRAPHY

The bibliography is in two sections: a CITATION SECTION (white pages) and an INDEX SECTION (yellow pages).

The CITATION SECTION consists of brief descriptions of the documents and often includes an informative abstract. Some or all of the following information is in each citation, as appropriate:

- o **Title or subtitle**
- o **Type, date, and pagination**
- o **Author or Witness**
- o **GAO issue areas**
- o **Agencies or organizations concerned**
- o **Congressional committees, Members of Congress, or agencies to whom the document is specifically relevant**
- o **Law and/or related statutory or regulatory authority on which the document is based**
- o **GAO contact**

The INDEX SECTION is the key for locating references to ADP-related documents cited in this bibliography. The section is comprised of four indexes that classify information according to:

Subject

Agency or organization

(Includes both Federal agencies and nongovernmental corporate bodies)

Congressional affiliation

(Includes entries under relevant congressional committees and individual Representatives and Senators)

Document Number

(Includes entries arranged by report number and/or B-number and date)

Reference from the index entries to the corresponding citations is provided by a unique six-digit accession number assigned to each citation. The accession number should also be used to request copies of the document described in the citation section.

A sample entry is shown opposite page 1 of the Citation Section and at the beginning of each index.

FOREWORD

Computers and automatic data processing (ADP) continue to increase their contribution to agency management, resulting in both greater expenditures and an apparently irreversible, growing dependence on the technology. This combination calls for knowledgeable and effective management of such resources, and appropriate auditing.

Appropriate auditing of ADP management encompasses a review of the agency's history to see if current problems were noted before and, if so, how they were addressed and resolved. This bibliography should help the auditor reviewing recurring problems as it includes the majority of General Accounting Office (GAO) reports, decisions, and letters dealing with ADP since 1976. Although the Accounting and Financial Management Division is GAO's division responsible for ADP matters needing resolution, this material was produced by almost all of GAO's offices and divisions. This illustrates the universality of the computer in Government operations.

You may direct questions about the bibliography to Edwin Rodda, AFMD/ADP, Room 6011, GAO Building, 441 G St. N.W., Washington, D.C. 20548, (202) 275-4797. To order individual documents, or request bibliographic searches on a specific topic, call GAO Document Handling Services at (202) 275-6241. The card included in this book may be used to order documents.

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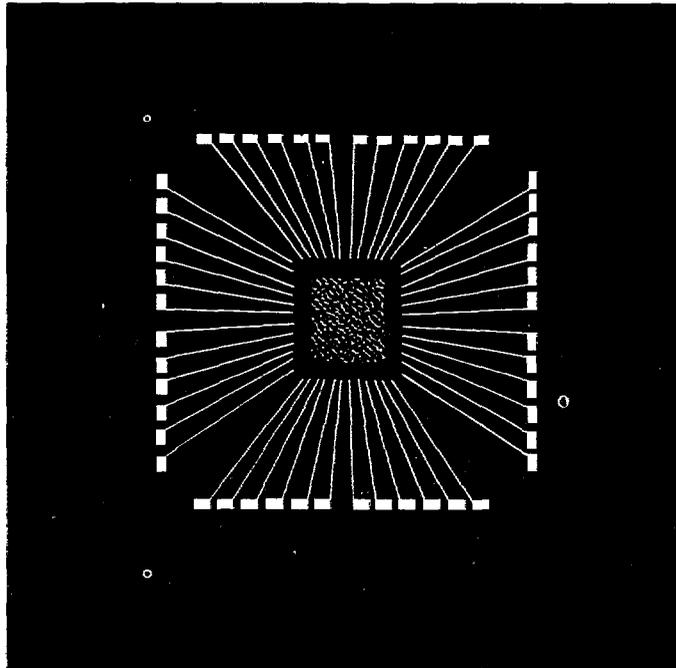
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United States General Accounting Office

**A Bibliography of Documents Issued by the GAO
on Matters Related to:**

ADP

January 1976 - December 1980



Citation Section

092143

[*NSA Methods of Acquiring Automatic Data Processing Equipment*]. LCD-76-123; B-115369. June 2, 1976. 4 pp.

Report to Lt. Gen. Lew Allen, Jr., Director, National Security Agency; by Fred J. Shafer, Director, GAO Logistics and Communications Division.

Contact: Logistics and Communications Division.

Organization Concerned: National Security Agency.

Abstract: A review was undertaken by GAO of the methods of acquiring automatic data processing (ADP) equipment at the National Security Agency. The review included several major ADP configurations, of which some were owned and some were leased, with a value in the tens of millions of dollars. **Findings/Conclusions:** Two areas were noted that have potential for substantial dollar savings in the leasing of certain ADP equipment. The first savings could be realized by acquiring the necessary equipment under a full payout lease from a commercial leasing firm or from the manufacturer. Due to the advanced technological state of these computers, a very high probability exists that there will be a secondary user available within the Government when the agency determines that the use of these computers is no longer required. Another potential area for savings is the leasing of peripheral ADP equipment components from other than the computer manufacturer. Certain independent companies have marketed equipment that is compatible with the computers produced by the large manufacturers. These parts can immediately replace the manufacturer's components at a much lower cost. It is estimated that a 30 percent annual savings could result if this plan were adopted. **Recommendation To Agencies:** The Director of NSA should investigate the feasibility of competitive solicitations of computers under lease/purchase plans and also acquisition of components from alternate sources of supply.

092144

[*Agencies' Implementation of Life Cycle Costing*]. PSAD-76-160; B-178214. July 23, 1976. 6 pp.

Report to Jack Eckerd, Administrator, General Services Administration; by Richard W. Gutmann, Director, GAO Procurement and Systems Acquisition Division.

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: Federal Supply Service; General Services Administration.

Authority: B-178214 (1973).

Abstract: A survey was conducted to determine how civilian Government agencies were implementing life cycle costing (LCC), a procurement technique for evaluating the total cost of a product over its useful life. The General Services Administration's (GSA) accomplishments and steps GSA should consider to further promote the use of this technique were highlighted. **Findings/Conclusions:** The efforts by GSA to adopt LCC techniques have been centered around gaining knowledge and providing training necessary to launch a more extensive working program with GSA as well as in other civilian agencies. These efforts include: (1) experimenting with procurements of high energy consumption items in coordination with the Experimental Technology Incentives Program; (2) establishing workshops for civilian agency procurement personnel to develop a working knowledge and basis for formalizing LCC in civilian agency procurement; (3) soliciting Federal Supply Service regional offices to suggest items for life cycle procurement; and (4) awarding a contract to develop a product improvement system. **Recommendation To Agencies:** GSA should assume a stronger leadership role in coordinating and publicizing Government-wide LCC efforts. It should develop an appropriate environment for interagency coordination of efforts to implement LCC including: (1) interchanging information concerning life cycle application; (2) soliciting items for LCC from civilian agencies that use GSA-procured items; (3) promoting acceptance

of products acquired through the use of LCC; and (4) avoiding potential duplicate use of LCC.

092145

[*Examination of Selected Military Pay and Personnel Records*]. FOD-76-17. April 19, 1976. 2 pp. plus 3 appendices (9 pp.).

Report to Gen. Louis H. Wilson, Commandant, United States Marine Corps; by Stewart D. McElyea, Director, GAO Field Operations Division.

Contact: Field Operations Division.

Organization Concerned: Department of Defense; United States Marine Corps.

Abstract: GAO performed a limited survey of military pay and personnel data records in the Joint Uniform Military Pay System/Manpower Management System (JUMPS/MMS) between April and August 1975. The survey involved visits to 18 reporting commands where personnel and pay records were randomly sampled to verify that relevant data had been accurately reported to and processed by JUMPS/MMS. **Findings/Conclusions:** About 30 percent of the records examined contained one or more errors, most of which affected members pay. The method by which inputs are acknowledged by the system is incomplete and unreliable. This makes tracing transactions unduly burdensome for the reporting units. Reporting units employed large numbers of personnel to handle the workload, but many did not have administrative specialties. Reporting commands are not required to respond to the Marine Corps disbursing onsite examination team recommendations for correcting internal control weaknesses. **Recommendation To Agencies:** System changes should be made to provide a single-point, positive acknowledgement of all system inputs in a form that will be easily understood by the originator. Administrative staffing requirements should be reevaluated and, to the extent practicable, adequate staffs with necessary skills should be assigned to each reporting unit. Reporting unit commanders should formally respond to actions taken to correct control weaknesses reported by the on-site examination teams.

092146

[*Accuracy of Records and Reported Quality of Military Male Enlistees*]. FPCD-76-73. August 12, 1976. 7 pp. plus 8 appendices (8 pp.).

Report to Sen. Sam Nunn, Chairman, Senate Committee on Armed Services; Manpower and Personnel Subcommittee; by Elmer B. Staats, Comptroller General.

Contact: Federal Personnel and Compensation Division.

Organization Concerned: Department of Defense.

Congressional Relevance: Senate Committee on Armed Services; Manpower and Personnel Subcommittee; Sen. Sam Nunn.

Authority: Privacy Act of 1974 (P.L. 93-579). Department of Justice Order 601-75.

Abstract: GAO made verification tests to determine how widespread and serious improper recruiting practices are and the effect of such practices on the quality of recruits obtained by the services. The tests were made of a randomly selected sample of 1,600 male enlistees from the four military services who entered the services during January through June 1974 and who were still in the service when the sample was selected. The tests included verifying the services' records concerning (1) police records at the time of enlistment, (2) educational attainment, and (3) age at the time of enlistment. **Findings/Conclusions:** The records concerning education and age were reasonably accurate. Because of the inaccessibility of local and State police data and the incompleteness of Federal Bureau of Investigation (FBI) files, the military services do not know how many enlistees in the sample had police records. Of the records that were available, 21 enlistees would have been barred had their records been disclosed. Some of the police record problems may be resolved because the responsibility for national agency

checks will be transferred from basic training commands to the entrance stations, and the Department of Defense is proposing legislation to improve its access to the records.

092147

Computers and U.S. Military Readiness in Europe. LCD-76-110. August 25, 1976. 2 pp.
Report to Congress; by Elmer B. Staats, Comptroller General. This is an unclassified digest of a classified report.

Contact: Logistics and Communications Division.

Organization Concerned: Department of Defense.

Congressional Relevance: Congress.

Abstract: A review was undertaken of the usage of automatic data processing (ADP) systems by U.S. Forces stationed in Europe to meet their peacetime and wartime operational needs. **Findings/Conclusions:** In its review, GAO found that how the services establish overall wartime computer readiness depends on how they assess the need for ADP wartime support and the risk of losing this compared to the cost of providing an adequate ADP wartime readiness process. Further, although the services depend on ADP to carry out effectively those activities vital to wartime operations, many functions which parallel manual operations do not exist for meeting data requirements. This is particularly the case in command and control, personnel, and large-supply operations. Currently, the services have studies in various stages of development to increase operational readiness. However, ADP wartime readiness will not be improved materially unless: (1) ADP wartime missions are clearly defined; (2) secure backup facilities are designated and made as transportable and as survivable as the principal activities which they support; (3) field testing is conducted periodically to insure that van mounted computers can operate in field environments and that adequate power supplies and transportation support are available; and (4) adequate plans are provided for the continuity of ADP support when individual systems are destroyed in wartime. **Recommendation To Agencies:** The Secretary of Defense should direct the military services to identify what is needed to achieve the desired ADP readiness posture and the costs of meeting these needs.

092148

[Cost and Workload Accounting and Information Systems in Military Hospitals]. FGMSD-76-70; B-161475. August 23, 1976. 5 pp. plus 1 enclosure (14 pp.).

Report to Vernon McKenzie, (Acting), Department of Defense: Assistant Secretary of Defense (Health Affairs); by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Defense: Assistant Secretary of Defense (Health Affairs); Department of Defense.

Abstract: GAO surveyed the accounting and information systems used to evaluate cost and workload in the Department of Defense's (DOD) military hospitals. **Findings/Conclusions:** There were no standard accounting and information systems for recording and reporting comparable data among the facilities surveyed. To make rough comparisons of cost and output at three military hospitals visited, it was necessary to adjust some financial and other data produced; comparisons disclosed indications of disparity in the allocation of resources. The military services used numerous automated and manual systems to accumulate data, and the systems lacked uniformity. As a result, DOD did not have information available to compare and evaluate hospital budgets, costs, and workloads. Operation and budgeting procedures varied among the military services, and the budgets submitted by the services did not include the same cost elements. The Army excluded utility and

maintenance costs, the Air Force excluded food procurement costs, and the Navy excluded dental operations costs. Since these cost elements were not included in the budget, they were not accounted for by the hospitals. It was difficult to determine total costs for medical care at each hospital, and these costs exclusions negated valid comparisons.

092149

[HEW's Centralized Payroll System]. FGMSD-76-68; B-164031. August 24, 1976. 9 pp.

Report to Secretary, Department of Health, Education, and Welfare; by Harold L. Stugart (for Donald L. Scantlebury, Director), GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Health, Education, and Welfare; Department of the Treasury.

Authority: 6 GAO 4. 2 GAO 12.

Abstract: In a series of reviews of the Department of Health, Education, and Welfare's (HEW) centralized payroll system, GAO examined the HEW procedures and practices for processing undeliverable payroll checks returned to the Department of the Treasury for cancellation, remailing, or reissuance. **Findings/Conclusions:** Hundreds of Wage and Tax Statements and pay records for 1974 were erroneous because adjustments for canceled checks were not recorded in the proper year or were recorded twice. W-2 tax forms were also found to be erroneous because pay records were incorrect. Because of needed revisions to computer programs for processing, canceled check adjustments were not made for about 7 months. As a result, HEW made no canceled check adjustments from December 1974 to July 1975. **Recommendation To Agencies:** To furnish accurate W-2 forms to employees and accurate reports to the Civil Service Commission and Internal Revenue Service, it is recommended that the Secretary, HEW, instruct the Director, Division of Central Payroll, to: (1) record canceled check adjustments on pay records for the year in which the check was issued and provide employees with corrected W-2 forms where appropriate; (2) identify erroneous W-2 forms issued for 1974 and 1975 and meet with IRS officials to determine what action, if any, should be taken; and (3) give high priority to making revisions, when necessary, to the computer program used to process canceled check adjustments to prevent delays in adjusting pay records. HEW should improve its procedures and practices to minimize the possibility of errors and irregularities involving undeliverable payroll checks. Also, HEW should comply with its procedures regarding the return of undeliverable payroll checks to the Treasury. The designated agents should be instructed to: (1) return all undeliverable checks directly to the Treasury, obtain receipts for them, and notify the Division of Central Payroll; and (2) compare receipts obtained from the Treasury with records showing which checks were sent to the Treasury and investigate the differences for further action. The Director of the Division of Central Payroll should be instructed to: (1) compare notifications received from designated agents with returned check notices received from the Treasury and investigate the differences for further action; and (2) adequately control and safeguard payroll checks when designated agents return them to the Division of Central Payroll and remind designated agents that undeliverable checks should be returned directly to the Treasury. The Assistant Secretary for Administration and Management should be instructed to: (1) take action to stop designated agents from returning undeliverable payroll checks to the Division of Central Payroll; and (2) monitor the implementation of the above recommendations.

092150

Improvements Needed in Accounting Systems Operations: The White House Office. FGMSD-76-34; B-133209. September 2, 1976. 20

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pp. plus 2 appendices (3 pp.).

Report to Philip W. Buchen, Counsel to the President, White House Office; by Robert F. Keller, Acting Comptroller General.

Contact: Financial and General Management Studies Division.

Organization Concerned: White House Office; Central Intelligence Agency; Executive Office of the President; Office of the Vice President of the United States.

Abstract: The Counsel to the President requested a review of the White House accounts from July 1, 1969 to August 9, 1974.

Findings/Conclusions: The review indicated that there was a need to improve accounting controls and procedures to help insure that receipts and disbursements were properly handled and that effective accounting control was maintained over all funds, property, and other assets. Many disbursements were not supported by documentation; funds were transferred without legal authorization from the Central Intelligence Agency to the White House Office; equipment was lost or missing; improvements were needed in controls and procedures for preparing payrolls and keeping time and attendance records; official reception and representation expenses were exceeded in fiscal year 1971; and financial reports did not report reimbursements and other income. In discussing the findings with the White House Administrative Officer, GAO was told that the White House Office planned to redesign its accounting system and to make more use of automatic data processing. GAO found that some of the problems identified in the audit might have been corrected sooner if the White House Office had an internal audit staff. **Recommendation To Agencies:** The Staff Secretary to the President should provide for an internal audit function of the White House to be established as one means of assuring more effective control over and accountability for all funds, property, and assets and should ensure that provision be made for internal audit coverage of other agencies in the Executive Office of the President and the Office of the Vice President.

092151

[NAVSEA Policies and Practices Used To Manage Personnel Involved in Data Processing Activities]. FPCD-77-73; B-163074. August 30, 1977. 4 pp. plus 3 appendices (11 pp.).

Report to Secretary, Department of Defense; by Hyman L. Krieger, Director, GAO Federal Personnel and Compensation Division.

Contact: Federal Personnel and Compensation Division.

Organization Concerned: Department of Defense; Department of the Navy; Naval Sea Systems Command.

Abstract: GAO reviewed the policies and practices used by the Naval Sea Systems Command (NAVSEA) to manage personnel involved in automatic data processing (ADP) activities. The review concentrated on the NAVSEA determination of the number and composition of staff needed to design, maintain, and operate the management information system for naval shipyards.

Findings/Conclusions: GAO found that: (1) differences in staff size and composition at the two NAVSEA computer design activities were not based on centrally established criteria; (2) management of the automatic data processing (ADP) support staff was divided among two NAVSEA divisions, the Director of the Computer Applications Support and Development Office, and eight naval ship yard commanders without benefit of Navy or NAVSEA direction and guidance for the management of ADP personnel; and (3) there was insufficient and unbalanced use of a shipyard management information system training program. **Recommendation To Agencies:** The Navy should place the programmers and systems analysts under the management of the computer development activities and develop staffing criteria for computer design activities with consideration being given to the staffing models developed by the other services. NAVSEA should centralize management

responsibility over the shipyard management information system ADP support staff, consider developing criteria for staffing data processing offices, and evaluate the operations and administration of the shipyard management information system training program.

092152

[Internal Controls for the Veterans Administration Computer-Based Compensation and Pension Benefit Payment System]. MWD-76-90; B-133044. February 6, 1976. 7 pp.

Report to Richard L. Roudebush, Administrator, Veterans Administration; by Gregory J. Ahart, Director, GAO Manpower and Welfare Division.

Contact: Manpower and Welfare Division.

Organization Concerned: Veterans Administration; Veterans Administration: Data Processing Center, Hines, IL; Veterans Administration: Internal Audit Service.

Authority: Budget and Accounting Procedures Act of 1950.

Abstract: Limited testing and observation were performed at the Veterans Administration (VA) Data Processing Center at Hines, Illinois, and three VA regional offices to determine whether control methods and procedures used at those facilities were adequate to assure accurate, complete, and valid processing of benefit payments and related transactions. An inquiry was also made into the extent of internal audit coverage of computer processing controls. Findings based on observations at the regional offices were discussed in an earlier report. **Findings/Conclusions:** The survey raised questions concerning the effectiveness of programming for controls to assure the completeness and accuracy of processing transactions by the VA computer-based compensation and pension (C&P) benefit payment system at the Hines center. GAO found that: (1) data produced by programmed control routines did not assure that transactions and benefit calculations were processed completely and accurately; (2) a project to resolve discrepancies in control data was given a low priority; (3) revision of programs was not routinely accompanied by revision of control routines to insure their continuing effectiveness; (4) alternative control procedures were not adequately documented; and (5) internal processing controls had not been evaluated by the Internal Audit Service. The apparent lack of attention to resolving discrepancies in control data and in documenting control procedures increased the risk of vulnerability of the system to undetected error and misuse. **Recommendation To Agencies:** The Administrator of Veterans Affairs should direct the Chief Data Management Director to evaluate C&P system controls to: (1) resolve the discrepancies in control data reflecting the results of processing; (2) document the existing system of controls relied upon to assure the reliability of processing; and (3) assure that the Internal Audit Service monitors the adequacy of controls in the C&P system and the successor system currently under development.

092179

Procurement Practices of Cities Under Federal Grant Funds; Questionnaire Survey. PSAD-77-88. April 1977. 32 pp. plus 2 appendices (16 pp.).

by Richard W. Gutmann, Director, GAO Procurement and Systems Acquisition Division.

Contact: Procurement and Systems Acquisition Division.

Abstract: A questionnaire was sent to different city governments to obtain an overview of city procurement practices and of the problems that cities experienced in spending Federal grant funds. The responses were compiled by GAO. **Findings/Conclusions:** Responses from the cities indicated several areas where procurement improvements could be effected. It was found that: (1) the role of the central purchasing activity's involvement in the procurement functions needs to be strengthened; (2) contract

administration is generally left to the individual city departments; (3) opportunities exist for consolidating the purchases of similar items to save on administrative costs and to obtain volume discounts; (4) public schools generally have separate purchasing departments and, thus, do not benefit from consolidating purchases with city operations; (5) surplus or excess property is generally not transferred from one Federal grant program to another; (6) cities frequently do not participate in cooperative procurement activities with nearby governmental entities; (7) cities expressed little interest in being permitted to purchase through Federal supply sources; and (8) most cities felt that pricing information from the General Services Administration would benefit their purchasing activities. The cities also favored standardizing grant procurement requirements, felt that grantor agency information requirements varied substantially, believed grantor reporting requirements were more than necessary, and thought Federal guidelines were of little assistance in resolving procurement problems.

092322

Changing World of the Computer and Implications of ADP for GAO; Summary. February 13, 1979. 113 pp.
by Elmer B. Staats, Comptroller General.
Executive ADP Briefing.

Contact: Financial and General Management Studies Division.

Organization Concerned: General Accounting Office.

Abstract: A summary is presented of a briefing of GAO officials on the expanding power, potential, and problems of automatic data processing (ADP). The summary deals with ways that the current miniturization of computer hardware can be used to audit the technology and how to review the managerial aspects of the technology application. Contained within the publication are the guest speakers presentations and chart reproductions on ADP management.

092323

Selected Literature on Cost Accounting and Cost Control for Automatic Data Processing; A Bibliography. January 7, 1976. 70 pp.
by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Abstract: Abstracts are presented of recent articles, texts, Federal reports, and Federal policy and guidance documents on cost accounting and cost control for automatic data processing (ADP) activities and systems. A variety of viewpoints and backgrounds are represented in a cross section of current ADP activities. The articles and reports are annotated and organized by key points and conclusions relative to identified topic areas. The texts are organized alphabetically, and the policy and guidance documents are listed by identification number and by its source with available descriptions.

092324

An Experimental Computer Output Microfilm Service Center. February 1976. 42 pp. plus 5 appendices (32 pp.).
by Joint Steering Committee on Computer Output Microfilm.

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Defense; General Services Administration; General Accounting Office; National Bureau of Standards; National Technical Information Service.

Abstract: As a result of GAO studies concerning the Federal Government's use of computer output microfilm (COM), an experimental COM service center was operated in Norfolk, Virginia from November 1973 until June 1975. The study demonstrated that: (1) production cost savings and operational efficiencies were achieved

by agencies converting paper reports to COM, and (2) Federal COM service centers can be effective means of providing the service. Experiments also revealed that: (1) COM is a viable option for routine reports intended to be read and acted on, (2) small Federal automatic data processing (ADP) installations can achieve cost savings and increased operational efficiency through the use of COM, and (3) ADP installations can apply COM effectively via a local Federal COM service center. A COM service center can yield substantial savings to the Government because it allows small ADP installations to capture paper savings without a capital investment, and it avoids the cost of replicating underutilized COM equipment at numerous small ADP installations. Regulations require agencies to obtain COM services from existing Government sources before using commercial service centers. Sharing facilities is preferred unless there are complicated security requirements, restrictive turn around requirements, or a volume which cannot be handled by the available COM equipment to be shared.

093662

Major Changes Are Needed in the New Leased-Housing Program. CED-77-19; B-171630. January 28, 1977. 77 pp. plus 5 appendices (7 pp.).
Report to Congress; by Elmer B. Staats, Comptroller General.

Contact: Community and Economic Development Division.

Organization Concerned: Department of Housing and Urban Development; Department of Agriculture; Farmers Home Administration.

Congressional Relevance: Congress.

Abstract: The Department of Housing and Urban Development (HUD) section 8 leasing program, the principal Federal program for housing lower income persons, has had limited success in providing occupancy for lower income persons and stimulating new housing starts. **Findings/Conclusions:** Major changes are needed to improve administration and increase activity under four section 8 programs: existing, newly constructed, substantially rehabilitated, and State agency housing. Weaknesses in HUD methods to establish program rents resulted in rents which appear too low to encourage sufficient participation by private housing owners. Owner's unwillingness to assume the management risks associated with housing lower income families with children will result in disproportionate assistance to lower income elderly persons to the detriment of large and very-low-income families. Some owners are reluctant to participate in the program because they believe that the HUD-established fair market rents will not compensate them for complying with the section 8 requirements and for accepting the heavier management burden which they believe comes with renting to lower income persons. Some smaller communities and public housing agencies have refused or were unable to participate. Program activity has been limited by program regulations which assign lower income participants numerous complex responsibilities and by public housing agency-imposed residency requirements which restrict participant mobility. Private developers have limited their activity because of lack of financing, owner's numerous program responsibilities compared with the low financial rewards, and low HUD-established fair market rents. State agencies have been unable to sell bonds to finance section 8 projects because the bonds lack the security and higher return available in the corporate bond market. **Recommendation To Agencies:** The Secretary of Housing and Urban Development should: (1) implement the section 8 program more promptly and effectively by insuring that HUD field offices have sufficient trained staff; (2) allocate section 8 funding to communities in accordance with program mixes as contained in local communities' housing assistance plans; (3) justify to the HUD central office use of any factors not specifically identified in the Housing and Community Development Act; (4) revise HUD procedures to insure that fair market rents are at least equal to private

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rents for similar units; (5) insure that fair market rents and rent reasonableness tests for new construction and substantial rehabilitation reflect the current costs of producing and financing units as well as meeting section 8 management requirements; (6) develop separate fair market rent schedules for individual housing submarket areas instead of one fair market rent schedule for an entire standard metropolitan statistical area or county group; (7) determine if a premium rent is necessary to encourage owners and developers to provide section 8 housing to nonelderly families, especially those requiring large units; (8) consider, as an alternative to increasing fair market rents, reducing some of the owners' section 8 responsibilities to overcome their reluctance to participate in the program; (9) continue the section 32 leasing program; (10) allocate sufficient funds to a community to permit effective, efficient, and economical program administration; (11) prohibit housing authorities from making residency a program requirement; (12) consider suggested alternatives to enhance a developer's ability to obtain financing and increase developer interest in the program; (13) coordinate more aggressively with the Farmers Home Administration so that rural areas can get more housing assistance; and (14) encourage construction of projects with a mixture of subsidized and unsubsidized units. The Secretary of Agriculture should have the Administrator, Farmers Home Administration, coordinate more aggressively with HUD to resolve program differences so that rural areas can get more housing assistance.

093676

Smugglers, Illicit Documents, and Schemes Are Undermining U.S. Controls Over Immigration. GGD-76-83; B-125051. August 30, 1976. 53 pp. plus 5 appendices (10 pp.).

Report to Congress; by Robert F. Keller, Acting Comptroller General.

Contact: General Government Division.

Organization Concerned: Immigration and Naturalization Service; Department of State; Department of Justice: Office of the Attorney General; Department of Justice.

Congressional Relevance: Congress.

Abstract: Two proposals to solve U.S. immigration problems are (1) legislation to prohibit employment of illegal aliens, and (2) issuance of a new alien identification card. U.S. controls over immigration are being undermined by numerous aliens who employ professional smugglers or use illicit documents to enter or remain illegally in this country. These activities are expected to increase as it becomes more difficult to enter or remain illegally in the United States.

Findings/Conclusions: The Immigration and Naturalization Service's antismuggling efforts have had some good results, including the immobilization of several large rings; however, problems exist which limit its effectiveness. The Service's work to cut down the use of these documents may have a limited result. Nonimmigrants violate conditions of their temporary entry. Aliens also enter into sham marriages or take advantage of weak, investor-exemption regulations to become legal residents. Proposed changes by the Service and the Department of State to investor-exemption regulations, if put into effect, would be a big step toward assuring that only bona fide investors will be admitted. **Recommendation To Congress:** Congress should establish deterrents to curb professional smuggling of aliens, including legal resident aliens who are involved, and to prevent aliens in the United States on temporary stays who violate conditions of their entry from obtaining legal resident status by enacting legislation to: (1) permit deportation of legal resident aliens based on criminal convictions for smuggling offenses; (2) give the Immigration and Naturalization Service discretionary authority to seize vehicles used in smuggling aliens; and (3) prohibit the adjustment of nonimmigrants to legal resident status if grounds for such status were acquired while nonimmigrants were in an illegal status. **Recommendation To Agencies:** The Attor-

ney General should direct the Service to: (1) use established procedures to identify multijurisdictional smugglers quickly; (2) classify known smugglers by the size of their operation and put into place a system for evaluating the progress being made in immobilizing smuggling rings; (4) determine if additional manpower should be assigned to antismuggling units; (5) study the informant program to assess and improve its effectiveness in identifying and apprehending smugglers; (6) begin efforts to obtain suitable surveillance vehicles; (7) seek assistance from U.S. embassy officials in obtaining cooperation from Mexican officials; (8) increase personnel attendance at illicit document seminars; (9) determine if it is practical to periodically reissue or revalidate previously issued alien registration documents to help prevent illicit use of genuine documents; (10) establish an index of alien registration documents lost or stolen to tighten controls over the reissuance of those documents; (11) develop a system to provide quick verification of an alien's status for employers; (12) expand investigative efforts, such as investigating sellers and makers of illicit documents; (13) seek more cooperation from State and local agencies issuing birth certificates by increasing its scope of agreements with them and extending such agreements to all other appropriate birth certificate-issuing agencies; (14) determine statistically those characteristics of marriages indicative of fraud; and (15) provide the Department of State with more information on the Service's actions to determine the validity of marriage relationships.

093687

Better Data on Severity and Causes of Worker Safety and Health Problems Should Be Obtained From Workplaces. HRD-76-118; B-163375. August 12, 1976. 39 pp. plus 3 appendices (13 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Contact: Human Resources Division.

Organization Concerned: Department of Labor; Occupational Safety and Health Administration.

Congressional Relevance: Congress.

Authority: Automatic Occupational Safety and Health Act.

Abstract: According to the Department of Labor's latest estimate, 5,900 private industry workers died from work-related injuries and illnesses. The Occupational Safety and Health Act authorizes Labor to obtain from employers and other sources information needed to determine the most serious safety and health hazards.

Findings/Conclusions: Better data on the causes and severity of safety and health problems are needed for developing and modifying standards to administer the Act, insuring enforcement of and compliance with the Act, and employer-employee information and education activities. Basic questions which remain unsolved are: (1) the need for all of the existing standards and their adequacy for preventing injuries; (2) the relative priorities which should be given to developing standards on thousands of safety and health hazards not covered by standards; (3) whether the Occupational Safety and Health Administration (OSHA) and State compliance inspections are directed first to the workplaces most likely to have specific hazardous conditions that can cause death or serious disabling injuries and illnesses; (4) whether OSHA and State inspectors emphasize specific conditions that can cause death and seriously disabling injuries or illnesses; (5) whether penalties and correction deadlines for violations found during inspections consider adequately the seriousness of the hazards as required by the Act and Labor procedures; and (6) whether the levels and directions of information and education efforts are proportionate with the potential for reducing to a minimum serious safety and health problems. Labor's data on work-related injuries and illnesses as reported by employers would not be adequate for directing efforts to protect workers from toxic chemicals and other health hazards. Labor has more authority to obtain such data than it has used to date. **Recommendation To Agencies:** The Secretary of Labor should direct

OSHA to: (1) give high priority to resolving the issues of how to obtain the data it needs from employers on the severity and causes of injury and illness and establishing a system for obtaining and using the data; (2) modify the accident investigation program to compile and analyze data on the specific causes of injuries and include, where necessary for getting additional causal data, investigations of nonfatal but serious accidents which are shown by other data to occur frequently; (3) reconsider the need for such other efforts as supplementary studies and limit such efforts to obtaining specific data that are needed but not obtainable under the system and the accident investigations programs; (4) evaluate the data on causes of death and serious injury and illness to determine what standards development, enforcement, information, and education efforts are needed to eliminate or reduce such causes; and (5) initiate a program, in consultation with the National Institute for Occupational Safety and Health (NIOSH), for reviewing existing standards and related data, the NIOSH listing of toxic substances, and other appropriate data to identify the toxic substances and harmful physical agents which warrant reporting by employers. The program should require the promulgation of standards on the basis of information available.

093723

Problems in Administering Supplemental Security Income for the Aged, Blind, and Disabled. MWD-76-73; B-164031(4). June 11, 1976. 55 pp. plus 9 appendices (15 pp.).
Report to Congress; by Elmer B. Staats, Comptroller General.

Contact: Manpower and Welfare Division.

Organization Concerned: Social Security Administration; Department of Health, Education, and Welfare

Congressional Relevance: Congress.

Abstract: Congress established the Supplemental Security Income (SSI) Program to replace State programs for aiding needy, aged, blind, and disabled persons. After the program became effective, many benefit payment errors, delays, and other difficulties prompted numerous public complaints, State criticisms, and congressional inquiries about the way the Social Security Administration (SSA) was operating the new program. **Findings/Conclusions:** SSA and State officials believed the following issues should be considered to ensure the ultimate effectiveness of the new program: (1) certain Federal eligibility and benefit criteria have proved difficult to define and apply fairly; (2) through its legislative and administrative changes, the program has evolved into a complex, variable system of benefit payments and requires both the Federal Government and the States to administer and finance it; (3) staff and other resource shortages adversely affected administration of the SSI program; (4) program marketing efforts have not increased SSI eligibility rolls to the extent projected; (5) States were concerned about the reliability of SSA accounting procedures, the correctness of the billing to the States, and payment error rate; and (6) difficulties were created by the interaction between the SSI program and Medicaid.

093729

[Information Concerning the "Sole Brand and Model" Acquisition by the Veterans Administration of an IBM 370-168 Computer for the VA Data Processing Center at Hines, Illinois]. MWD-76-132; B-133044. June 1, 1976. 8 pp.
Report to Rep. Charles Rose; Rep. John E. Moss; by Robert F. Keller, Acting Comptroller General.

Contact: Manpower and Welfare Division.

Organization Concerned: Veterans Administration; International Business Machines Corp.; Office of Management and Budget; General Services Administration.

Congressional Relevance: House Committee on Appropriations;

House Committee on Appropriations: HUD-Independent Agencies Subcommittee; House Committee on Government Operations; Senate Committee on Appropriations; Senate Committee on Veterans' Affairs; Senate Committee on Governmental Affairs; Rep. Charles Rose; Rep. John E. Moss.

Abstract: The Veterans Administration (VA) intends to lease an IBM 370-168 computer for 36 months at a cost of about \$3.8 million, exclusive of certain peripheral equipment. VA plans to use the computer to assist in processing veterans' compensation, pension, and education claims until the proposed TARGET system, an advanced communications-based system currently being developed to replace the existing payment systems, has been fully implemented. **Findings/Conclusions:** The VA decision to consider only an IBM-brand computer was reasonable. Transition to the interim system, which is intended to serve VA needs only until the summer of 1978 when the TARGET system is planned to be fully implemented, would be facilitated by avoiding the potentially difficult and time-consuming effort of converting existing IBM-oriented programs to non-IBM equipment. However, VA has not adequately justified its specific need for an IBM 370-168 computer. Over the past several months, changes have been made in current and planned computer processing at the Hines center; however, VA has not reassessed its needs to determine whether a less costly model would have fulfilled its requirements and has continued to rely on a November 1974 study by a private consultant to justify the acquisition. In the opinion of GAO, the revision of the planned requirements alter the computer processing environment anticipated at the time of the private consultant's study. It would be difficult to quantify the effects of the recent changes as VA has not determined the specific performance characteristics required to support the increased workload. GAO was advised that VA was acquiring such a large machine in order to provide for all eventualities. The lease provides for replacing the computer with a less costly model at any time during the term of the contract. Such a downgrade would decrease the monthly lease charge, although VA would incur an initial charge for the replacement action. **Recommendation To Agencies:** The Administrator of VA should initiate a study to determine the specific computer performance characteristics required at the Hines center and relate these characteristics to the capabilities of an IBM 370-168 and other IBM models. If the study indicates that a more cost-effective configuration is warranted, the Administrator should have the IBM 370-168 removed and install the configuration indicated.

093751

[Study of a U.S. Postal Service Facility's Contract Routes]. GGD-76-84; B-114874. April 30, 1976. 4 pp.
Report to Sen. Robert Dole; by Victor L. Lowe, Director, GAO General Government Division.

Contact: General Government Division.

Organization Concerned: United States Postal Service.

Congressional Relevance: Sen. Robert Dole.

Abstract: GAO was requested to examine a third-party study which maintained that the U.S. Postal Service could save millions of dollars annually on contracted mail delivery services by using computer-designed vehicle routes and schedules. Although the Postal Service was unaware of the third-party study, it is currently testing a program virtually identical in concept in that both propose using computer assistance. Since the third-party study has paralleled the work of the Postal Service, GAO reviewed the Postal Service's Automated Vehicle Scheduling program and the Star Route Simulator program, the two major efforts which the Postal Service has underway. **Findings/Conclusions:** In its review, GAO found that the Automated Vehicle Scheduling System consists of computerized programs used in the design of schedules for vehicles in the intra-city transport of mail. This system uses basically the

Citation Section

same kind of data that an experienced vehicle operations manager would use to construct schedules manually; however, using the computer provides for a more timely evaluation of many different factors than would be possible using manual methods. The Star Route Simulator was developed by the Postal Service to help transportation analysts achieve more efficient star routes and to help the analyst consider and test more transportation route structures than could readily be performed manually. Although a preliminary analysis of both systems raised questions about some pertinent factors, such as total data collection costs and the impact star route changes would have on various postal programs which affect mail flow, GAO believes that computer assistance is proving to be a valuable tool in Postal Service efforts to optimize star route scheduling and service. However, GAO believes that the full impact that computerized star routing will have on costs cannot be determined at this time.

093768

Policy Changes and More Realistic Planning Can Reduce Size of New San Diego Naval Hospital. MWD-76-117; B-183256. April 7, 1976. 56 pp. plus 5 appendices (23 pp.).
Report to Congress; by Elmer B. Staats, Comptroller General.

Contact: Manpower and Welfare Division.

Organization Concerned: Department of the Navy; Naval Hospital, San Diego, CA; Department of Defense.

Congressional Relevance: Senate Committee on Appropriations; Military Construction Subcommittee; Congress.

Abstract: The Department of Defense (DOD) plans to build a new naval hospital in San Diego, California, consisting of 900 acute care beds and 300 light care beds. It would replace the existing facility at Balboa Park. The Navy believes that a new hospital is needed at a new location because of structural inadequacies, inefficient arrangement of hospital buildings, noise problems, and safety hazards caused by commercial aircraft near the existing site. **Findings/Conclusions:** GAO believes that some construction is needed; however, final decisions on size and location should await the policy guidance needed from Congress which could substantially affect hospital size. GAO found that the criteria used by DOD to size the new hospital did not reflect expected use patterns which resulted in a planned facility with 600 acute beds, and 300 light care beds would be needed if the beneficiary categories continued to use the new hospital in the same ratios that they have in the past. However, if the beds provided for retirees and dependents of the retired and deceased members were limited to 10 percent of the bed requirements for active duty members or their dependents, as called for under DOD policy, only 480 acute care beds would be needed. There are opportunities to further reduce the size of the proposed hospital by clarifying existing policy regarding whom new military hospitals are being built for and establishing a policy that would require sharing of excess acute care bed capacity at other nearby Federal hospitals. If Congress decides that a large hospital is needed, GAO believes either Balboa Park or Murphy Canyon would be appropriate. It would be appropriate for DOD to acquire control of the Murphy Canyon site so it can build at either location if Congress decides a large hospital is needed. DOD can reduce medical costs to the Government and be a leader in demonstrating the feasibility of sharing Federal facilities without adversely affecting the medical training program. **Recommendation To Agencies:** The Secretary of Defense should withdraw the DOD hospital sizing criteria now used and implement a planning methodology to adjust actual bed utilization figures to conform to community data for average lengths of stay, use adjusted figures to project acute care bed requirements, and provide sufficient light care facilities to meet special requirements of the military which result from the fact that patients cannot always return to their duty station for a normal convalescent period. The Secretary should await the decisions of

Congress on the matters affecting hospital size before making the final site selection.

093977

[Procurement Practices of the University of Washington Under Federal Grants and Contracts]. July 14, 1976. 7 pp.
Report to John R. Hogness, President, University of Washington, Seattle, WA; by Joseph W. Kegel (for John P. Carroll, Manager), GAO Regional Office (Seattle).

Contact: Field Operations Division; Regional Office (Seattle).

Organization Concerned: University of Washington, Seattle, WA.

Abstract: GAO has completed a limited survey of the procurement practices of the University of Washington under Federal grants and contracts. **Findings/Conclusions:** There is an opportunity to obtain greater value from the limited funds available for the University's research work. There appears to be a need to provide greater assurance that prices paid for equipment are obtained for most of the purchases it reviewed because there was extremely limited competition, and where only one price quotation was received, adequate cost/price analysis techniques were not employed. Limited competition was obtained because of sole-source designations on requisitions that resulted in only one price proposal. Purchase files did not always provide a complete record of the transactions. They did not show evidence of advertising; the basis for concluding that the price was reasonable; or who the price proposals were solicited from. GAO reviewed 27 purchases. Only one price quotation was received for 17 of these purchases. Of the remaining 10 orders, the award was not made to the low bidder in six instances, generally because DOD decided that the item proposed by the low bidder was not acceptable. In only 4 of 27 purchases was it evident that a lower price was secured through the competitive process. Some assurance is needed that prices proposed by suppliers are reasonable. Where adequate assurance is not obtained that the proposed price is reasonable, GAO believes that appropriate action should be taken to negotiate a lower price. The purchase order files should clearly disclose what actions were taken to obtain a reasonable price.

093983

Civilian Personnel Law Manual; Title I - Compensation. May 1977. 262 pp. by Paul G. Dembling, General Counsel.

Contact: Office of the General Counsel.

Abstract: The Civilian Personnel Law Manual is published to provide an overview of the legal areas which are handled by the civilian personnel law section of the General Counsel's office. It also functions as a ready research aid enabling a person to do initial legal research into a desired area. By utilizing the manual with the telephone research service, a complete research job, including updating relevant citations, may be accomplished. Matters discussed are: civilian pay systems; entitlement to compensation; basic compensation; additional compensation for Classification Act positions; payroll deductions; debt liquidation; waiver of erroneous payments of compensation; restrictions of payment of compensation by the United States and on acceptance of compensation from sources other than Federal funds; employee make-whole remedies; other provisions pertaining to employees; service as juror or witness; services obtained through other than regular employment; and wage board employees.

094294

[Readjustment Payments to Reserve Members Upon Involuntary Separation]. March 19, 1976. 2 pp. plus 1 attachment (2 pp.).
Letter to Commander, Department of the Air Force: Air Force

Accounting and Finance Center; by Irwin M. D'Adamo, Manager, GAO Regional Office (Denver).

Contact: Field Operations Division: Regional Office (Denver).

Organization Concerned: Department of the Air Force: Air Force Accounting and Finance Center.

Abstract: GAO undertook a review to ascertain whether the corrective measures that were suggested by it in a previous review were adopted. The purpose of the initial review was to determine whether Air Force reserve officers receiving readjustment payments had completed the qualifying 5 continuous years of active service. GAO found that, as a result of its previous review, the Directorate of Military Pay Operations changed the regulations relating to readjustment pay to clarify field reporting requirements, completed additional program edits for payment of readjustment pay, and issued an information message pointing out the requirement for 5 continuous years of active service to qualify for readjustment pay. GAO also found that corrective action had been taken to correct the previous errors where payments were made to officers who had not completed the 5 continuous years of active duty. However, additional errors in the payments were found by GAO. These errors involved the use of an erroneous multiplier in the readjustment payment computation and the failure of the Air Force pay officers to insure that no breaks in service occurred in the reserve officers final tour of duty. GAO believes that while the actions taken by the Air Force appear to have been successful in correcting some of the problems, additional program edits and information messages are needed.

094299

[Uses of Computer-Output-Microfilm]. February 10, 1976. 2 pp. Letter to Maj. Gen. Hugh R. Higgins, Commander, Department of Defense: Defense Construction Supply Center; by Robert W. Hanlon, Manager, GAO Regional Office (Cincinnati).

Contact: Field Operations Division: Regional Office (Cincinnati).

Organization Concerned: Department of Defense: Defense Construction Supply Center; Department of Defense: Defense Electronics Supply Center.

Abstract: A survey was undertaken on the current use of computer-output microfilm (COM) at the Defense Construction Supply Center (DCSC). The COM process bypasses paper printouts by producing data on microfilm direct from computer tape. The advantages of the system include reduced handling, mailing, and storage costs. Additionally, productivity gains are also realized because data can be retrieved much faster from microfilm than from paper. A previous study at DCSC concluded that COM conversion was not cost effective. At that time, the DCSC hardcopy cost for 25 reports was about \$7,400 as compared to an estimated monthly cost for COM conversion of between \$9,300 and \$10,000. Moreover, paper accounted for about one-half of the hardcopy cost. In its current survey, GAO found that DCSC lends itself to greater use of COM. Although DCSC has no in-house COM equipment, its computer reports are processed on COM by the Defense Electronics Supply Center (DESC). GAO also found that, since paper prices have generally doubled, even tripled, conversion to COM may be cost effective now. Therefore, GAO suggests that DCSC consider using DESC equipment instead of acquiring its own equipment since the DESC equipment is idle 70 percent of the time.

094301

[Review of Military Disbursing Officers' Accounts]. January 28, 1976. 1 p. plus 1 enclosure (4 pp.).

Letter to Commander, Department of the Army: 105th Finance Section, Germany; by Robert W. Hanlon, Manager, GAO Regional Office (Cincinnati).

Contact: Field Operations Division: Regional Office (Cincinnati).

Organization Concerned: Department of the Army: 105th Finance Section, Germany.

094325

[Management Guidelines for Cost Accounting and Cost Control for ADP Systems Design and Development Activities]. November 1979. 24 pp.

Cost Accounting, Cost Control For ADP Systems Design and Development; by Ronald Kozura, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Abstract: Management guidelines for cost accounting and cost control for automatic data processing (ADP) system's design and development activities are presented. Specifically, the guidelines presented include topic areas such as the ADP system life cycle concept, formal planning of an ADP system, resource utilization measurement, management reporting, and the assignment of cost to end user units.

094333

[Anatomy of a Successful Procurement]. September 27, 1979. 10 pp. Speech before the American Institute of Industrial Engineers; by Walter L. Anderson, Senior Associate Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Organization Concerned: General Services Administration; American Institute of Industrial Engineers.

Abstract: Comments were presented on the practices of the Federal Government in automatic data processing (ADP) procurements. Some of the problems evident in Government ADP procurements are: (1) occasional failure of the contractor to perform; (2) the contractor does not perform exactly in accordance with the contract, but the products or services do not do what was expected; (3) the contractor provides products or services that do exactly what was expected, but because of elapsed time the Government's needs have changed and new and different problems must be solved; (4) there is too long a lead time in bringing a solution to a problem; (5) agencies very often do not consider a number of alternatives in choosing what to do; (6) there is a tendency to jump at the first desirable alternative that can be justified; and (7) agencies often jump at technological solutions with which they are familiar rather than looking at the basic functions required and seeing if easier solutions are possible. However, the largest ADP procurement problem existing in the Government today is a lack of planning. Planning should be as complete as possible so that procurements can go more smoothly. By planning well, considering alternatives, and preparing a good requirement analysis and feasibility study, major problems can be eliminated. Some of the essential elements that make the procurement process successful include: organizational involvement by managers and users; a clear-cut direction of the procurement which considers the agency's missions, ADP plans, goals of the procurement, and strategy for fulfilling the goals; a formally defined and communicated structure of the procurement; performance criteria which are specified in quantitative terms; and the issuance of reports which clearly define the status and problems of the procurement.

094344

[Auditing as We Enter the 21st Century--What New Challenges Will Have To Be Met]. August 24, 1979. 24 pp.

Speech before the American Accounting Association; by Elmer B. Staats, Comptroller General.

Citation Section

Contact: Office of the Comptroller General

Organization Concerned: American Accounting Association; Securities and Exchange Commission.

Abstract: Comments were presented on the role of auditors in the future. Some future projections are that auditors will be reviewing financial statements with assets and liabilities stated in current values. There will be an increased independence both for internal and external auditors growing out of the function and structure of audit committees which will be responsible for disclosing relevant information to the public. A company's internal auditors will report directly to the audit committee. The committee will hire the public accounting firm that audits the company's books. It will be composed of outside directors, not of company management personnel. There will be improvement in the disclosure of the unfunded or underfunded liability of State and local government pension funds. Presently, these retirement plans are not subject to Federal control. When currently accrued retirement costs are not fully recognized, the true costs of Government programs are understated. Auditors will be used to audit models of programs before they are undertaken and to render opinions on the reliability of factors used in estimating the cost of these programs before they are started. An increasing number of reviews will be directed toward determining the economy, efficiency, and effectiveness of operations within corporations. Better ways to measure the costs and benefits of many things that today are imprecise and subject to much controversy will be found. As more and more financial transactions are handled by automatic data processing, auditors will require new audit procedures to decide whether financial transactions were handled properly. Better audit planning will be needed so that many tasks now performed sequentially can be performed simultaneously. Auditors will have to rely far more on the effective functioning of systems than they do now. Internal controls will become increasingly important. A complete new set of accounting controls based on computer operations will soon be needed. All controls will have to be weighed against the cost involved. Where management control systems are properly developed and are functioning properly, the possibility of fraud, theft, or error is greatly diminished. New auditing procedures which provide for greater assurance against fraud must be developed. The auditors of the future will have to have extensive and continuing education.

094356

[Expanding Role of Accounting in Our Economy]. June 18, 1979. 20 pp.

Speech before the Association of Government Accountants; by Elmer B. Staats, Comptroller General.

Contact: Office of the Comptroller General.

Organization Concerned: Association of Government Accountants.

Abstract: Comments were presented on the role of inflation in the economy and its effect on the role of the accountant. Investors are turning to accountants for information on how much profit was earned in terms of purchasing power. Movements related to inflation are challenging accountants to show precisely how efficiently, economically, and effectively the business of the Government is carried out, not just how much is spent for each function. Accountants are being asked to find ways to provide better protection against fraud and abuse and pressured to expand their internal control work. The computer is another factor enlarging the accountant's role. Computers produce data in such volume that questions that went unanswered before for lack of data can now be answered. Accountants are challenged as to how to structure this data in ways that managers can understand and deal with. The accounting system should serve the needs of each level of manager by isolating particular information so that each manager is not burdened with extraneous information. Concurrently, as the business community improves its accounting systems, agencies will be

pressured into making uniform those financial accounting and reporting requirements that are placed on the regulated sector of the U S economy.

094364

[Handling Rejected Input Transactions]. May 1979. 3 pp.

by Paul S. Benoit, GAO Financial and General Management Studies Division.

Reprinted From Journal of Systems Management, Vol. 30, No. 5, Issues 217, May 1979

Contact: Financial and General Management Studies Division.

Abstract: The handling of input transactions rejected by a system's edit, validation, and update routines is a critical processing point in automated financial accounting system design because it determines, to a great extent, the reliability of a system's output. Unless handled properly, rejected transactions may be lost entirely or never corrected. Unauthorized personnel may correct errors in violation of the basic control principle of separation of duties. Corrections, if made, may be untimely. The corrected transactions may be allowed to bypass the normal routines, and the audit trail may be lost. Error reject handling in today's systems is frequently achieved through a combination of manual and automated means. Rejected transactions are dated, assigned a unique, sequential identifier; assigned error codes, and recorded onto an error file by the computer to prevent loss of error rejects. Rejected transactions remain in the error file until corrected. Accounting management insures that the error reject listing is received according to a predetermined schedule, logged in, and controlled until all errors have been researched and corrected. In theory, all transactions are cleared from the rotating error file prior to the close of the current financial reporting period so that transactions are reported in the appropriate reporting period and the system reports reflect complete and accurate information.

094642

[Optimizing the Choices]. March 24, 1976. 9 pp.

Speech before the National Symposium on Answers for the Building Community; by Elmer B. Staats, Comptroller General.

Contact: Office of the Comptroller General

Abstract: Comments were presented on the possibility of increasing production by optimizing the choices which arise in the building procurement process and which continue throughout the life of the facility. The ways in which a building or facility is acquired are changing and will probably continue to change and affect justifications, plans, designs, management of construction, and management of a structure once it is in use. Some of the reasons for the changes are the crisis in energy supplies and costs, materials shortages and escalating costs, and rising costs of labor. These factors exert powerful influences that point to the need for reviewing and considering changes in procurement and construction practices, in design emphasis and conception, and in occupancy and use. GAO believes that the development and refinement of computer-aided techniques will provide the designer with a wider variety of alternatives quickly and will optimize design work, while accelerating the start of construction and compressing overall time requirements. However, it believes that the greatest opportunities for increasing productivity lie close to the construction process itself. The overall high costs of construction are strong incentives for the United States to look hard at the advantages of remodeling and retrofitting older buildings instead of demolishing them and incurring the cost of rebuilding. Buildings should be designed with enough flexibility to allow them to function through changes in use because of the need to recycle the buildings and the materials in them. This country cannot afford the energy costs that would be incurred by unrestricted new construction.

094673

[Need for More and Better Computer Auditing]. October 13, 1977. 19 pp.

Speech before the Fourth Annual Fall Seminar and First Annual Regional Seminar, Electronic Data Processing Auditors Association: National Capitol Area Chapter; by Ellsworth H. Moree, Jr., Assistant Comptroller General, GAO Office of the Comptroller General.

Contact: Office of the Comptroller General.

Organization Concerned: Electronic Data Processing Auditors Association: National Capitol Area Chapter.

Abstract: Comments were presented on the role of the auditor in the area of computer auditing. Auditors who confront automatic data processing (ADP) systems must be technically equipped to test the workings of the management's information and control systems and to recommend improvement or correction of any serious problems encountered, actual or potential. GAO places great emphasis on having auditors who have the capability to audit ADP systems in the financial, operational, personnel, logistics, or other management areas. The role of GAO is to evaluate Federal agency systems and promote whatever changes are necessary to make them as effective as possible. Auditors must acquire the specialized experiences, new and demanding training, and an ability to shift to using the computer itself as a tool for carrying out audit procedures. Not enough is being done in the area of computer auditing. Auditors are accountable when computer systems lack controls, are used inefficiently or uneconomically, or are tools for criminal activity. The magnitude of Federal spending on ADP and the existing and potential problem areas compel evaluating the impact of ADP on programs, operations, and resources use. Too many audit organizations have avoided examining computer systems and applications. They should also identify the types of ADP audit tasks they might confront in the next 3 years to identify the knowledge and skills they will need to perform these tasks. Internal auditors must participate in the system development process. Controls must be verified both before and after installation of computer-based systems. Top management should initiate a periodic assessment of its audit and control programs. Internal auditors must evaluate the computer application, the system design, the system need, computer efficiency, documentation, user satisfaction, the computer configuration, and the training level of the staff. Managers and auditors have to be alert to test systems to detect fraud and tighten them when fraud is found.

094676

[Security of Computer Systems]. September 28, 1977. 10 pp.

Testimony before the House Committee on Banking, Finance and Urban Affairs: Consumer Affairs Subcommittee; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Congressional Relevance: House Committee on Banking, Finance and Urban Affairs: Consumer Affairs Subcommittee.

Abstract: Computer security is a set of policies, procedures, and practices which are designed to assure that the unauthorized use of data resources is prevented or at least significantly inhibited and that the authorized use of these resources is carried out as reliably, accurately, and with as little interruption and loss as possible. GAO believes that the computer security area is so significant that it demands top management attention. Since the Federal Government is the largest user of computers in the world, GAO reviewed the Government's practices in the computer security area and found that Government computer systems were not being properly protected. Consequently, there have been losses of equipment,

software, data, funds, personnel injuries, and life. This includes such actions as crimes, espionage, mischief, and sabotage. GAO also found that computerization tends to centralize Government assets and data making them more vulnerable to destruction or alterations than ever before. However, to correct some of the abuses that exist in Government computer systems, GAO advocates an organized plan that separates the duties of individuals to minimize opportunity for misuse or misappropriation, a system of authorization and record procedure to provide accounting control, an established system of practices for each duty and function of the organizational element, and an effective system of internal review. GAO also recommends the appointment of a high management official to be responsible for security, including management of security and security planning with the use of risk assessment methods.

094677

[Observations on Software Centers]. September 27, 1977. 12 pp. plus 1 attachment (1 p.).

Speech before the CEPA Fall Conference; by Ronald L. King, Manager, Construction Systems and Methods, GAO Logistics and Communications Division.

Contact: Logistics and Communications Division.

Organization Concerned: Department of the Army: Corps of Engineers: Hydrologic Engineering Center, Davis, CA; National Science Foundation: National Center for Atmospheric Research.

Abstract: GAO conducted a comprehensive research study on the state-of-the-art of computer-aided building design. As part of the study, GAO visited several software centers in the United States and Europe. There is a great deal of activity occurring in Europe relating to the use of computers and the development of centers to facilitate the transfer of computer software. Unless attention is paid to the European effort, the United States will be paying foreign firms for systems and services. The United Nations (U.N.) is actively interested in the application of computers in the building industry and is supporting several projects in this area. A U.N. committee concluded that the development of an international index or program, standard rules for software, standard rules for software documentation, and the wider dissemination of information on the use of computers should be encouraged. The European Computer Program Institute provides Europeans with a single, efficient way of accessing a computer program. This software library was set up to promote full European cooperation for a complete information service on scientific-technical software and to provide a single, efficient way of accessing computer programs. A conversational information storage and retrieval system has been developed and placed into operation. A European Consortium for Software Access and Information Transfer in Research and Teaching has been set up to look at program abstract; the standardization of program classification; and indexing programming standards and guidelines for program documentation. The European Information Network provides access to software centers through a network of distributed databases. The French building industry has created powerful research and technical assistance mechanisms to place the technical, organizational, and management tools in the hands of the contractor when and where he needs them. A comparable center in this country, the Hydrologic Engineering Center, is a software center that meets the needs of hydrologic engineers in the Army Engineering Corps, serves private firms on a reimbursable basis, maintains the system, and teaches users how to use the program.

094698

[Records Management: A Blueprint for Tomorrow]. October 9, 1978. 20 pp. plus 5 enclosures (5 pp.).

Speech before the Association of Records Managers and Administrators; by Elmer B. Staats, Comptroller General.

Citation Section

Contact: Office of the Comptroller General.

Organization Concerned: Commission on Federal Paperwork; Association of Records Managers and Administrators; Privacy Protection Study Commission.

Congressional Relevance: *Rep.* Frank Horton; *Rep.* Jack Brooks; *Sen.* Thomas J. McIntyre; *Sen.* Lawton Chiles; *Sen.* Lloyd Bentsen.

Authority: Privacy Act.

Abstract: The amount of internal Government paperwork; the amount of paperwork required of business, State and local governments, and individuals; and the need for preserving individual privacy in Federal records systems were discussed. New technologies and greater demand for personal information by Federal agencies have raised serious questions regarding the potential for invasion of individual privacy. Congress has responded by enacting the Privacy Act which has been beneficial in preserving individual privacy in Federal records systems. The Act establishes a Privacy Protection Study Commission that studies various aspects of privacy in both the private and public sectors. The Commission outlined three basic objectives for an effective privacy protection policy: minimization of intrusiveness, maximization of fairness, and the creation of legitimate and enforceable expectations of confidentiality. Numerous industries and associations are taking action to comply voluntarily with the principles of the Act. Further, the Federal Paperwork Commission was established to make recommendations to eliminate needless paperwork while assuring that the Federal Government has the information necessary to meet the mandate of law and to operate effectively. The Commission found that not only financial costs, but psychological costs of anxiety, frustration, anger, and anti-Government attitudes could be reduced by more appropriate paperwork requirements. The Paperwork Commission reported on records management, the reports clearing process, confidentiality and privacy, information resources management, and the role of Congress in Federal paperwork reform. Accurate, timely, and complete information, effectively communicated, is the lifeblood of any organization. However, too much information, inaccurate information, or poorly presented information confuses, or even paralyzes, an organization.

095092

Lessons Learned About Acquiring Financial Management & Other Information Systems. August 2, 1976. 50 pp. plus 2 appendices (11 pp.).

by Elmer B. Staats, Comptroller General.

Contact: Office of the Comptroller General.

Abstract: A booklet is presented to disseminate the lessons learned by many Federal agencies and contractors in designing, developing, and implementing management information systems.

095099

Illustrative Accounting Procedures for Federal Agencies; Guidelines for Accounting for Automatic Data Processing Costs. 1978. 30 pp. by Elmer B. Staats, Comptroller General.

Contact: Office of the Comptroller General.

Abstract: A guideline is presented for the accounting of automatic data processing (ADP) costs. Topics include: (1) identifying ADP activities and significant cost elements; (2) capitalizing equipment and software investment costs; (3) accounting for depreciation; (4) accounting for operational costs; and (5) reporting and billing costs to users.

095106

Guide for Evaluating Automated Systems. March 1977. 84 pp. plus 3 appendices (9 pp.).

by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Abstract: Guidelines are presented to provide the auditor with a structured approach for evaluating an automated or computerized system. This system approach places primary emphasis on determining the reliability of the automated system, including the information and reports it produces. The guidelines contain audit procedures for reviewing a complete system, including an evaluation of controls and detailed conformance testing.

095137

Audit Guide for Reliability Assessment of Controls in Computerized Systems. May 1978. 71 pp. plus 3 appendices (6 pp.).

by Elmer B. Staats, Comptroller General.

Financial Statement Audits.

Contact: Financial and General Management Studies Division.

Abstract: Detailed procedures are presented to help the auditor quickly evaluate internal controls in computer systems that produce financial statement information. This evaluation helps the auditor determine: (1) the degree and type of risks run in relying on computer-produced financial information; and (2) what additional audit tests are needed to minimize such risks.

095385

Privacy Protection and Technology. February 13, 1979. *Speech* before the GAO Briefing on Automatic Data Processing; by Robert G. McKenzie, Audit Manager, GAO Logistics and Communications Division.

Contact: Logistics and Communications Division.

Organization Concerned: Office of Management and Budget.

Abstract: Large data banks of personal information exist in various Government agencies, and only the current inability to centrally obtain this information precludes the use of Government sources to establish comprehensive individual dossiers. The first attempt to centralize Government-held computerized information in the mid-1960's met with concern over the potential for a large concentration of data which, if misused, could result in an invasion of individual privacy. Although many agencies are engaged in various aspects of computer security, numerous weaknesses occur, including: the absence of risk management techniques to select proper security safeguards; lack of procedures for monitoring and reporting on computer security effectiveness; noncompliance with existing procedures; lack of effective security training; limited involvement on the part of internal audit; and specific weaknesses in physical, technical, and administrative safeguards for protecting agency data. As long as these deficiencies exist, Federal agencies have no assurance that their computer resources and data are properly secured or adequately protected. GAO has recommended that the Director of the Office of Management and Budget take necessary actions to provide the Federal agencies with comprehensive guidelines regarding computer security. The problem of untrustworthy or dishonest employees represents the major threat to personal or sensitive information, and protection against such employees is very difficult. Several approaches to limiting access to computer information are outlined.

097969

[Obligation of Appropriations Under Interagency Agreement]. B-186535. September 27, 1976. 5 pp.

Decision re: Administrative Office of the United States Courts; by

Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: General Services Administration.

Authority: Economy Act of 1932 31 U.S.C. 686. General Appropriation Act of 1951 P.L. 82-759 Supplemental Appropriation Act of 1955. 31 U.S.C. 200(a). Federal Property and Administrative Services Act of 1949 63 Stat. 377 40 U.S.C. 759. Automatic Data Processing Equipment Act P.L. 89-306. 79 Stat. 1127. 34 Comp. Gen. 418. 34 Comp. Gen. 421. 52 Comp. Gen. 128. 51 Comp. Gen. 766. 39 Comp. Gen. 317. 31 Comp. Gen. 83 31 Comp. Gen. 86.

Abstract: The obligation of appropriations pursuant to an interagency agreement for the provision of automatic data processing services (ADP) was questioned. Although the legal authority for such interagency agreements is the Economy Act, the Federal Property and Administrative Services Act provides authority independent of the Economy Act for the provision of ADP services. Therefore, the applicable appropriation was obligated for the full amount stipulated in the agreement and is available for the entire performance period.

098113

The Proper Use of Consultants, Experts, and Contractors. November 15, 1978. 9 pp.

Speech before the Classification and Compensation Society; by Alan M. Stapleton, GAO Procurement and Systems Acquisition Division.

Presented at monthly meeting

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: Office of Management and Budget; United States Civil Service Commission; Department of Defense.

Authority: 5 U.S.C. 3109. OMB Bulletin 78-11

Abstract: An Office of Management and Budget (OMB) Bulletin provided guidelines concerning the use of consultants as well as a definition of consultant services to be used uniformly by all Federal agencies. These guidelines discuss how agencies are to make certain changes in reporting their use of consultants to the Civil Service Commission (CSC) and to a new contract data system. Within the next few months, new information will be available to show the extent to which the Government uses various types of consultant services and their cost. Every agency in the executive branch has begun to uniquely identify to CSC each of three categories of employees they hire to provide consultant services. However, this new way of tracking consultant employees applies only to individuals hired after October 1, 1978. There is still much data that will not be available from CSC, including how many days the consultants worked, their daily rate of pay, total annual compensation, and which consultant hiring authority was used by the agency. The Federal Procurement Data System operated by the Department of Defense will provide the first accurate information on the total number of consultant contracts over \$10,000. This information will include: the agency awarding the contract, extent of competition, name of consultant firm, total dollar value, and other details. For the first time, there will be one central repository of information on every consultant contract as defined in the OMB Bulletin

098114

Interactive Graphics in the United Kingdom. 1978. 18 pp.

by Ronald L. King, Audit Manager, GAO Logistics and Communications Division.

Contact: Logistics and Communications Division.

Abstract: There are many automated data processing (ADP) systems with graphics capabilities currently in use in the United Kingdom. Research and development is further enhancing and developing this aspect of design methodology. One of the factors behind

this activity has been the attitude of the British Government towards the development of computer technology and its practical application. The Government has financially supported and actively participated in developing, transferring, and implementing building technology and in promoting further technological advances in the building industry. The Computer Aided Design Centre is one result of the Government's decision to promote the wider use of computers in industry. The Centre is using basic tools developed for a range of development projects to build customized computer drafting systems for engineers and architects. These tools are a variety of database management systems, language processing, and tablet and menu handling software. Applications range from building services to structural steelwork drafting. The approach captures design/drafting logic, thus achieving a cost effective solution to specific drafting problems. Recently, the Centre has been using minicomputers for program and system development. The Design Office Consortium is a mechanism for transferring research results into practical application. It evaluates programs suitable for public use. The Computer-Aided Environmental Design Analysis and Realization System is an interactive building design system intended for designers of Government offices. It provides fast, simple graphical input to applications programs. The Oxford System is an integrated, interactive system for detail design of buildings. It eliminates the repetition needed in traditional design work and reduces the cost of new buildings by 25 percent. Currently, there are at least 26 computer-aided drafting systems available in the United Kingdom. A number of different technologies could play a major role in the future of computer graphics such as cathode ray tubes, intelligent terminals, plasma panels, and raster scan and laser displays. A major research task is to aid the designer in finding his own way among the varied computer-aided techniques becoming available. The successful implementation of these systems will be conditioned by the users' attitudes toward the systems.

098142

Problems in Developing the Advanced Logistics System. LCD-75-101; B-163074. June 17, 1976. 21 pp. plus 3 appendices (6 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Contact: Logistics and Communications Division.

Organization Concerned: Department of the Air Force; Department of the Air Force: Air Force Logistics Command, Wright-Patterson AFB, OH; Control Data Corp.

Congressional Relevance: House Committee on Appropriations; Senate Committee on Appropriations; Congress.

Abstract: The Advanced Logistics System was intended to modernize the Department of the Air Force's logistics management activities through automation. The problem with the system concerned computers acquired from the Control Data Corporation. A review was conducted by GAO to determine the course of events that led to the termination of the project. **Findings/Conclusions:** Remedial efforts by the Air Force and the Corporation were not successful despite contract changes to enable the Corporation to correct its software deficiencies. Many factors contributed to the Air Force's unsuccessful system design and development efforts. The major factor was that the Air Force did not manage the system as a complex, high-risk program that stressed computer equipment capabilities and software technology. GAO concluded that the Air Force had not exercised prudent management during the system's development. The Air Force continued to develop the system despite strong evidence of technical problems that would preclude its successful completion. In December 1975, Congress instructed the Air Force to terminate the system. Nine years of work and \$250 million had been expended. Congress directed the Air Force to develop a new system after restudying its needs for logistical information and after the Secretary of Defense approved a plan to develop a new system using machine-independent software.

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098146

Improvements Still Needed in Federal Energy Data Collection, Analysis, and Reporting. OSP-76-21; B-178205. June 15, 1976. 13 pp. plus 5 enclosures (42 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Contact: Office of Special Programs.

Organization Concerned: Federal Energy Administration; Federal Power Commission; Energy Research and Development Administration; National Science Foundation; Bureau of the Census; Office of Management and Budget.

Congressional Relevance: Senate Committee on Interior and Insular Affairs; Congress.

Abstract: A review was conducted of actions affecting Federal energy data collection, analysis, and reporting, as well as an identification and discussion of current major energy data problems. GAO had previously reported on the need to improve Federal efforts in these areas. The adequacy of Federal energy data continues to be a controversial subject. **Findings/Conclusions:** Many basic problems continue to persist. New energy data collection efforts for the most part have been piled on top of old efforts, and efforts for improved coordination have yet to show much success. GAO recommended that a Department of Energy and Natural Resources be established. This agency would have an independent data collection component and would offer the best long-term organizational solution to energy problems, including energy data problems. In the interim, the Federal Energy Administration could be strengthened to make it a more credible and objective focal point for Federal energy data efforts.

098161

Manufacturing Technology--A Changing Challenge to Improved Productivity. LCD-75-436; B-175132. June 3, 1976. 107 pp. plus 3 appendices (29 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Contact: Logistics and Communications Division.

Organization Concerned: Department of Commerce; National Center for Productivity and Quality of Working Life.

Congressional Relevance: Congress.

Abstract: A study was conducted to compare the United States to other nations in respect to modern manufacturing technology. The study was undertaken because there were sufficient indications that the private sector was having difficulty maintaining its productivity in dealing with rapid changes in this area. **Findings/Conclusions:** With new technology, the United States can increase the productivity of industries that produce goods in small lots. Many foreign industrial nations have ways of diffusing technological advances throughout their manufacturing bases. The United States needs to make manufacturing productivity a national priority to remain internationally competitive and to maintain strong industries. **Recommendation To Agencies:** The National Center for Productivity and Quality of Working Life should develop a national policy and appropriate means for achieving balanced productivity growth in the industrial/manufacturing base. The Center should cooperate with the Department of Commerce on this matter to provide needed leadership in a number of areas. They should provide a centralized source of timely knowledge about existing technology and try to further the development and acquisition of new technology. These can be accomplished by: (1) assessing developments and analyzing those that affect U.S. manufacturers; (2) maintaining a liaison with foreign productivity centers; (3) sponsoring computer-aided design and computer-aided manufacturing demonstration projects; (4) structuring a national technology diffusion mechanism; (5) encouraging increased industrial capital investments; (6) examining the desirability of providing tax and investment

incentives to selected industries; (7) encouraging maximum use of joint ventures for research and development through existing procedures of antitrust regulations; (8) exploring alternatives for financially assisting identified categories of firms which need and merit capital assistance; (9) assisting firms in adapting to management and marketing changes created by technology and foreign competition; (10) developing simplified cost-effectiveness analysis techniques for use by managers in decisionmaking on capital investments in new technology; (11) continuing work on standards; (12) evaluating potential affects of automation on the work force and developing programs to minimize these affects; and (13) assisting in encouraging additional exports of manufactured products.

098186

Improvements Needed in Defense's Efforts To Use Work Measurement. LCD-76-401; B-163762. August 31, 1976. 24 pp. plus 2 appendices (9 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Contact: Logistics and Communications Division.

Organization Concerned: Department of Defense; Office of Management and Budget.

Congressional Relevance: Senate Committee on Armed Services; Congress.

Abstract: The Department of Defense (DOD) is one of the largest single users of work measurement standards in either the public or the private sector. Because of the importance of work measurement efforts in improving productivity, GAO conducted a review to highlight deficiencies found in the application of such standards under the Defense Integrated Management Engineering System. **Findings/Conclusions:** In 1975, DOD eliminated the requirement for the services to submit yearly work measurement progress reports. Consequently, neither GAO nor DOD could effectively evaluate the progress the services made in their work measurement efforts. It was clear, however, that the full potential of DOD work measurement efforts was not being realized. It was the opinion of GAO that savings realized as a result of the work measurement efforts could have been substantially greater if the potential had been fully developed under a strong leadership within the Office of the Secretary of Defense. **Recommendation To Agencies:** The Secretary of Defense should insure strong leadership, direction, and control over work measurement activities within DOD so that the scarce work measurement skills can be applied to service areas having the greatest potential benefit. The Secretary should also: (1) establish a reporting system for periodically measuring and evaluating the contributions of work measurement to the DOD objective of obtaining best resource allocation; (2) monitor and review each service's actions with respect to the number of personnel assigned to work measurement efforts to insure that adequate attention is given to the program; (3) encourage the service secretaries to realign the functions of work measurement to insure its maximum independence; and (4) survey the services' activities to identify those areas where it is cost beneficial to develop labor standards.

098* ?

Air Force Could Reauce War Reserve Requirements of Spares and Repair Parts for Combat-Ready Units. LCD-75-444; B-133396. August 27, 1976. 35 pp. plus 2 appendices (5 pp.).

Report to Congress; by Robert F. Keller, Acting Comptroller General.

Contact: Logistics and Communications Division.

Organization Concerned: Department of the Air Force; Department of Defense.

Congressional Relevance: Congress.

Abstract: War reserves are materials required in addition to peacetime assets to support planned wartime activities. A study was

conducted to determine how these investments in spare parts could be reduced in the most cost-effective manner. **Findings/Conclusions:** The cost of acquiring these reserves has increased greatly, and the cost of acquiring stocks to meet the requirements computed by the Air Force far exceeds available funds. GAO proposed several alternatives for reducing investments in spare and repair parts and, at the same time, providing effective support. **Recommendation To Agencies:** The Secretary of Defense should evaluate the reasonableness of the Air Force's practice of providing a 30-day supply of spare and repair parts for units to deploy overseas. The Secretary should require the Secretary of the Air Force to: (1) use a high air transportation priority for order and shipping time in calculating requirements for critical and expensive electronic components needed as war reserves to support overseas combat units; and (2) eliminate the procedure of computing separate safety levels for peacetime and war reserve stocks for overseas combat units.

098203

Ways To Improve Management of Federally Funded Computerized Models. LCD-75-111; B-115369. August 23, 1976. 29 pp. plus 6 appendices (15 pp.).
Report to Congress; by Elmer B. Staats, Comptroller General.

Contact: Logistics and Communications Division.

Organization Concerned: National Bureau of Standards; Department of Commerce; General Services Administration.

Congressional Relevance: Congress.

Abstract: A computerized model uses mathematical and logical rules and methods to represent how a process, physical object, or entity, such as an organization, can be expected to react under different conditions during a given period of time. Such models are used in many ways and in a variety of areas to help in managing Federal programs. GAO conducted a review to determine how Federal agencies could improve their management and use of computerized models. Of the 519 federally funded models identified as being developed or used in the Pacific Northwest area of the United States, 57 were selected for detailed review. **Findings/Conclusions:** Although successfully developed models can be of assistance in the management of Federal programs, GAO found that many model development efforts experienced large cost overruns, prolonged delays in completion, and total user dissatisfaction with the information obtained from the model. Many problems causing ineffective and inefficient use of the models were identified. No Government-wide guidance was found that would help Federal agencies avoid these problems in their model development activities. This lack of guidance led GAO to develop a phased approach which identifies the major activities necessary for planning, managing, and controlling model development efforts. These phases include: problem definition, preliminary design, detail design, evaluation, and maintenance. Most of the organizations which developed the models that GAO reviewed in detail agreed that these factors should serve as a basis for development of Government-wide guidance standards. **Recommendation To Agencies:** The Secretary of Commerce should: (1) formulate Government-wide standards pertaining to development and procurement of computerized models; and (2) coordinate and obtain advice for the establishment of these standards from the heads of Federal agencies, including the Administrator of General Services. The Administrator of General Services should: (1) develop and provide Government-wide guidance pertaining to development and procurement of computerized models; and (2) coordinate with the Secretary of Commerce and incorporate the Government-wide standards Commerce will formulate relating to computerized models.

098218

Problems Found in the Financial Disclosure System for Department of Commerce Employees. FPCD-76-55; B-103987, B-180228. August 10, 1976. 19 pp. plus 2 appendices (3 pp.).
Report to Congress; by Elmer B. Staats, Comptroller General.

Contact: Federal Personnel and Compensation Division.

Organization Concerned: United States Civil Service Commission; Domestic and International Business Administration; Department of Commerce; National Oceanic and Atmospheric Administration; Patent and Trademark Office; Bureau of the Census; National Bureau of Standards; Maritime Administration.

Congressional Relevance: Congress.

Abstract: The special relationship between the Department of Commerce and the Nation's business community calls for unusual attention by Commerce in maintaining a financial disclosure system which will insure that employee financial holdings are effectively reviewed so that the employee, the agency, and the public are protected. Pursuant to a congressional request, GAO reviewed the effectiveness of the financial disclosure system at Commerce, financial interests reported by its employees, and whether other Commerce officials should be filing financial disclosure statements. **Findings/Conclusions:** The Department of Commerce's financial disclosure system had deficiencies that could have caused it to be ineffective in preventing possible appearances of conflict of interest. The GAO review disclosed that: employees did not file statements when required; some employees that are not required to file financial statements have responsibilities that warrant the filing of a statement; and Commerce had not developed adequate procedures for collecting, processing, controlling, and reviewing statements. In 1975, Commerce employees filed 3,200 financial disclosure statements. A review of 328 of these revealed that 86 employees held 139 interests that give the appearance of conflicting with their assigned duties and responsibilities. **Recommendation To Agencies:** To improve effectiveness of the financial disclosure system, the Secretary of Commerce should: (1) review and take corrective action on questionable financial interests addressed in this report; (2) develop effective procedures for collecting, processing, and controlling statements; (3) develop criteria and systematic procedures for reviewing statements; (4) develop procedures to follow up promptly on financial interests questioned; (5) expand Commerce's comprehensive criteria for determining who should file; and (6) develop procedures to insure statements are filed by all employees who should file.

098228

Cost-of-Living Adjustment Processes for Federal Annuities Need To Be Changed. FPCD-76-80; B-130150. July 27, 1976. 8 pp. plus 3 appendices (23 pp.).
Report to Congress; by Elmer B. Staats, Comptroller General.

Contact: Federal Personnel and Compensation Division.

Organization Concerned: United States Civil Service Commission; Department of the Treasury.

Congressional Relevance: Congress.

Abstract: GAO commented on the cost-of-living adjustment processes to the Federal annuity system. The comments are generally limited to the civil service retirement system, since it is the largest system and often leads the other systems to change. Most of the observations also pertain to the other Federal systems. **Findings/Conclusions:** The cost-of-living adjustment processes for Federal retirement annuities have resulted in annuities increasing faster than the cost-of-living and Federal white-collar pay rates. This has been caused by the extra 1-percent increase granted to annuitants by law each time their annuities are adjusted for increases in the cost of living. The Federal annuity adjustment processes are more liberal than those of non-Federal pension systems. Existing law also permits new retirees to benefit from

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increases in the cost-of-living which occurred long before they retired. **Recommendation To Congress:** Congress should enact legislation making the cost-of-living adjustment formula and related provisions of the civil service, uniformed services, foreign service, Central Intelligence Agency, Federal Reserve Board, District of Columbia judges, and District of Columbia public school teachers retirement systems more equitable and more consistent by: (1) repealing the 1-percent add-on feature or, as a minimum, eliminating its overcompensating effect by adjusting the Consumer Price Index (CPI) base by 1 percent each time an adjustment occurs; (2) regularizing the adjustment process by repealing the current CPI triggering mechanism and providing for annual adjustments based on the actual percentage rise in the CPI during the preceding year; and (3) repealing the provisions which permit retiring employees to receive higher starting annuities because of changes in the CPI before their retirement and providing that new retirees' initial cost-of-living adjustments be prorated to reflect only CPI increases after their effective dates of retirement.

098241

[Review of Justification by the Veterans Administration for Establishing Four Regional Computer Centers for Its Planned Target System]. HRD-76-145; B-133044. July 13, 1976. 2 pp. plus 1 enclosure (11 pp.).

Report to Rep. Edward P. Boland, Chairman, House Committee on Appropriations: HUD-Independent Agencies Subcommittee; by Elmer B. Staats, Comptroller General

Contact: Human Resources Division.

Organization Concerned: Veterans Administration; General Services Administration.

Congressional Relevance: House Committee on Appropriations: HUD-Independent Agencies Subcommittee; Rep. Edward P. Boland.

Abstract: GAO was requested to review the Veterans Administration's (VA) justification for establishing four regional computer centers for its planned Target System. Target System is a communications-based system which would modernize the VA benefit claims processing. The review included an examination of a position paper prepared by VA in January 1976 and other documents describing its reasons for establishing the four centers, an examination of documents supporting procurement for the system, and discussions with VA personnel. **Findings/Conclusions:** The request for proposals (RFP) called for automatic data processing systems for the Target System computer centers, terminal systems for VA regional offices, and related software and services. The RFP prescribed the four regional centers configuration was to be located in Philadelphia, San Francisco, Atlanta, and Chicago, and a central system located in Chicago. However, when the RFP was issued, VA did not have a sufficient basis for concluding that four regional computer centers was the most cost effective configuration. In March 1976, VA proposed to the HUD-Independent Agencies Subcommittee of the House Committee on Appropriations that three regional computer centers be established for the Target System. An amended RFP was issued in June 1976. **Recommendation To Agencies:** Before further action is taken by prospective vendors to develop equipment proposals, the Administrator of VA should direct the Department of Veterans Benefits to reappraise the workload and backup requirements proposed for the Target System to provide vendors with more realistic estimates of the workload required for Target System processing.

098247

Highlights of a Report on Staffing and Organization of Top-Management Headquarters in the Department of Defense; Pentagon Staffs--Is There Potential for Further Consolidations. FPCD-76-35A;

B-183257. July 6, 1976. 28 pp. plus 1 appendix (6 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Contact: Federal Personnel and Compensation Division.

Organization Concerned: Department of Defense; Department of the Navy; Department of the Army; Department of the Air Force; United States Marine Corps.

Congressional Relevance: House Committee on Armed Services: Investigations Subcommittee; Senate Committee on Appropriations; Congress.

Abstract: In response to a congressional request, GAO reviewed the Department of Defense's (DOD) top-management headquarters to determine the size and decisionmaking processes of the Offices of the Secretaries of Defense, the Army, Navy, Air Force, the Army Chief of Staff, Chief of Naval Operations, Air Force Chief of Staff, and Marine Corps. GAO surveyed about 1,000 offices employing approximately 14,000 people. **Findings/Conclusions:** The large number of organizations performing the same type of activities provides insights into potential redundancies for further consolidations and or cutbacks. These insights are the key to an alternative to across-the-board headquarters' reductions. Difficulties in identifying areas in which reductions should be made arise through organizational peculiarities and inconsistent reporting of headquarters strength. The current method of defining management headquarters relates to the primary mission of an organization, such as policy development. An estimated 14 percent of Defense headquarters' personnel were required to work on congressional requests for information in fiscal year 1975. This effort cost about \$54.9 million. DOD reporting requirements have been permitted to expand without effective controls, so that military departments spend \$850 million annually to produce reports and related information. The various Secretaries have circumvented the formal control system and established their own reporting requirements. This has resulted in redundant and inconsistent data which required extensive amounts of additional work to produce. **Recommendation To Congress:** Congress should require DOD to determine the total workload and the cost of responding to congressional requests for information. **Recommendation To Agencies:** The Secretary of Defense should adopt a functional analysis technique similar to the Air Force's to streamline all DOD headquarters and should support the effort to streamline the Office of the Secretary of Defense (OSD) elements. He should strengthen the authority of the OSD Information Control Office by tightening current policies and procedures to comply with the established information control systems and by having this group report directly to the Deputy Secretary of Defense rather than the Assistant Secretary of Defense (Comptroller). To comply with the requirements for authorizing reports and the development of accurate cost estimates, the Secretary should: (1) reevaluate the military manpower training information needs and consider consolidating the defense manpower requirements report and the military training report data into budget backup data; (2) establish a single standardized training database which will most economically meet all users' needs; (3) require that enlisted personnel bonus management data be processed in the established information control system; and (4) limit data required from the military departments to the minimum needed for OSD to formulate, supervise, and evaluate policy. In addition, the Secretary should establish a long-term goal for all DOD components to achieve an accurate accounting of management headquarters personnel to account for headquarters personnel on the basis of type of work performed. Finally, the Secretary should establish thresholds which clarify OSD decision points in service program review and evaluation and strongly endorse the role of the service secretaries as the managers of their departments. Except for those programs which require cross-service management, the Secretary should limit participation of the various elements within OSD to formulation and evaluation of DOD-wide policy and supervision of efficient policy extension.

098251

Assessment of the Air Force's Planning for the Technology Repair Center Concept. LCD-76-429; B-172707. July 2, 1976. 6 pp. plus 2 appendices (3 pp.).

Report to Secretary, Department of Defense; by Fred J. Shafer, Director, GAO Logistics and Communications Division.

Contact: Logistics and Communications Division.

Organization Concerned: Department of Defense; Department of the Air Force; Air Force Logistics Command, Wright-Patterson AFB, OH.

Congressional Relevance: House Committee on Government Operations; House Committee on Appropriations; House Committee on Armed Services; Senate Committee on Governmental Affairs; Senate Committee on Appropriations.

Abstract: Projected dollar and manpower reductions in the depot maintenance area have prompted the Air Force to study possible ways of reducing costs without decreasing support capability. The Air Force decided that the best means to reduce maintenance costs while insuring high usage of depot maintenance facilities and capabilities was to redistribute the depot-level maintenance workload by technology rather than by a weapons system. This redistribution, which concentrates the workload into a single repair facility when items require similar skills, equipment, and facilities in the repair process, is called the technology repair center concept.

Findings/Conclusions: The Air Force recognized the need for operational change and developed the proper mechanics for planning it. However, the benefit-cost projections used to justify the technology repair center concept may be questionable because: (1) the depot maintenance cost accounting system could not provide adequate data on Air Logistics Center maintenance operations; (2) the audit trail was insufficient to verify some benefits; and (3) the tracking mechanism used could not isolate benefits and costs attributable to the technology repair center concept from other ongoing projects. Due to these limitations, a precise evaluation of the claimed benefits and costs was impracticable. **Recommendation To Agencies:** In view of the new, cost-saving initiatives under consideration by the Department of Defense, the Secretary of Defense should, for future operational or organizational changes, insure that: (1) the services' cost accounting systems can provide adequate data on depot operations for making valid benefit-cost comparisons; (2) adequate benefit-cost audit trails are established; and (3) the tracking system used can isolate benefits and costs associated with the change from those of other ongoing projects.

098255

Managers Need To Provide Better Protection for Federal Automatic Data Processing Facilities. FGMSD-76-40; B-115369. May 10, 1976. 34 pp. plus 4 appendices (28 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Contact: Financial and General Management Studies Division.

Organization Concerned: Office of Management and Budget; National Bureau of Standards.

Congressional Relevance: Congress.

Abstract: The Federal Government currently relies on the services of about 9,000 computers in its day-to-day operations, and this equipment is valued at billions of dollars. The value of some of the data which are processed on these computers is immeasurable. Consequently, protecting the equipment and data from unauthorized or inadvertent acts of destruction, alteration, or misuse is a matter of inestimable importance. **Findings/Conclusions:** Catastrophic losses to Government-sponsored data processing installations, such as the loss of human life, irreplaceable data, and equipment, have occurred. Information on the physical security measures employed by 28 Federal data processing facilities led GAO to

believe that many Federal data processing assets and much valuable data are not protected properly. Less than half of the 28 installations visited had developed and put into operation contingency plans to provide for continuity of operations if a loss occurred. The impact from losses at data processing installations which did not have contingency plans could: (1) interfere seriously with efficient and economical operations of the Government; (2) have an immeasurable impact on individuals and organizations relying on Government data; and (3) result in costly reconstruction efforts. In 1974, the National Bureau of Standards issued guidelines for establishing physical security measures for data processing activities. However, the guidelines are only a reference document, and there is no requirement that agencies must use them when determining their security needs. **Recommendation To Agencies:** To provide more security over Government automatic data processing operations at a reasonable cost, the Director of the Office of Management and Budget should direct that management officials be appointed at Federal installations having data processing systems and that they be assigned responsibility for automatic data processing physical security and risk management. These officials should be directed to use the National Bureau of Standards guidelines when developing physical security and risk management programs.

098277

Computer-Related Crimes in Federal Programs. FGMSD-76-27; B-115369. April 27, 1976. 21 pp. plus 1 appendix (3 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Agriculture; Department of the Treasury; Department of the Interior; Department of Health, Education, and Welfare; Veterans Administration; Department of the Army; Department of the Air Force; Department of the Navy; Department of Defense.

Congressional Relevance: Congress.

Abstract: Computer systems have added a new dimension for potential crime, and computer-related crimes in Federal programs are cause for growing concern. **Findings/Conclusions:** In its analysis of the existence of computer-related crime in Federal programs, GAO found that information on computer-related crimes is difficult to obtain because the crimes frequently are not classified as such by investigative agencies. Most of the crimes have been committed by persons who possess limited technical knowledge of computers; they are usually users of automatic data processing systems rather than programmers, operators, or analysts. Additionally, GAO found that management controls over the systems involved in crime were inadequate. One way for managers to insure that systems are properly controlled is to use internal audit staffs effectively; auditors can identify control weaknesses that may result in criminal activity. **Recommendation To Agencies:** The heads of the Departments of Defense; the Army; the Air Force; the Navy; Agriculture; the Treasury; the Interior; Health, Education, and Welfare; and the Veterans Administration should take steps to insure that systems in their organizations and those supporting programs they fund have: (1) an organizational plan that segregates the duties of individuals to minimize their opportunity for misuse or misappropriation of the entity's resources; (2) a system of authorization and recordkeeping procedures adequate enough to provide effective accounting control over assets, liabilities, revenues, and expenses; (3) an established system of practices to be followed for each duty and function of the organizational element; and (4) an effective system of internal review. This includes an internal audit staff that has training adequate to review and evaluate computer-based system controls and that does such reviews both when systems are being designed and after they have become operational.

098282

Improvements Needed in Managing Automated Decisionmaking by Computers Throughout the Federal Government. FGMSD-76-5; B-115369. April 23, 1976. 55 pp. plus 5 appendices (17 pp.). Report to Congress; by Elmer B. Staats, Comptroller General.

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of the Navy: Aviation Supply Office, Philadelphia, PA; Defense Supply Agency; Department of the Navy: Fleet Material Support Office; General Services Administration; Department of Health, Education, and Welfare; Office of Management and Budget; Social Security Administration; Veterans Administration.

Congressional Relevance: Congress.

Abstract: Federal agency computers cause more than 1.7 billion payments and other actions a year without any review or evaluation of whether they are correct. At a minimum, Government computers issue annually: (1) unreviewed authorizations for payments or checks totaling \$26 billion; (2) unreviewed bills totaling \$10 billion; and (3) unreviewed requisitions, shipping orders, repair schedules, and disposal orders for material valued at \$8 billion. **Findings/Conclusions:** Some agencies' internal audit reports show that unreviewed incorrect actions have been issued by several Government computers, incurring overpayments and unnecessary or premature costs of tens of millions of dollars annually. Incorrect computer actions occur because of software problems or data problems. The causes of these problems are numerous. There is no Federal-wide policy, guidance, or other instructions on how computers issuing unreviewed actions should be managed by Federal agencies. There is little checking or monitoring of output on an ongoing or short-term periodic basis. Internal audit reviews of these computer actions are made sporadically or not at all. **Recommendation To Agencies:** The Director of the Office of Management and Budget, in his oversight capacity, should require that: (1) each agency determine whether any of its computer operations involve automated decisionmaking applications; (2) the agencies review each operation to determine whether incorrect actions are being taken as a result of these applications; (3) before any new automated decisionmaking applications are initiated by an agency, the proper steps are taken to insure correct decisions; and (4) agencies make reports on the actions taken and establish an appropriate mechanism for monitoring reports. Because the National Bureau of Standards has responsibilities for technical aspects of automatic data processing, the Secretary of Commerce should direct the Bureau to issue technical guidelines for developing, using, technically evaluating, documenting, and modifying these applications in the Federal Government. These guidelines would contain certain criteria for independent technical reviews and for monitoring of these applications to insure that problems are detected and corrected promptly. As the General Services Administration suggested, the Civil Service Commission should develop and add to its automated data processing training curriculum courses in automated decisionmaking applications so that managers, technical personnel, and auditors will become better equipped to deal with them in an appropriate manner. In addition, internal audit groups in agencies having automated decisionmaking applications should actively participate in the design, test, and reviews of such systems to carry out their responsibilities. Finally, the Joint Financial Management Program should consider this area for ongoing attention.

098288

Automated Support of Depot Operations Could Be Improved. LCD-76-108; B-133118. February 20, 1976. 14 pp. Report to Secretary, Department of Defense; by R. G. Rothwell (for Fred J. Shafer, Director), GAO Logistics and Communications Division.

Contact: Logistics and Communications Division.

Organization Concerned: Defense Supply Agency; Department of Defense.

Congressional Relevance: House Committee on Government Operations; House Committee on Appropriations; House Committee on Armed Services; Senate Committee on Governmental Affairs; Senate Committee on Appropriations.

Abstract: The Defense Supply Agency (DSA) has designed and developed automated depot information systems to provide extensive support in fulfilling its supply management responsibilities. **Findings/Conclusions:** GAO believes changes should be made to these systems so that DSA could: (1) ship materiel more economically; (2) insure the accurate preparation, recording, and reporting of materiel shipments; and (3) provide improved control over the processing of customer requisitions. Once these improvements have been accomplished, the DSA automated information systems will provide the Department of Defense with an operational concept worthy of consideration for use at its other depot activities. **Recommendation To Agencies:** The Secretary of Defense should require the Director, DSA, to: (1) revise the automated depot systems to identify those shipments which can be combined and sent at a reduced cost; (2) incorporate the Freight Classification Guide System as the basis for materiel descriptions used in the automated depot systems; (3) provide assurance that the appropriate freight tariffs are being selected at each DSA depot using these automated systems and that the information required for correct transportation charge determinations appears on all bills of lading; (4) revise automated procedures for the reissuance of bills of lading to comply with Department of Defense regulations; (5) incorporate procedures to provide assurance that all of the information needed to identify and control the movement of the materiel and to serve as the basis for payment to the carrier is included in the permanent depot records; (6) withdraw and resubmit their request for destroying original documents at such time as the microfiche can be relied upon as a substitute; and (7) insure that the ability to make changes to the working files is minimized and, to assure that the changes are made properly, a comparison of the working files occurs on a regular basis.

098732

[Requests for Reconsideration of Recommendation That Contracts Be Terminated]. B-185592. August 5, 1976. 9 pp.

Decision re: Department of the Army; C3, Inc.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Department of the Army; C3, Inc.

Authority: B-185302 (1976). A.S.P.R. 3-805.4. F.P.M.R. 101-32.402-11.

Abstract: The agency and the contractor requested reconsideration of a decision sustaining a protest that the successful offer should have been rejected as nonresponsive and recommended that proposals be reevaluated and the existing contracts terminated, if appropriate. On reconsideration, the decision was affirmed. If none of the plans offer fixed or determinable prices for the systems over the life of the contract, the agency should consider letting the present contracts expire and conducting a resolicitation. The contracting agency's estimate of the termination for convenience costs was lower than the GAO estimate used in issuing the decision, so there was no basis to change the corrective action recommendation. The contracting agency's request that systems already installed be exempted from the effect of the recommended termination for convenience was reasonable since it would serve the best interest of the Government without depriving the prospective awardee of a meaningful remedy.

[*Sale of Transcripts by District of Columbia Court Reporters*]. B-185484. May 21, 1976. 5 pp.
Decision re: District of Columbia Court Reporters; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: District of Columbia: Superior Court; Law Enforcement Assistance Administration.

Authority: District of Columbia Court Reorganization Act of 1970. P.L. 91-358. 84 Stat. 512. 28 U.S.C. 753. 11 D.C. Code 1727. S. Rept. 91-405. H. Rept. 91-907. H.R. 16196 (91st Cong.).

Abstract: Questions were asked in connection with a proposed subgrant to the Superior Court of the District of Columbia for a computer-aided transcription system. The D.C. Code permits court reporters to collect fees from litigants for transcript sales if reporters furnish all supplies at their own expense. This precludes the reporters from retaining fees for transcripts produced through a system financed by Federal grant funds or District of Columbia appropriations.

099026

Third Party Leaseback of ADPE. B-115369. April 23, 1976. 11 pp.
Decision re: General Services Administration; by Paul G. Dembling (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Authority: Automatic Data Processing Equipment Act. P.L. 89-306. Assignment of Claims Act. 31 U.S.C. 203. Property and Administrative Services Act. 45 Comp. Gen. 527. 48 Comp. Gen. 497. 54 Comp. Gen. 80. B-178674 (1974). B-115369 (1975).

Abstract: Various proposals for third party leaseback of installed and uninstalled automatic data processing (ADP) equipment were reviewed. Each of the six methods of procurement, whether undertaken for installed or uninstalled ADP equipment and whether by means of a one-step or two-step proceeding, was a permissible method of procurement. Any of these plans should be instituted on a trial basis, and the General Services Administration (GSA) should continue to seek ADP fund capitalization to finance ADP purchases. Each proposed leaseback of ADP equipment should be approved by GSA.

099170

[*Protest Against Inclusion of Service Contract Act Provisions in Solicitations*]. B-184093, B-184178. January 30, 1976. 5 pp.
Decision re: Central Data Processing, Inc.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Department of the Air Force: Air Force Accounting and Finance Center; Central Data Processing, Inc.

Authority: Service Contract Act of 1965. 41 U.S.C. 351. 5 U.S.C. 5332.

Abstract: A company protested the inclusion of Service Contract Act provisions and Department of Labor (DOL) wage determinations in solicitations involving data processing services, stating that the provisions were not applicable since only white collar labor would be employed for the services. GAO did not object to inclusion of the provisions even though a U.S. district court ruled that the Act was not applicable to such services since: DOL declined to follow the decision in all other jurisdictions and was supported by a cognizant congressional committee, and there was conflict within the same judicial circuit as to whether decisions by DOL regarding coverage of the Act are judicially reviewable.

099312

Progress in Improving Fiscal, Budgetary, and Program-Related

Information for the Congress. PAD-76-64; B-115398. August 30, 1976. 23 pp.

Report to Congress; by Robert F. Keller, Acting Comptroller General.

Contact: Program Analysis Division.

Organization Concerned: Department of the Treasury.

Congressional Relevance: Congress.

Authority: Congressional Budget and Impoundment Control Act of 1974.

Abstract: This is the third annual report by GAO on the continuing program to improve fiscal, budgetary, and program-related information for Congress as required by the Congressional Budget Act of 1974. **Findings/Conclusions:** The work by GAO in fulfilling the Act's requirements includes assistance to appropriations and authorizing committees. The scope of the work has varied; much of it has been in response to specific committee requests. Assistance provided to the authorizing committees has included: (1) specifying and obtaining information needed to support the committees' preparation of the next views and estimates reports; and (2) broader assistance in developing overall information needs. GAO is continuing to work with the appropriations committees to prepare information requirements documents that identify and discuss the need for information about appropriation and fund accounts or account groups. In addition, GAO is working to develop, establish, maintain, and publish standard terminology, definitions, classifications, and codes for Federal fiscal, budgetary, and program-related data and information. Efforts are summarized related to publishing a series of directories which reflect an inventory of program-related information. Much improvement is needed in existing information and its presentation to Congress.

099319

Problems With the Financial Disclosure System. FPCD-76-50; B-103987, B-180228. August 4, 1976. 14 pp. plus 3 appendices (3 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Contact: Federal Personnel and Compensation Division.

Organization Concerned: Federal Aviation Administration; Department of Transportation.

Congressional Relevance: Congress.

Abstract: The Federal Aviation Administration (FAA) plays a vital role in most aspects of civil aviation. It is important that the agency develop an effective financial disclosure system to protect itself, its employees, and the public from possible appearances of conflict of interest caused by employees' financial interests. GAO reviewed the financial disclosure systems of FAA in response to several congressional requests. **Findings/Conclusions:** GAO found that FAA did not have: (1) adequate criteria to determine which employees should file financial disclosure statements; (2) effective procedures with adequate criteria for reviewing financial disclosure statements; and (3) adequate procedures for collecting, processing, and controlling financial disclosure statements. Although more stringent prohibitions are imposed on financial interests of designated categories of employees, the Department of Transportation's regulations state that, for the most part, a financial interest of less than \$5,000 and less than 1 percent of a company's outstanding stock does not represent a potential conflict of interest. GAO also identified a number of potential problems with the criteria which indicate a need for better guidance for agency officials who are responsible for reviewing the financial disclosure statements. **Recommendation To Agencies:** The Secretary of Transportation should: (1) direct FAA to correct the system weaknesses identified; and (2) determine whether similar weaknesses exist in other Department of Transportation agencies and, if so, take appropriate corrective action.

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099326

North Carolina's Medicaid Insurance Agreement: Contracting Procedures Need Improvement. HRD-76-139; B-164031(3). July 1, 1976. 55 pp. plus 4 appendices (59 pp.).

Report to Sen. Herman E. Talmadge, Chairman, Senate Committee on Finance: Health Subcommittee; by Elmer B. Staats, Comptroller General.

Contact: Human Resources Division.

Organization Concerned: Health Applications Systems, Inc.; Department of Health, Education, and Welfare; Social and Rehabilitation Service; Blue Cross Association; North Carolina: Department of Human Resources.

Congressional Relevance: Senate Committee on Finance: Health Subcommittee; Sen. Herman E. Talmadge.

Abstract: In April 1975, North Carolina entered into a 2-year, \$376 million insurance agreement with Health Application Systems, Inc. (HAS), which made it responsible for paying for claims and assuming most of the administrative duties for the State's Medicaid program. GAO reviewed the North Carolina insurance contract as the first stage of a broader review of the Department of Health, Education, and Welfare's (HEW) and various States' policies and procedures for award of insurance-type contracts. **Findings/Conclusions:** Out of 33 firms solicited, only HAS submitted a proposal for an insurance agreement. Competition was limited as a result of the innovative nature of and risks involved in the procurement. Competition was further limited because: (1) many firms could not do the required work; (2) data in the request for proposals (RFP) was insufficient for developing valid premium rates; (3) some firms believed the RFP was biased toward a preselected contractor; (4) at the time of the request, the legality of a Medicaid insurance contract under State laws was questionable; and (5) the State insurance laws placed bona fide insurance companies at a competitive disadvantage because of requirements that money be kept in a contingency reserve. The State's conclusion that performance under the contract period showed a cost reduction of \$8.2 million compared to the State's prior experience is not supported. The State failed to take into account two factors which materially affected the program's costs: the use by HAS of advance payments to providers; and suspended claims which were not included in the analysis.

099336

[Summary of Improvement Actions Taken by the Government Printing Office in the Utilization and Management of Automatic Data Processing Resources]. FGMSD-76-58; B-114829. May 27, 1976. 1 p. plus 1 enclosure (8 pp.).

Report to Rep. Wayne L. Hays, Chairman, Joint Committee on Printing; by Elmer B. Staats, Comptroller General.

Contact: Financial and General Management Studies Division.

Organization Concerned: Government Printing Office.

Congressional Relevance: Joint Committee on Printing; Rep. Wayne L. Hays.

Abstract: GAO reviewed the improvement actions taken by the Government Printing Office (GPO) in response to a prior report on improving the utilization and management of automatic data processing (ADP) resources. **Findings/Conclusions:** GAO found notable improvements being made in the management and application of ADP resources at GPO although not all of the problems discussed in the original report have been satisfactorily resolved. GAO previously estimated that, if suggested changes are appropriately carried out, financial benefits in ADP and other operational areas could gradually build to an annual level of \$2.8 million over the next 3 to 5 years. Based on progress made to date, this estimate continues to appear realistic.

099353

Uses of Minicomputers in the Federal Government: Trends, Benefits, and Problems. FGMSD-75-53; B-115369. April 22, 1976. 25 pp. plus 5 appendices (11 pp.).

Report to Congress; by Robert F. Keller, Acting Comptroller General.

Contact: Financial and General Management Studies Division.

Organization Concerned: General Services Administration; Office of Management and Budget; Department of the Air Force; National Aeronautics and Space Administration; Energy Research and Development Administration; Department of Commerce; National Bureau of Standards.

Congressional Relevance: Congress.

Abstract: GAO reviewed the different uses of the minicomputer in the Federal Government. For purposes of this review, a minicomputer is considered a small-scale computer for which the manufacturer may furnish only limited products and services. This practice contrasts with the full-service marketing practices of manufacturers of large computer equipment. **Findings/Conclusions:** Minicomputer acquisition in the Federal Government is increasing faster than any other type of computer. Several cases of minicomputers enhancing productivity demonstrate the potential use of minicomputers for: (1) initially automating a process previously done manually; (2) augmenting work previously done on large central computers; and (3) replacing existing equipment or services. GAO found that there were problems in and limitations on using minicomputers and that software costs of minicomputer systems generally were higher than hardware costs. Many agencies were using computer programs in a language that could be used on only one manufacturer's hardware. Some agencies reported that procurement regulations governing the minicomputer acquisition were too complicated and caused agencies to incur excessive administrative costs and time delays. In some instances, agencies indicated that they obtained a more expensive, alternative system instead of a minicomputer because the procurement process was simpler and faster. **Recommendation To Agencies:** The General Services Administration should simplify procurement requirements that agencies must follow in buying small quantities of low-cost minicomputers.

099355

Review of the 1974 Project Independence Evaluation System. OPA-76-20; B-178205. April 21, 1976. 49 pp. plus 5 appendices (9 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Contact: Office of Program Analysis.

Organization Concerned: Atomic Energy Commission; Federal Energy Administration; Data Resources, Inc.; Energy Resources Co., Inc.

Congressional Relevance: House Committee on Science and Technology; Congress.

Abstract: GAO reviewed the complex evaluation, forecasting, and analysis system developed by the Federal Energy Administration (FEA) and used in preparing the November 1974 Project Independence report. **Findings/Conclusions:** Under severe time constraints, FEA developed an innovative framework for analyzing the complex and interdependent sectors of the U.S. energy system. Nonetheless, the 1974 Project Independence System (PIES-74) contained serious problems. The major problems were; (1) the approach used in the development of oil and natural gas supply estimates; (2) the development of energy price elasticities; (3) the approach used to relate energy and economic forecasts; (4) the static nature of PIES-74; and (5) the incomplete assessment of environmental, economic, and international impacts. GAO found that, while sensitivity testing was conducted on some parts of PIES-74 and FEA stated that some parts of PIES-74 were validated, no systematic validation or sensitivity testing program was conducted on the entire system. In addition, although FEA stated that it

conducted extensive verification of PIES-74, this effort was not documented. **Recommendation To Agencies:** FEA should add to its plan: (1) an analysis of problems resulting from the static nature of the system and the procedures which can be used to alleviate them; (2) an analysis of the limitations in the environmental impact analysis and the procedures which can be applied to correct them; and (3) a comprehensive, well-documented verification, validation, and sensitivity testing effort. In implementing the plan, FEA should give priority to the following areas: (1) the methodological approach used to estimate energy supply, in particular crude oil and natural gas; (2) the energy demand estimation technique regarding calculating energy price elasticities; (3) the representation of the relationship between the energy system and the economy; and (4) a more thorough assessment of the economic, environmental, and international impacts of alternative U.S. energy policies.

099917

Improvements Needed in the Navy's Fleet Modernization Program. LCD-76-406; B-133170. March 15, 1976. 35 pp. plus 2 appendices (5 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Contact: Logistics and Communications Division.

Organization Concerned: Department of the Navy.

Congressional Relevance: Congress.

Abstract: GAO reviewed the Navy's fleet modernization program to determine the: (1) adequacy of budgeting and funding; (2) extent that funded alterations were done; (3) the justifications for deferring alterations; (4) the degree that work was backlogged for unaccomplished alterations; (5) disposition of funds from unaccomplished or deferred alterations; (6) amount of visibility of alteration material; and (7) coordination of procured material with available installation funds. **Findings/Conclusions:** The Navy does not have a configuration management system to show the completed and outstanding alterations for each ship. Consequently, it cannot readily determine the amount of alteration work outstanding. The Navy is unable to determine from its onhand inventory records which items were purchased for the fleet modernization program. Without complete information on on-hand inventories of alteration material, the Navy could not determine: (1) the status of its modernization program; (2) relative to outstanding alterations to be installed; (3) its impact on future procurements; and (3) whether to program the equipment for installation or use it for other programs. The Navy's computerized system is the database for planning and programming ship alterations, but it is not fully effective because: (1) customers using the system lack confidence in it; (2) 50 percent of the customers rely on other data systems that are mostly duplicative; (3) customers are not making concerted efforts to improve the system to make it work; and (4) full capability of the system is not used. **Recommendation To Agencies:** The Secretary of the Navy should insure that the Navy: (1) purifies the data base in the automated management information system and uses it; (2) develops and submits backup data which would relate the planned installation costs to the annual procurement requests; (3) establishes controls over the inventory on hand and relates the inventory to alterations to be installed, thereby forming a basis for future alteration scheduling and for additional procurements; and (4) uses more fully the alteration capability and capacity that exists below the shipyard level.

099920

[Audit of Eximbank's Fiscal Year 1975 Financial Statements]. ID-76-50; B-114823. March 11, 1976. 5 pp.

Report to Stephen M. DuBrul, Jr., President, Export-Import Bank of the United States; by J. Kenneth Fasick, Director, GAO International Division.

Contact: International Division.

Organization Concerned: Export-Import Bank of the United States; Foreign Credit Insurance Association.

Abstract: An audit was made of the Export-Import Bank's (Eximbank) fiscal year 1975 statements. The following areas were covered: long-range automatic data processing (ADP) plan, need for offsite storage facilities and disaster recovery plan, potential for reducing interest expense, and need for internal audit staff. **Findings/Conclusions:** A steering committee with the active participation of top management and user management is a necessary prerequisite to preparing a long-range ADP plan to include: objectives; manpower requirements, personnel responsible for system development, programming, testing, and data conversion; and estimated completion dates for segments of development. Eximbank does not maintain offsite storage facilities for backup computer data files and computer programs, and all source documents and computer files are at the Bank's headquarters. A fire or other disaster could present problems for the continued day-to-day operation of Eximbank. Eximbank is incurring unnecessary interest expense due to the time lapse between the deposit of obligor loan payments in commercial banks and the time Eximbank becomes aware the funds are available and can use them to meet loan commitments or to reduce borrowings. **Recommendation To Agencies:** An ADP steering committee should be established to initiate, guide, and review Eximbank's data processing needs. A recovery plan should be developed and responsibilities should be assigned for maintaining the recovery procedures. It is essential that the necessary materials, such as data files, programs, supporting software, and operating instructions, be identified and stored in an offsite location physically removed from the Bank itself. Eximbank should take appropriate followup action to insure that commercial banks are complying with existing instructions for the timely transfer of funds and explore other methods of reducing the time lapse, such as direct deposit. Eximbank should establish an internal audit staff to give management a useful means of gathering timely information needed for decisionmaking, especially if there is an audit of external Bank operations by the Foreign Credit Insurance Association.

099939

[Department of Labor Contractor-Held Property Management System]. FGMSD-76-39; B-115349. March 3, 1976. 5 pp.

Report to Alfred M. Zuck, Comptroller, Department of Labor; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Labor; Employment and Training Administration.

Authority: Property and Administrative Services Act (40 U.S.C. 483).

Abstract: The Department of Labor's Contractor-Held Property Management System is designed to account for nonexpendable personal property that the Government furnishes to contractors and grantees to carry out training programs administered by the Employment and Training Administration (ETA), Department of Labor. In 1973, Labor's internal auditors found that \$355,000 worth of property could not be located for which contractors were accountable. The auditors also reported that equipment valued at over \$14.4 million in the contractors' custody was not recorded in the property accounting records of ETA. GAO examined the system for recording property in the custody of contractors, including the computerized processing of transactions performed by an outside firm, and evaluated the adequacy of controls over the processing of property transactions. **Findings/Conclusions:** The GAO review showed that several control procedures included in the system's design had not been implemented. ETA has no systematic way of following up to ensure that property acquired by contractors

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and grantees has been completely and accurately reported for inclusion in the property accounting system. The physical inventory verification requirements had not been fully implemented. Not all contractors were certifying the accuracy of their inventories nor was ETA meeting requirements to participate in physical inventories. Because the property charged to and held by many of the contractors may not have been inventoried for several years, there is no assurance that all property is properly recorded in the property accounting records maintained by ETA. No effort had been made to coordinate annual physical inventories, ETA observations of the inventories, and closeout inventories. This lack of coordination could result in duplicate inventories being taken at a contractor's site within a 1-year period.

099960

[Navy Public Works Centers Compliance With GAO's Accounting System Design]. FGMSD-76-52; B-159797. March 18, 1976. 2 pp. Report to Secretary, Department of Defense; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of the Navy; Department of Defense; Department of the Navy: Public Works Center.

Abstract: GAO surveyed the industrial fund accounting system for Navy Public Works Centers at the Center in San Diego, California, to determine if it was being operated in accordance with the system design approved by the Comptroller General in March 1974. GAO also reviewed and evaluated changes to the system since its approval and tested operating procedures and controls over billing of costs to customers for completed work. **Findings/Conclusions:** The accounting system is being operated in accordance with the approved system design and is in compliance with the principles, standards, and related requirements currently prescribed by the Comptroller General. The system design approved by the Comptroller General in 1974 contains the following requirements which have not been fully implemented: (1) funding by customers of major maintenance, repairs, and alterations in advance of the incurrence of such costs by the industrial fund which are restricted to a 12-month period beginning with the date of approval of the project; and (2) separately identified funded and unfunded liability for unused annual leave of employees of revolving fund activities.

099975

[Opportunities To Improve the Management and Accounting Control Over Travel Advances]. FGMSD-76-38; B-146951. January 19, 1976. 5 pp. plus 1 attachment (6 pp.).

Report to Jerome A. Miles, Director, Department of Agriculture: Office of Management and Finance; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Agriculture; Department of Agriculture: National Finance Center; Department of Agriculture: Office of Management and Finance.

Abstract: GAO reviewed the manual and computer controls over the processing of travel advances and travel vouchers from the time documents arrive at the National Finance Center. **Findings/Conclusions:** GAO found that the travel advance and travel voucher system needed improvement with respect to: (1) system flow charts; (2) narrative description of the flow of information and the way each program accomplishes its functions; (3) program logic diagrams; and (4) input-output record descriptions. Access to computer system documentation was not adequately controlled. Duplicate copies of system documentation and records used to reconstruct current data files needed to be stored in a place remote from the computer. An additional edit check was needed in the

computer program for the travel advance system to preclude processing duplicate travel advances. GAO found duplication in review, approval, and audit of travel vouchers. **Recommendation To Agencies:** The Director of the Office of Management and Finance should take action to insure that responsibilities for review, approval, and audit of all vouchers processed by the center are assigned properly and not duplicated.

100003

Audit Coverage of Internal Financial Operations. FGMSD-76-84; B-160759. October 8, 1976. 10 pp.

Report to Secretary, Department of Agriculture; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Internal Auditing Systems (0200); Internal Auditing Systems: Sufficiency of Federal Auditors and Coverage (0201).

Contact: Financial and General Management Studies Division.

Authority: Accounting and Auditing Act of 1950. 31 U.S.C. 66a.

Abstract: The Accounting and Auditing Act of 1950 requires the head of each agency to establish and maintain systems of internal control, including appropriate internal audit, in order to provide effective control over and accountability for all funds, property, and other assets for which the agency is responsible. The internal audit operations of the Department of Agriculture (USDA) were reviewed to determine the extent to which financial audits are made of USDA revenues, expenditures, assets, and liabilities. The review concentrated on audits of internal financial areas performed by the Office of Audit during fiscal years 1973 through 1975, with emphasis on fiscal year 1975 coverage. **Findings/Conclusions:** The Office of Audit issued 8,289 audit reports during this period including 2,576 in fiscal year 1975. Almost all of the reports included a review of some aspect of financial operations as well as compliance with laws and regulations, reviews of the economy and efficiency of operations, or results of programs. About 67 percent of the audit effort was expended on internal operations and the remainder on external grants and contracts. The 1975 audits covered the internal financial areas of cash, receivables, advances, property, liabilities, administrative control of funds, revenues and costs, and financial reports for programs representing over 99 percent of USDA obligations. The current audit effort provides adequate internal financial audit coverage for most of the operations of USDA.

100010

Nationwide Food Consumption Survey. CED-77-56; B-133192. March 25, 1977. 7 pp. plus 1 appendix (39 pp.).

Report to Sen. George McGovern, Chairman, Senate Select Committee on Nutrition and Human Needs; by Elmer B. Staats, Comptroller General.

Issue Area: Health Programs (1200).

Contact: Community and Economic Development Division.

Organization Concerned: Department of Agriculture.

Congressional Relevance: Senate Select Committee on Nutrition and Human Needs; Sen. George McGovern.

Abstract: The Nationwide Food Consumption Survey which the Department of Agriculture (USDA) began in April, 1977, was reviewed in order to determine what types of analyses can be done with the data, what planning changes have occurred since survey conception in 1974, and whether it will yield accurate information on the diet of low-income families and of overall food consumption in the United States. The sample will be of 15,000 households, with 5,000 low-income households, almost half of whom participate in the food stamp program. **Findings/Conclusions:** The survey sample is too small to provide useful information in evaluating food assistance programs and in identifying nutritional problems of

low-income families. Additional low-income families should be sampled to provide this information. The survey methodology has not been fully validated, and the results will be open to criticism. There are no assurances that the data obtained will actually measure the amount of food consumed. **Recommendation To Agencies:** USDA should fully validate the Nationwide Food Consumption Survey methodology either before or during the survey and develop objectives and analysis plans for the survey before the sample is drawn.

100018

An Assessment of Capacity Utilization Statistics, Strengths and Weaknesses. CED-77-3; B-163762. October 28, 1976. 36 pp. plus 8 appendices (15 pp.).

Report to Rep. John Y. McCollister; by Elmer B. Staats, Comptroller General.

Contact: Community and Economic Development Division.

Organization Concerned: Office of Management and Budget; Federal Reserve System; Department of Commerce; Bureau of the Census; Bureau of Economic Analysis; McGraw Hill Publications Co.; Wharton Econometric Forecasting Associates, Inc.; Conference Board, Inc.; Rinfret-Boston Associates, Inc.

Congressional Relevance: Rep. John Y. McCollister.

Authority: Reports Act (44 U.S.C. 3501 et seq.). 31 U.S.C. 18b.

Abstract: GAO investigated the adequacy of statistics on industrial capacity utilization provided by the Department of Commerce and the Federal Reserve Board. A determination of each preparer's capacity was made by reviewing sources of data, assumptions used, and methodologies employed. **Findings/Conclusions:** Differences in utilization rates reported by seven organizations for 1970 through 1975 ranged from 10.2 to 22 percentage points. The variations in the rates are caused by differences in data collection, calculation methods, and definitions of capacity. All of the capacity utilization statistics have weaknesses. Statistics series are prepared by three Federal organizations, the Bureau of the Census, the Bureau of Economic Analysis, and the Federal Reserve Board. The need for these three series was questioned. **Recommendation To Congress:** A family of capacity definitions for use in calculating statistics should be developed. Federal organizations should be assigned the responsibility for developing a single reliable set of rates for use by Government and non-Government users.

100041

[Corps of Engineers Management Information System (COEMIS)]. LCD-76-119; B-163074. October 8, 1976. 8 pp.

Report to Secretary, Department of Defense; by Fred J. Shafer, Director, GAO Logistics and Communications Division.

Issue Area: Automatic Data Processing (0100).

Contact: Logistics and Communications Division.

Organization Concerned: Department of the Army: Corps of Engineers, Fort Worth, TX; Department of Defense.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services.

Abstract: The U.S. Army Corps of Engineers Management Information System (COEMIS) was reviewed to determine the thoroughness of the Department of Defense reappraisal of the COEMIS project and the current status of the system's development and implementation. COEMIS is intended to be a standardized system to operate with four primary subsystems: finance and accounting, personnel administration, resource allocation/project management, and real estate. The system was designed for use on the Honeywell G-437 computers located at nine of the Corps' regional data processing installations, with Honeywell G-225 computer terminals for access via telecommunications lines to the G-437 at other Corps' divisions and districts. **Findings/Conclusions:**

The Department of Defense did not take adequate action on an earlier GAO report which pointed out potential problems with COEMIS. COEMIS is still in the process of being modified to correct known deficiencies. Given the limitations of the G-437 machines, a point may be reached beyond which continuing modifications and augmentation to COEMIS will be counterproductive. **Recommendation To Congress:** Before buying new equipment, consideration should be given to a new design of COEMIS to make it operational on modern computers using a machine transferable data management system with inherent capabilities, such as update and query languages, and to make it more fully responsive to user needs.

100042

[The Veterans Administration's Automated Clinical Laboratory Reporting System]. HRD-77-2; B-133044. October 12, 1976. 7 pp. Report to Richard L. Roudsbush, Administrator, Veterans Administration; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Automatic Data Processing: Using Results of ADP Systems (0103); Health Programs: System for Providing Treatment (1205).

Contact: Human Resources Division.

Organization Concerned: Veterans Administration.

Congressional Relevance: House Committee on Veterans' Affairs; Senate Committee on Veterans' Affairs.

Abstract: The clinical laboratory reporting system used at five Veterans Administration (VA) hospitals is basically a small computer system designed to help diagnose and treat patients by providing physicians prompt and accurate test reports. GAO reviewed the systems in use at Hines VA Hospital in Illinois and at Wadsworth VA Hospital in Los Angeles, California. **Findings/Conclusions:** The Honeywell model 316 automated clinical laboratory reporting systems were found not to have greatly improved the timeliness and accuracy of patient laboratory test results or the accuracy of hospital administrative reports. It was the opinion of GAO that the clinical laboratory reporting system is not better than the manual system that it replaced. GAO recommends that the Administrator of Veterans Affairs require the Department of Medicine and Surgery to terminate further development of the clinical laboratory reporting system until the VA has evaluated the reliability of the system and determines whether the system can produce timely and accurate test results and administrative reports, and studies the role the computer should play in hospital laboratory and administrative operations.

100045

[Consolidation of Computer-Output-Microfilm Facilities in Hawaii]. LCD-76-129; B-115369. November 4, 1976. 6 pp.

Report to Secretary, Department of Defense; by Robert G. Rothwell (for Fred J. Shafer, Director), GAO Logistics and Communications Division.

Issue Area: Automatic Data Processing: Acquiring and Using Resources (0102); Facilities and Material Management: Requirements for Equipment, Spare Parts and Supplies (0702).

Contact: Logistics and Communications Division.

Organization Concerned: Department of Defense; Department of the Navy; Department of the Army: Army Support Command, HI.

Congressional Relevance: House Committee on Armed Services;

Abstract: A survey of automated data processing activities, including utilization of computer-output-microfilm (COM) equipment, at various Department of Defense (DOD) locations in the Far East identified a proliferation of COM equipment at computer facilities in Hawaii. The Navy operates three COM centers at Pearl Harbor. The U.S. Army Support Command, Hawaii, also operates a COM

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center. *Findings/Conclusions:* None of these computer facilities are fully utilized. The Secretary of Defense should consider appropriate action to consolidate the COM facilities in Hawaii in view of the multiplicity of the COM centers that are not fully utilized and of the potential savings from elimination of unneeded equipment. Consolidation is possible since two of the COM centers have minicomputers which should alleviate the problem of noncompatibility with DOD data processing systems. Consolidation of existing work on the Fleet Marine Force COM equipment would result in an annual savings of about \$110,600 through elimination of equipment rental and maintenance costs alone. The feasibility and economy of similar consolidations at other DOD locations should be investigated.

100046

A Proposed Automated Tax Administration System for Internal Revenue Service: An Evaluation of Costs and Benefits. LCD-76-114; B-115369. November 23, 1976. 44 pp. Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Acquiring and Using Resources (0102); Tax Administration (2700).

Contact: Logistics and Communications Division.

Organization Concerned: Internal Revenue Service; Department of the Treasury; Office of Management and Budget; General Services Administration.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Finance; Congress.

Abstract: An evaluation of a cost-benefit study by the Internal Revenue Service (IRS) in support of a proposed computer system, the Tax Administration System, shows some need for revision. IRS estimated that with an increased cost of \$154 million over the present system, the proposed system would achieve gross benefits of about \$2.1 billion in personnel savings and increased revenues.

Findings/Conclusions: GAO's review supports the proposed system, but finds that the ratio between costs and benefits is not as great as IRS estimated. Benefits were overestimated by \$606 million and costs underestimated by \$62 million. Possible software problems and delays create additional uncertainties. However, with adjustments in estimates, the proposed system would be more desirable economically than improving the present system. **Recommendation To Agencies:** The Commissioner of IRS should revise the cost-benefit analysis and provide for an update, reevaluate estimates for system development, and provide monitoring and testing criteria.

100047

[Analysis of Replacing Existing DOA Computer System]. LCD-77-101; B-146864. December 1, 1976. 3 pp. Report to Rep. Jack Brooks, Chairman, House Committee on Government Operations; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Acquiring and Using Resources (0102); General Procurement: Determination of Performance Requirements in Relation to Need of the Procuring Agency (1902).

Contact: Logistics and Communications Division.

Organization Concerned: Department of Agriculture; General Services Administration.

Congressional Relevance: House Committee on Government Operations; Rep. Jack Brooks.

Abstract: Plans of the Department of Agriculture (USDA) to replace an IBM 360/65 computer system located at its New Orleans Computer Center were reviewed, particularly whether the replacement was justified and whether it would have to be made on a non-competitive basis. **Findings/Conclusions:** To replace the existing

computer would cost \$2.4 million more than the present leased system over a 36-month period. It was felt that the ever increasing workload justified replacement. However, forecasted demand never materialized, chiefly because of software and equipment modifications and improved scheduling. As a result, the present system can effectively be used until its planned replacement in January 1978. If necessary, certain work can be offloaded to other centers at nominal cost. In short, there is no immediate need for the new system. USDA generally concurs and has agreed to reexamine its needs. GAO is still reviewing the justification for competitive procurement.

100048

Designation of Lawrence Berkeley Laboratory Computer Facility as a Federal Scientific Data Processing Center Could Save Millions. LCD-76-112; B-115369. December 30, 1976. 15 pp. Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Acquiring and Using Resources (0102).

Contact: Logistics and Communications Division.

Organization Concerned: Energy Research and Development Administration; General Services Administration; Office of Management and Budget; Department of Energy; Lawrence Berkeley Radiation Laboratory, CA.

Congressional Relevance: House Committee on Science and Technology; Senate Committee on Interior and Insular Affairs; Congress.

Authority: Automatic Data Processing Equipment Act. P.L. 89-306. OMB Circular A-25. H. Rept. 94-1746.

Abstract: The Regents of the University of California operate the Lawrence Berkeley Laboratory as a Government-owned, contractor-operated facility under contract to the Energy Research and Development Administration. Berkeley maintains a computer facility to support its research in three primary areas: physical research, biomedical research, and energy and environment research. **Findings/Conclusions:** Although not designated as such, the Lawrence Berkeley Laboratory computer facility is essentially operating as a Federal Scientific Data Processing Center, offering its services to nonlaboratory Government users. The lower costs for this service saved the Government an estimated \$9.5 million in fiscal year 1974. **Recommendation To Agencies:** The Energy Research and Development Administration and the General Services Administration should reach an agreement to establish a Federal Scientific Data Processing Center at the Lawrence Berkeley Laboratory. Implementing this and supporting recommendations could save the Government an estimated \$18.2 million annually.

100049

New Computer Was Not Needed for the St. Louis Computer Center. LCD-76-126; B-146864. December 30, 1976. 51 pp. Report to Sen. Gale W. McGee, Chairman, Senate Committee on Appropriations: Agriculture and Related Agencies Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Acquiring and Using Resources (0102); General Procurement: Determination of Performance Requirements in Relation to Need of the Procuring Agency (1902).

Contact: Logistics and Communications Division.

Organization Concerned: General Services Administration; Department of Agriculture; Farmers Home Administration.

Congressional Relevance: House Committee on Government Operations; Senate Committee on Appropriations: Agriculture and Related Agencies Subcommittee; Sen. Gale W. McGee.

Authority: Federal Management Circular 74-5.

Abstract: The procurement of a Burroughs Corporation B-4781

computer system for the Department of Agriculture's St. Louis Computer Center was reviewed. **Findings/Conclusions:** The St. Louis Computer Center's data processing system has two computers and equipment that support, exclusively, the lending activities of the Farmers Home Administration. The procurement of a replacement computer system was not justified because the existing computer had sufficient capacity; the projected workload increases were overstated; improved use of computer resources would have enabled the Center to operate without the new computer system until consolidating with the Kansas City Computer Center and implementing a new management information system in fiscal year 1978; and implementation of suggested improvements could have resulted in annual savings of about \$442,000. **Recommendation To Agencies:** The Secretary of Agriculture should replace the 27 fixed head disk drives being leased by the Center with removable disk pack drives; acquire a front-end communications processor; require that the Center evaluate ways of making greater use of virtual memory in its application programs; discount using terminals to correct discrepancies and increase the use of the more efficient, less costly manual input system; and fully comply with Federal regulations before consolidating the St. Louis Center with the Kansas City Computer Center.

100050

Safeguarding Taxpayer Information: An Evaluation of the Proposed Computerized Tax Administration System. LCD-76-115; B-115369. January 17, 1977. 44 pp. Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Acquiring and Using Resources (0102); Tax Administration (2700).

Contact: Logistics and Communications Division.

Organization Concerned: Internal Revenue Service; Department of the Treasury.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Appropriations; Treasury, Postal Service, General Government Subcommittee; Senate Committee on Finance; Congress.

Authority: Privacy Act of 1974. 5 U.S.C. 552a(e). H. Rept. 90-1842. Internal Revenue Code of 1954.

Abstract: The proposed Internal Revenue Service (IRS) computer system, the Tax Administration System, was examined to determine safeguards for personal taxpayer information. Major threats to a network of this type are from untrustworthy users or from unauthorized access. **Findings/Conclusions:** Although absolute computer security is not practicable, the Tax Administration System will provide a high level of protection through technical, administrative, and physical controls. Some of the safeguards in the present system have weaknesses which should be corrected within the framework of existing security procedures. The use of cryptographic devices will depend on an IRS determination based on its risk and threat analysis, but present evidence does not indicate that the cost is warranted. In addition, consideration should be given to: establishing a national data processing security office, guarding against unauthorized access, controlling employee access, improving physical security and control of information media, and seeking legal and other means to limiting disclosure of information. **Recommendation To Congress:** Consideration should be given to: establishing a national data processing security office, guarding against unauthorized access, controlling employee access, improving physical security and control of information media, and seeking legal and other means to limiting disclosure of information.

100051

Improved Management Needed for Automated Information-Handling Activities of Contract Administration. LCD-75-115; B-163074.

February 17, 1977. 24 pp. plus 4 appendices. Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Acquiring and Using Resources (0102); Military Preparedness Plans: Military Communications and Information Processing Needs (0803).

Contact: Logistics and Communications Division.

Organization Concerned: Department of Defense; Department of Defense: Assistant Secretary of Defense (Installations and Logistics); Department of Defense: Assistant Secretary of Defense (Comptroller); Defense Supply Agency.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services; Congress.

Abstract: The Defense Supply Agency (DSA) and the military services began to standardize and automate the handling of information needed for contract administration in 1964. The development of a data processing system was terminated by DSA in 1973 because design deficiencies made the implementation of the system too costly and precluded the achievement of the system's original objectives. **Findings/Conclusions:** The Department of Defense (DOD) reported that as of March 1974 DSA and military services have spent more than \$47 million on modifying, developing, and operating automated systems that were to use the procedures. Implementation of this program has been in abeyance since May 1973. However, in September 1975, DOD initiated an incremental approach to automate those procedures. The new effort can be expected to be prolonged and costly because program requirements have not been firmly established, their implementation through automation has not been properly planned, the most cost beneficial automated system needed by DSA has not been determined, and DSA program manager does not have the decisionmaking authority needed to guide the Mechanization of Contract Administration Services Program. During the suspension of the procedures implementation, DSA initiated actions to upgrade its current automated systems sufficiently to handle the increasing workload until a new system is completed in 1980. These improvements should be limited to those necessary to sustain its current operations until the Military Standard Contract Administration Procedures (MILSCAP) requirements are reevaluated and agreements are made between DSA and the military services as to the definition of the requirements. **Recommendation To Agencies:** The Secretary of Defense should direct the MILSCAP Administrator and the defense components to make concerted efforts to quickly reestablish the requirements for standardizing and automating the interchange and processing of contract related data under MILSCAP and to develop an overall plan to implement them through automation. These efforts should include: identifying requirements common to two or more defense components and developing interchange procedures that are suited to the users' needs; identifying requirements unique to each component and developing special procedures for handling them; developing temporary procedures for those cases where a defense component needs to develop MILSCAP capability before implementation; modularizing the requirements into subsystems and identifying the interfaces between the subsystems; and developing a schedule for incrementally implementing these subsystems in accordance with the needs and capabilities of the Defense Contract Administration Service regions, and the defense components.

100052

Need for a Government-Wide Budget Classification Structure for Federal Research and Development Information. PAD-77-14; B-115398. March 3, 1977. 52 pp. Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Federal Information Management (1400).

Contact: Program Analysis Division.

Organization Concerned: Department of Defense; Department of

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Health, Education, and Welfare; Department of Housing and Urban Development; Office of Management and Budget; National Aeronautics and Space Administration; National Science Foundation.

Congressional Relevance: Congress.

Authority: B-115398 (1972).

Abstract: There is a need for a unified presentation of Federal Research and Development (R&D) budgetary information according to definable user patterns. An agencywide structure for the Department of Housing and Urban Development contributed to the development of a conceptual foundation for the Government-wide structure, the Unified Classification Structure for Federal Research and Development. The categories in the structure have been designed to identify specific national objectives which are of concern or interest to Congress. The proposed structure will be a supplementary categorization of total funding for all research by national objective. The Office of Management and Budget (OMB) stated that a useful course of action would be to develop some limited supplementary R&D data on an interagency basis to cover specific problem areas identified by Congress, thus avoiding the collection of too much data. OMB also stated that the GAO system would cause more work for the agencies and OMB and would lead to arbitrary classifications. **Findings/Conclusions:** Information satisfying the need for unified funding information should enable users to determine the level of commitment to specific national objectives, to ascertain the interrelationships among different agencies' R&D activities, to facilitate identifying areas where more effective coordination is necessary, and to evaluate whether research funding is in line with priorities. Existing information sources do not provide readily usable information identifying the level of R&D funding by agency committed to specific national objectives. **Recommendation To Agencies:** OMB should require that budgetary data on Federal R&D activities be collected in accordance with the unified classification structure and submitted to Congress utilizing information as soon as possible.

100053

Need for a Government-Wide Budget Classification Structure for Federal Research and Development Information, Appendix IV. PAD-77-14A; B-115398. March 3, 1977. 136 pp.

Report to Congress; by Elmer B. Staats, Comptroller General.

Contact: Program Analysis Division

Organization Concerned: Department of Defense; Office of Management and Budget; Department of Health, Education, and Welfare; Department of Housing and Urban Development; National Aeronautics and Space Administration; National Science Foundation.

Congressional Relevance: Congress.

Authority: OMB Circular A-34.

Abstract: A classification structure has been developed by GAO for the purpose of providing Congress with a method of viewing Federal research and development. The underlying concept is that Federal research and development can be associated with objectives that are defined in terms of solving national problems or accomplishing national goals. **Findings/Conclusions:** Reporting requirements include: each category in the structure is to be taken as exclusive of any other category; all organizational subdivisions that submit and testify regarding appropriations requests to Congress should submit the required information; obligations in hundreds of thousands of dollars are to be provided for the prior fiscal year, the current fiscal year, and the budget fiscal year; a consolidated presentation will be prepared for the respective research and development activities;

and the relationship with the Office of Management and Budget reporting will be explained. Twelve subject areas are defined: education and training; energy development and conservation; environmental quality improvement; food, fiber, and other agricultural products; health; housing and community development; law enforcement and justice; mental health and substance abuse; military; natural resources; science and technology; space flight systems technology; transportation; and other, a catch all for community services, foreign policy, income assistance programs, manpower resources programs, assessment of regulatory activities, and occupational and consumer product safety programs.

100054

Problems Found With Government Acquisition and Use of Computers From November 1965 to December 1976. FGMSD-77-14; B-115369. March 15, 1977. 46 pp.

Report to Congress; by Robert F. Keller, Acting Comptroller General.

Issue Area: Automatic Data Processing (0100).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Defense; General Services Administration; Office of Management and Budget; Department of Commerce.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services; Congress.

Authority: Automatic Data Processing Equipment Act. P.L. 89-306. Executive Order 11717.

Abstract: During the 11 years since enactment of the Brooks Act, GAO has issued 175 reports relating to the management and use of automatic data processing (ADP) systems in Federal programs. GAO summarizes the information from these reports to assist Congress, Federal managers, and other groups interested in data processing problems. **Findings/Conclusions:** Problems in ADP management include: acquisition of ADP equipment without adequate determination of needs; lack of adequate studies of work to be done or alternatives; acquisition of computer equipment sooner than necessary; poor design and planning; prescribed procurement practices not followed; problems in acquisition of computers under Federal grant programs; a complicated procurement system for minicomputers; the expense of short term equipment leases; not enough use of alternate equipment supply sources; not enough evaluation of software requirements and sharing opportunities; and not enough standardization of data elements and codes. **Recommendation To Congress:** Improvements in ADP management will require action by central agencies as well as by the operating agency concerned. Action to make possible multiyear leases and to increase usage of the ADP Fund would be of value in reducing the Government's data processing costs. More managerial attention is needed in computer operations, and agencies need to police their own activities. Inquiry into the adequacy of laws concerned with computer crimes is needed.

100056

Vulnerabilities of Telecommunications Systems to Unauthorized Use. LCD-77-102; B-146864. March 31, 1977. 29 pp.

Report to Rep. Paul N. McCloskey, Jr.; by Fred J. Shafer, Director, GAO Logistics and Communications Division.

Contact: Logistics and Communications Division.

Organization Concerned: Department of Defense; General Services Administration; Department of Justice; Office of Telecommunications Policy; Federal Communications Commission.

Congressional Relevance: Rep. Paul N. McCloskey, Jr.

Authority: Property and Administrative Services Act. 40 U.S.C. 481. Executive Order 11556. 3 U.S.C. 301.

Abstract: Telecommunications systems are vulnerable to various

penetration techniques that may be used for gaining access to the system and intercepting and interpreting communications traffic carried over the system or inserting traffic into the system. **Findings/Conclusions:** The difficulty of penetration is dependent on such factors as the adequacy of administrative controls, the competence and integrity of telecommunications personnel, the physical security maintained over telecommunications facilities, the technical security resulting from telecommunications technology, and the penetrator's technical knowledge and financial resources. Investigation of abnormalities in telecommunications systems operations is the primary method used for detecting penetrations or attempted penetrations. However, a penetrator may not be identified due to the delays in identifying an abnormality and the investigation of its cause. The General Services Administration and the Department of Defense have issued warnings to civil agencies and military departments and agencies that commercial and most Government telecommunications systems do not provide the degree of security necessary to protect information. **Recommendation To Congress:** Separate computer access controls should be established by the user when computers and associated remote terminal equipment are interconnected through telecommunications systems. Such access controls, if adequate, would increase the difficulty in gaining access to computerized databases.

100059

Vulnerability of the Computer Society. November 2, 1976. 9 pp. *Speech* before the Institute of Electrical and Electronics Engineers, 1976 Conference on Cybernetics; by Kenneth A. Pollock, Assistant Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Organization Concerned: Office of Management and Budget; Institute of Electrical and Electronics Engineers, 1976 Conference on Cybernetics.

Abstract: The problems to society of increased computerization of information were presented. A paper by the Swedish Minister of Defense cited studies that showed the common occurrence of errors in data processing, intentional manipulation of computers, and the fact that manipulation is generally discovered only by chance. GAO has reported the use of computers for unreviewed payments of billions of dollars involving an unknown quantity of errors. An investigation at Federal agencies revealed that automated systems were used to determine shipping, repairs, payments, and other transactions without any manual checks. Errors amounting to millions of dollars were caused by erroneous data entries, poor system design, and lack of controls. A GAO report on computer-related crimes revealed 69 cases of which very few were discovered by system controls. OMB should require agencies to determine the existence of automated decision making, review resulting erroneous actions and correct them, insure that new systems include proper review and testing, and report on actions taken.

100060

GAO and Federal Government ADP Procurement. November 3, 1976. 23 pp. *Speech* before the American Institute of Industrial Engineers; by Paul G. Dembling, General Counsel.

Contact: Office of the General Counsel.

Organization Concerned: General Services Administration; American Institute of Industrial Engineers.

Authority: Automatic Data Processing Equipment Act. P.L. 89-306. Budget and Accounting Act of 1921. 40 U.S.C. 759(f)(2). 51 Comp. Gen. 609. 51 Comp. Gen. 613. 54 Comp. Gen. 930. 54 Comp. Gen. 196. 55 Comp. Gen. 60. 55 Comp. Gen. 1043. Executive Order 11717. B-163074 (1976) B-183182 (1975). B-115369

(1975). H. Rept. 94-1746.

Abstract: GAO was created by the Budgeting and Accounting Act of 1921 as a nonpolitical, independent arm of Congress. GAO has become increasingly involved in the Federal automatic data processing (ADP) procurement process. Under its audit function, GAO has reviewed individual ADP procurements and general policies and procedures to test their efficiency and economy. An active role was taken in the consideration of the Brooks Act which authorized and directed the General Services Administration (GSA) to coordinate and provide for the economic and efficient purchase of ADP equipment by Federal agencies. Centralization of the ADP management and procurement authority in GSA under the Brooks Act resulted in significant savings and improvements. Full implementation of the Brooks Act has been hampered because the Office of Management and Budget has neither approved nor disapproved the GSA plan for full capitalization of the ADP fund and has placed limitations on ADP expenditures. Much of the ADP equipment is purchased by procuring agencies from schedule contracts. Many of these purchases have been made without seeking competition or determination of lowest overall cost. The need for standardization in ADP management is stressed, and bid protest procedures are reviewed.

100061

The Legislative Focus on Federal ADP Procurement and GAO's Role. November 3, 1976. 13 pp.

Speech by Donald L. Eirich, Associate Director, GAO Logistics and Communications Division.

Contact: Logistics and Communications Division.

Organization Concerned: General Services Administration.

Abstract: GAO reviews of automatic data processing (ADP) systems used by Governmental agencies result largely from specific congressional requests. The principal concerns of Congress with regard to the acquisition and upgrading of ADP systems by Government agencies are: personal privacy protection; costs; maintaining competition; and the acquisition of effective Federal systems. Most of the congressional requests for review of specific agency systems direct GAO to examine their capability to protect personal information. Many congressional inquiries request determination as to whether there was a competitive solicitation; if not, whether it was justified; and whether the buyer complied with Federal procurement regulations in all respects. The ADP Fund is now adequately funded to support opportunity buys, multiyear leasing, and requirements contracts, although ADP procurements are not yet centralized. Although GSA is prohibited from interfering with the agencies' determinations of their ADP equipment requirements, GAO can review both the capacity of the system to perform the workload and the effectiveness with which users' needs are satisfied. It is suggested that system justifications will have to be more complete and of higher quality than has generally been so in the past.

100062

Computer Auditing and Controlled Accessibility. November 11, 1976. 5 pp.

Speech before the Association of Computer Programmers and Analysts; by Earl M. Wysong, Jr., Assistant Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Organization Concerned: Association of Computer Programmers and Analysts.

Abstract: Automated systems offer a potential for unprecedented reliability in the control of information processes. Increased emphasis must be given to the design of internal control to assure the effectiveness of computerized systems. Several important

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points concerning the design of the control network are: the consequences of an error, the point in the processing operation at which an error can be introduced, and the means for preventing, detecting, and correcting input errors. Auditor participation in design efforts of the automated system is the responsibility of computer systems analysts and programmers. Auditors can aid in systems design. The concurrent audit, or the on-line audit, is an innovative alternative to the traditional after-the-fact audit. Advanced systems have already changed the nature of the audit. The auditor must keep abreast of system changes and assure that the changes are made in accordance with prescribed procedures. In short, the auditor must consider himself a user of and learn to live with the system throughout its cycle.

100063

[Acquisition of Automatic Data Processing Equipment. B-115369.07. October 14, 1976. 1 p.
Letter to Thomas F. Blake, Jr., Secretary, Department of Defense; by Paul G. Dembling, General Counsel.

Contact: Office of the General Counsel.

100074

GAO Lead Division Plan for Automatic Data Processing. November 1976. 24 pp. plus 3 appendices.
Heads of Divisions and Offices, Regional Managers, General Accounting Office; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

100075

For Auditing Relief, Try ADP. 1977. 3 pp.
by Lawrence Bonanni, Supervisory Auditor, GAO Field Operations Division: Regional Office (New York).
In *The GAO Review*, Winter 1977, vol. 11, issue 1, pp. 41-43.

Contact: Field Operations Division: Regional Office (New York).
Organization Concerned: Department of Health, Education, and Welfare; New York, NY.

100082

Serious Breakdown in the Army's Financial Management Systems. FGMSD-76-74; B-132900. November 5, 1976. 14 pp. plus 3 appendices.

Report to Rep. George H. Mahon, Chairman, House Committee on Appropriations; by Elmer B. Staats, Comptroller General.

Issue Area: General Procurement (1900).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of the Army.

Congressional Relevance: *House* Committee on Appropriations; *Rep.* George H. Mahon.

Authority: Budget and Accounting Procedures Act of 1950. 31 U.S.C. 66. Antideficiency Act. 31 U.S.C. 665. P.L. 94-303. B-163074 (1972). B-132900 (1975).

Abstract: Violations of the Antideficiency Act are cited as examples of the breakdown in the Army's accounting and financial management reporting systems, and its efforts to improve its financial management systems are outlined. In April 1976, \$205 million in overobligations for Army procurement appropriations was reported. **Findings/Conclusions:** A major problem in the Army's administration of its procurement appropriations is that a procurement accounting system that records, accounts for, and reconciles financial and program data has not been fully implemented. Violations of the Antideficiency Act have occurred because the Army:

overstated orders from foreign governments for goods and services; transferred fund authority out of procurement appropriations to other appropriations when such funds were not available for transfer; made transfers out of appropriations and failed to make corresponding reductions in fund authority allocations; and failed to take corrective action regarding 1972 Army audit agency findings. Reconciliation procedures involve: (1) determination of amounts that have been overobligated; and (2) correcting the Army's financial records. **Recommendation To Agencies:** The Secretary of the Army should develop a plan to fully implement the accounting system for procurement appropriations, including a realistic progress schedule. He should also take necessary action to accelerate efforts to design accounting systems in conformance with the Comptroller General's principles and standards, and these systems should be submitted for approval.

100083

Management Action Needed in the Department of Defense To Realize Benefits From a New System of Aircraft Maintenance. LCD-76-443; B-169217. November 10, 1976. 38 pp. plus 2 appendices.
Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Facilities and Material Management (0700).

Contact: Logistics and Communications Division.

Organization Concerned: Department of the Navy; Department of Defense.

Congressional Relevance: *House* Committee on Armed Services; *Senate* Committee on Armed Services; Congress.

Abstract: Reliability-centered maintenance, an aircraft maintenance policy that limits routine maintenance in order to reduce costs and increase safety, was evaluated as it applied to the Navy's P-3 program. **Findings/Conclusions:** Application of the new maintenance concept to the Navy's organizational and depot maintenance programs improved maintenance scheduling, reduced unnecessary work tasks, corrected task distribution between maintenance levels, and resulted in a generally more logical approach to the maintenance function. The Navy may not have achieved maximum benefits from the program because it needs better information systems with which to appraise maintenance programs. The Navy also needs to take specific actions to realize the maximum potential for savings. **Recommendation To Agencies:** The Secretary of Defense should: provide specific guidance to the military services on carrying out the reliability-centered maintenance concept; emphasize the importance of well-defined and quantified goals and adequate provisions for monitoring project implementation; require specific reporting on each concept application to insure appropriate action has been taken to maximize and capture resulting benefits; and require the military services to change requirement computations for aircraft.

100084

Evaluation of the Department of the Army's Personnel and Cost Estimates for an Electronics Research and Development Command. LCD-76-465; B-172707. November 12, 1976. 19 pp.

Report to Sen. Harrison A. Williams, Jr.; Rep. James J. Howard; Sen. Clifford P. Case; by Elmer B. Staats, Comptroller General.

Issue Area: Personnel Management and Compensation (0300); Facilities and Material Management: Operation and Maintenance of Facilities (0708).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of the Army; Department of Defense; Department of the Army: Army Security Agency; Department of the Army: Harry Diamond Laboratories; Department of the Army: Army Electronics Research and Development, Fort

Monmouth, NJ.

Congressional Relevance: *Rep.* James J. Howard; *Sen.* Harrison A. Williams, Jr.; *Sen.* Clifford P. Case.

Authority: National Environmental Policy Act of 1969.

Abstract: Formation of an electronics research and development command will consolidate in a single command the Harry Diamond Laboratories, portions of the Army's Security Agency, and the noncommunications and automatic data processing research, development, and acquisition elements of the U.S. Army Electronics Command. The consolidation is part of a general reorganizational change within the Army to improve its materiel acquisition process by establishing mission-oriented development and logistic centers.

Findings/Conclusions: Review of the estimated one-time costs, such as construction and modification costs and personnel-related costs, indicated that the Army's estimates are reasonable. The estimated personnel requirements and annual operation cost reductions also seemed to be reasonable.

100086

Millions of Dollars of Costs Incurred in Training Foreign Military Students Have Not Been Recovered. FGMSD-76-91; B-159835. December 14, 1976. 32 pp. plus 5 appendices.

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of the Navy; Department of Defense; Department of the Army; Department of the Air Force.

Congressional Relevance: *House Committee on Armed Services; House Committee on Appropriations; Defense Subcommittee; Senate Committee on Armed Services; Congress.*

Authority: Foreign Military Sales Act of 1968. 22 U.S.C. 2761.

Abstract: The extent to which the Department of Defense (DOD) incurred millions of dollars of nonrecovered costs in training foreign students was examined. **Findings/Conclusions:** In the Army, estimated undercharges were \$18.7 million in 1975. In the same year, Air Force training costs totaled \$11.7 million at only one of eight pilot training installations. Both the Army and the Air Force pricing systems excluded appreciable costs. Although the Navy's pricing procedures for training foreign students were designed to recover the full cost, the Navy did not recover about \$2.7 million in costs to foreign governments during 1975. The Marine Corps did not charge foreign governments for training. DOD failed to provide adequate guidance on the pricing of foreign training so that each of the military services developed its own guidelines. The procedures used by the military services for accounting, billing, collecting, and depositing of receipts need substantial improvement. **Recommendation To Agencies:** The Secretaries of the Army, Navy, and Air Force should attempt recovery of those amounts which should have been included in tuition rates billed to foreign governments.

100088

Summaries of Conclusions and Recommendations on Department of Defense Operations. PSAD-77-2; B-106190. January 13, 1977. 90 pp.

Report to Chairman, Senate Committee on Appropriations; Chairman, House Committee on Appropriations; by Elmer B. Staats, Comptroller General.

Issue Area: General Procurement (1900).

Contact: Procurement and Systems Acquisition Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of Defense.

Congressional Relevance: *House Committee on Appropriations; House Committee on Armed Services; Senate Committee on*

Appropriations; Senate Committee on Armed Services.

Authority: Defense Appropriations Authorization Act of 1974. P.L. 93-155. Antideficiency Act. 31 U.S.C. 665. P.L. 91-441. Executive Order 11752.

Abstract: The Department of Defense (DOD) has many areas where waste occurs. A review of defense-related activities and weapon systems revealed areas that need improvement. **Findings/Conclusions:** Appropriations required for the World-Wide Military Command and Control System may be reduced if DOD exercises more effective management. There is unnecessary use of transmittal of messages. The Federal warning systems are proliferating ineffectively. The automated payroll systems need to be standardized, and a contributory retirement system might be adopted. Too many facilities are being constructed to support reserve forces, and facilities management is inefficient including the management of repair facilities. Millions could be saved annually and productivity increased if military support functions in the Pacific were consolidated. Continued support to allies from stocks procured or held for support of U.S. forces will cause varying degrees of degradation in the readiness of the forces. Contingency planning for emergency logistics support to allies and the logistics management structure needs improvement. Management of personnel and material deployment needs improvement. Testing programs and reserve training should be revised to avoid duplication and wasted time. The Indochinese refugee program was generally successful. The review of the automatic data processing defense-related activities pinpointed areas of inefficient management and recommended standards to guide the programs. Better management is needed in Government labs, in controlling costs of North Atlantic Treaty Organization troops, in overseas military banking programs, and in radio spectrum.

100093

Defense Inactive Item Program Could Be More Effective. LCD-77-204; B-133118. January 26, 1977. 5 pp.

Report to Secretary, Department of Defense; by Fred J. Shafer, Director, GAO Logistics and Communications Division.

Issue Area: Facilities and Material Management (0700).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Defense Supply Agency; Department of Defense.

Congressional Relevance: *House Committee on Armed Services; Senate Committee on Armed Services.*

Abstract: A review of the Department of Defense (DOD) program for eliminating unneeded inactive items in its supply system was found to be ineffective in many respects. The Defense Supply Agency (DSA) maintains these inactive items amounting to about 17 percent of supplies at a cost of \$46 million annually. **Findings/Conclusions:** The Defense Inactive Item Program, designed to eliminate unneeded items that occupy space, time, and computer capacity has not been successful in meeting its objectives. The lack of progress resulted from technical difficulties in merging the program with the overall computer system, delays in identifying organizations which used supplies, and the absence of systems for keeping supply centers informed and for verifying reasons for keeping inactive items. **Recommendation To Agencies:** DOD should reemphasize benefits of the inactive item program and periodically review its status. In addition, DSA should be required to improve its computer program to provide prompt and complete user information, including statistical information on items eliminated. A system should be established to verify reasons given by military services for keeping inactive items.

Citation Section

100094

Actions Needed To Strengthen the New Defense Internal Audit Service. FGMSD-77-11; B-160759. January 27, 1977. 3 pp. plus 1 appendix (4 pp.).

Report to Secretary, Department of Defense; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Internal Auditing Systems: Sufficiency of Federal Auditors and Coverage (0201).

Contact: Financial and General Management Studies Division.

Organization Concerned: Defense Audit Service; Department of Defense.

Abstract: A survey was conducted of internal audit operations of the Office of the Secretary of Defense to determine whether internal audit operations were efficiently and effectively carried out and whether practices and procedures conformed to standards prescribed by the Comptroller General. During the survey, the Defense Audit Service was established to carry out functions and responsibilities previously carried out by three other offices. **Findings/Conclusions:** Before the reorganization, internal audit policies, plans, and operations generally complied with requirements for an effective internal audit system. **Recommendation To Congress:** The effectiveness of the new internal audit organization could be enhanced by: performing more reviews in significant areas of high level defense organizations; using a more systematic method for following up on audit recommendations to insure appropriate corrective action; and reviewing contemplated staffing levels of the Defense Audit Service to determine if they are adequate to meet required audit cycles.

100127

National Science Foundation-Supported Science Education Materials. HRD-76-134; B-133183. October 20, 1976. 68 pp.

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Education, Training, and Employment Programs: Federal Educational Research and Development Efforts (1103); Science and Technology: Management and Oversight of Programs (2004).

Contact: Human Resources Division.

Organization Concerned: National Science Foundation; Office of Management and Budget.

Congressional Relevance: House Committee on Science and Technology; Senate Committee on Labor and Public Welfare; Congress.

Abstract: Ten projects receiving National Science Foundation money for development and distribution of science education materials were studied. **Findings/Conclusions:** Materials evaluations were poor and often were not carried out at all stages. Potential users and distributors were not considered in developmental stages, and the projects were not monitored efficiently. Many materials were too costly or innovative to be attractive commercially or to schools. Followup studies of materials' impact were rarely funded. **Recommendation To Congress:** Congress should advise the Foundation whether to support commercially unattractive materials. The Foundation should be committed to administrative and financial support of evaluating education materials, requiring proposals to contain a separate evaluation plan indicating materials' objectives, an accomplishment evaluation design following set guidelines, and a budget line item for evaluation. Mandatory evaluation reports should be thoroughly reviewed by Foundation staff and offered as part of the materials package. Publishers and potential users should be included as proposal reviewers and reviewers during development. Guidelines should be established for project monitoring and progress reports.

100141

Social Research and Development of Limited Use to National Policymakers. HRD-77-34; B-176765. April 4, 1977. 59 pp.

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Income Security and Social Services: Program Monitoring and Administration (1303); General Procurement (1900).

Contact: Human Resources Division.

Organization Concerned: Department of Health, Education, and Welfare; Office of Management and Budget; National Science Foundation; Office of Science and Technology Policy.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Finance; Congress.

Abstract: Federally-supported social research and development (R&D) includes projects directed toward improving the well-being of people and programs in the areas of: education, staffing, health, income security, social services, housing and community development, civil rights, transportation, and crime. Social R&D projects are intended to provide knowledge for policymakers in developing national social policies. **Findings/Conclusions:** Federal R&D is generally authorized in broad subject areas to serve State and local government agencies and is of limited use to national policymakers. Social R&D agency planning is fragmented and decentralized and permits agencies wide latitude. Guidance for monitoring social R&D is vague or nonexistent, and the dissemination of social R&D results has been relatively ineffective and uncoordinated. Such factors as the inaccessibility of information has made use of social R&D results difficult. Officials in policymaking positions in ten Federal agencies and departments expressed dissatisfaction with Federal management in the planning and monitoring of social R&D and in the dissemination and use of results. **Recommendation To Agencies:** The Office of Science and Technology Policy and the Office of Management and Budget should work together to: develop and test alternative systems to obtain the information needs of national policymakers; require that such a system be augmented by procedures for informing policymakers of the type and relevancy of the information available; develop formal mechanisms for encouraging cooperative efforts between agencies; and evaluate the methods used by each agency to manage social R&D.

100182

Domestic Energy Resource and Reserve Estimates--Uses, Limitations, and Needed Data. EMD-77-6; B-178205. March 17, 1977. 35 pp. plus 5 appendices (21 pp.).

Report to Congress; by Robert F. Keller, Acting Comptroller General.

Issue Area: Energy: Coordination of International Component of U.S. Energy Policy With Domestic Energy Requirements (1613).

Contact: Energy and Minerals Division.

Organization Concerned: Department of the Interior; Energy Research and Development Administration; Federal Energy Administration.

Congressional Relevance: House Committee on Interstate and Foreign Commerce; Senate Committee on Energy and Natural Resources; Congress.

Authority: Energy Policy and Conservation Act. 42 U.S.C. 6201. Energy Conservation and Production Act. P.L. 94-385. Mining and Minerals Policy Act of 1970. 30 U.S.C. 21a.

Abstract: The usefulness of resource and reserve estimates of the Nation's primary energy fuels, including oil, gas, coal, and uranium, can be greatly improved. These estimates are prepared and reported on by Federal agencies. **Findings/Conclusions:** The estimates prepared have been an attempt to measure the potential short- and long-term domestic supplies of these fuels. Review of the reported energy resource and reserve estimates demonstrates that there is a need for more data to assess resources and reserves and a need for more reliable resource and reserve estimates. In order to increase the usefulness of reserve estimates for

decisionmaking purposes, information is needed on the effects of cost-price relationships on energy source recoverability. **Recommendation To Agencies:** The Secretary of the Interior should direct a geological exploration program which would provide for the development and implementation of a systematic plan for appraising Outer Continental Shelf oil and gas resources. The Energy Research and Development Administration should expedite the work and report of its National Uranium Resource Evaluation Program. The Administrator of the Federal Energy Administration should obtain additional information concerning the effects of cost-price relationships on the recovery of energy resources, the quantities of recoverable coal reserves, and the ownership and control over energy resources.

100251

Opportunities To Improve Audit Operations, Department of Housing and Urban Development. FGMSD-76-83; B-114860. October 19, 1976. 7 pp.

Report to Carla Hills, Secretary, Department of Housing and Urban Development; by Harold L. Stugart (for Donald L. Scantlebury, Director), GAO Financial and General Management Studies Division.

Issue Area: Internal Auditing Systems (0200); Internal Auditing Systems: Sufficiency of Federal Auditors and Coverage (0201); Internal Auditing Systems: Audit Agencies' Work Coordination (0204).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Housing and Urban Development: Assistant Secretary for Community Planning and Development.

Abstract: Audit coverage of Department of Housing and Urban Development (HUD) grant programs in Washington and Oregon during fiscal years 1974-1976 was reviewed in terms of the Accounting and Auditing Act of 1950. This Act requires the head of each executive agency to establish and maintain appropriate audit capability to provide effective control over funds, property, and other assets. HUD audits had been made on about 95 percent of the categorical grant programs. **Findings/Conclusions:** There are several areas in which HUD could improve its procedures and thereby provide for more efficient and effective audits of financial records and compliance with applicable laws and regulations. Better procedures are needed to insure that periodic audits are made under the community development block grant program. Emphasis should be placed on eliminating duplicate audit requirements and procedures. The reporting system on open audit findings needs improvement.

100252

[Timeliness of the Statistics of Income]. PAD-77-3; B-137762. October 20, 1976. 9 pp. plus 3 enclosures (3 pp.).

Report to Rep. Charles A. Vanik, Chairman, House Committee on Ways and Means: Oversight Subcommittee; by Robert F. Keller, Deputy Comptroller General.

Issue Area: Tax Policy: Federal Revenue Data and Estimates (1502).

Contact: Program Analysis Division.

Organization Concerned: Internal Revenue Service.

Congressional Relevance: House Committee on Ways and Means: Oversight Subcommittee; Rep. Charles A. Vanik.

Abstract: Statistics of Income (SOI) publication schedules have considerable built-in lag. The generous schedules often are not met even by the Internal Revenue Service (IRS). **Findings/Conclusions:** Although some delay between the income year and the filing and processing of the tax returns is unavoidable, some of the lag is due to such inefficient and questionable procedures as the manual

typing of all tables for printing, searching repeatedly for errors, and including nonessential features in the reports. Perhaps the most important reason for the lag lies in giving lower priority to a timely product than to such other factors as the quality of the data, the writing and reviewing of the text, and the appearance of the report. IRS is aware of many of the problems and has made some progress in improving efficiency. Possibilities for further improvements include: adopting some form of computer composition for printing the SOI tables, eliminating special features that tend to delay publication, and revision of the timeframe of the samples and redefining the quality standards. The need to publish SOI on a firm schedule should be recognized as an important goal by the IRS management, and priorities in processing different types of SOI data should be reordered with this in mind. Another approach would be to consider other IRS data which could be made available earlier than SOI. In the long run, these improvements should not involve any substantial additional costs.

100256

Reimbursements to Appropriations: Legislative Suggestions for Improved Congressional Control. FGMSD-75-52; B-179708. November 1, 1976. 8 pp.

Report to Rep. George H. Mahon, Chairman, House Committee on Appropriations; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Defense; Department of the Air Force; Department of the Navy; Department of the Army; Office of Management and Budget.

Congressional Relevance: House Committee on Appropriations; Rep. George H. Mahon.

Authority: Economy Act. 31 U.S.C. 686(a). Antideficiency Act. 31 U.S.C. 665(a). 22 U.S.C. 239(c)(d). 22 U.S.C. 2355(a). 22 U.S.C. 2761-62. 22 U.S.C. 2777. 10 U.S.C. 2005. 10 U.S.C. 2110(a).

Abstract: Various laws generally provide the Department of Defense (DOD) with options for crediting reimbursements for certain expenditures for the cost of material, work, or services furnished to other activities. **Findings/Conclusions:** Reimbursable transactions include intra-Federal agency transactions, foreign military sales and assistance transactions, and United Nations support transactions. DOD can credit reimbursements either to the appropriation current in the year in which the reimbursement was earned or to the similar appropriation current at the time the reimbursement was collected. **Recommendation To Congress:** Legislation authorizing current DOD practices should be amended by Congress so that all reimbursements are credited to appropriations current in the year the reimbursements are earned.

100257

How the Internal Revenue Service Selects Individual Income Tax Returns for Audit. GGD-76-55; B-137762. November 5, 1976. 142 pp.

Report to Joint Committee on Internal Revenue Taxation; by Elmer B. Staats, Comptroller General.

Issue Area: Tax Administration (2700).

Contact: General Government Division.

Organization Concerned: Department of the Treasury; Internal Revenue Service.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Finance; Joint Committee on Internal Revenue Taxation.

Authority: 26 U.S.C. 7602. U.S. Constitution amend. 16.

Abstract: Most tax returns are selected for audit by a computer or by a person other than examiners who will audit them. **Findings/Conclusions:** Procedures generally protect the taxpayer

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against abuse. At district offices, most returns are selected because they have good audit potential. About 70 percent of returns audited by district offices are selected by a two-stage system. Returns first are scored as to their audit potential by a computer using sophisticated mathematical formulas. The highest scored returns are then manually screened to determine if an audit is warranted, and, in most cases, what items of income and deductions should be examined. Examiners can sometimes request returns for audit without having to explain why they need them. Overpayers are less likely to give their returns audited than those who underpay. Not enough is known about why taxpayers do or do not comply with the tax laws. **Recommendation To Agencies:** IRS should require its examiners, when requesting a return, to explain on the requisition why they need the return to facilitate review and further protect against abuse. The IRS should evaluate the feasibility of devising a system to insure that a representative number of returns involving overassessments are audited. Action should be taken to achieve uniformity among regions and districts in developing their work plans.

100259

Greater Audit Coverage of Internal Financial Operations Is Needed. FGMSD-77-3; B-160759. November 19, 1976. 4 pp.
Report to Richard L. Roudebush, Administrator, Veterans Administration; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Internal Auditing Systems (0200); Internal Auditing Systems: Sufficiency of Federal Auditors and Coverage (0201).

Contact: Financial and General Management Studies Division.

Organization Concerned: Veterans Administration; Veterans Administration: Internal Audit Service.

Authority: Federal Management Circular 73-2.

Abstract: The Veterans Administration's (VA) internal audit operations for fiscal years 1973 through 1976 were reviewed to determine whether VA maintains effective control over finances and whether its financial reports contain accurate and useful data. **Findings/Conclusions:** The VA audit effort was directed primarily toward hospitals; benefits programs were reviewed to a lesser extent. VA medical programs represent about \$3.8 billion, or 21 percent, of the VA \$18 billion appropriation for fiscal year 1976, while the benefits programs represented about \$13.7 billion, or 74 percent, of the total. Significant financial areas, such as accounting systems, financial statements, and administrative control of funds were not subjected to the important internal control which can be provided by an independent audit. The Internal Audit Service did not identify for correction many of the basic causes that contributed to financial deficiencies it reported. **Recommendation To Agencies:** The Internal Audit Service needs to fully identify all programs within its scope and implement a plan to provide coverage for those programs. The VA should assess the audit function to determine needs for planning, staffing, and the location of the Internal Audit Service within VA.

100262

Navy Needs To Insure That Improper Cost Transfers Stop. FGMSD-76-48; B-159797. November 29, 1976. 13 pp.
Report to Secretary, Department of Defense; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of the Navy; Department of the Navy: Naval Audit Service.

Abstract: Many Navy Department organizations have industrial fund accounting systems, which have improperly transferred costs

from one project to another. **Findings/Conclusions:** This has resulted in distortion of costs of products and services, unauthorized reprogramming actions, and illegal charging of costs. Navy has prescribed new controls to stop the improper transfers. **Recommendation To Congress:** The Secretary of the Navy should ask the Naval Audit Service to review a sufficient number of Navy's industrially funded organizations to ascertain whether Navy Comptroller instructions on controls over cost transfers have been, and continue to be, implemented effectively.

100263

An Overview of Federal Internal Audit. FGMSD-76-50; B-160759. November 29, 1976. 29 pp.

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Internal Auditing Systems (0200); Internal Auditing Systems: Sufficiency of Federal Auditors and Coverage (0201).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Health, Education, and Welfare; Department of Housing and Urban Development; Office of Management and Budget.

Congressional Relevance: Congress.

Authority: Accounting and Auditing Act of 1950. Federal Management Circular 73-2.

Abstract: GAO has attempted to find out whether the Federal departments and independent agencies had established an appropriate internal audit capability. **Findings/Conclusions:** The heads of Federal agencies have gradually increased the size of their audit staffs. As a group, the Government's regulatory agencies have virtually no internal audit capacity. Several agencies which provide Federal assistance spend as much as 60 to 80 percent of their time either monitoring and reviewing the audits of State and local auditors and independent public accountants or performing such external audits themselves. **Recommendation To Agencies:** OMB should help smaller agencies obtain auditing services and should develop guidelines to assist Federal agency management in determining the appropriateness of the size of their audit staffs and the proper mixture of internal and external audits.

100268

Alternatives to Constructing a New Denver Mint. LCD-76-458; B-114877. December 6, 1976. 39 pp. plus 5 appendices.

Report to Sen. William Proxmire, Chairman, Senate Committee on Banking, Housing and Urban Affairs; by Elmer B. Staats, Comptroller General.

Issue Area: Facilities and Material Management (0700).

Contact: Logistics and Communications Division.

Organization Concerned: Department of the Treasury; Bureau of the Mint.

Congressional Relevance: Senate Committee on Banking, Housing and Urban Affairs; Sen. William Proxmire.

Abstract: The need for a new Denver Mint was reviewed following a request by the Bureau of the Mint for \$65 million to construct a new mint on the basis that coin demand was increasing. Four different models were used to forecast future coin requirements. **Findings/Conclusions:** Coin requirements for 1990 range from 17 to 50 billion coins, depending on the forecast model used. The most likely estimate of coin requirements for 1990 is about 41.5 billion coins. About 90 percent of that amount, or 37.6 billion coins, is pennies. In 1990, it will cost about 10.25 cents to add one cent into circulation because of projected increases in demand for copper cents, cent manufacturing and distribution costs, copper prices, and cent attrition rates. The Bureau's estimate of construction costs for a new Denver mint may be too high because: space requirements appear overstated; construction costs were based on Philadelphia Mint construction and include features not needed by the Denver

Mint; and escalation for inflation appears to be duplicated. **Recommendation To Congress:** Facility changes such as opening the San Francisco Assay Office to production of general circulation coinage, combining functions and renovating space to make more space available for coinmaking machines, and relying on commercial supplies for coinage metals are suggested as alternatives to the proposed expenditure for a new mint.

100278

Federal Supervision of State and National Banks [Vol. II: Main Body of Report]. OCG-77-1; B-114831, B-118535, B-168904. January 31, 1977.

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting (2800); Procurement of Major Systems (3000).

Contact: Office of the Comptroller General.

Organization Concerned: Federal Reserve System; Department of the Treasury; Office of the Comptroller of the Currency.

Congressional Relevance: Congress.

Authority: National Banking Act. 12 U.S.C. 21-27. Federal Deposit Insurance Act. 12 U.S.C. 1816.

Abstract: Several congressional committees requested the evaluation of the effectiveness of the supervisory efforts of the three Federal agencies involved in monitoring banking operations, because of the increasing instability of banks. The study objectives were to evaluate the agencies' efforts to identify unsound conditions and violations of laws in banks, and cause bank management to take corrective actions. **Findings/Conclusions:** Adverse economic conditions contributed to some bank failures, but generally embezzlement and poor management of loans were the causes. Problems were not corrected because: (1) the regulatory agencies were reluctant to use their legal authority to force the banks to change, (2) the agencies did not consult with bank boards, (3) examinations were set up on a time basis rather than a problem solving basis, and (4) recommendations were not generally made as to how to solve problems. Examiners have enforcement tools they may use, both informal and formal. These include: (1) an informal request that banks make the changes, (2) formal written agreements to confirm correction plans, (3) cease and desist orders, (4) removal of management, (5) financial assistance, (6) cancellation of deposit insurance, (7) cancellation of Federal Reserve membership, and (8) revocation of a charter. Federal Reserve Board surveillance of bank holding companies is not adequate nor is the training of examiners. Major improvements of bank supervision include organizational changes, closer bank surveillance, self-dealing and insider transaction monitoring, consumer protection law enforcement, new examination procedures, closer contact with bank boards, problem solving monitoring, more use of formal powers, experiments on relying on State examinations, and better training of examiners. The agencies involved are not working as closely as they should. **Recommendation To Agencies:** The agencies should revise their examination practices and frequencies to better identify problems. Examination reports and meetings with bank boards should follow all examinations. More aggressive policies should be developed for the use of formal actions against problem banks. Better training and screening of potential examiners should be implemented. The three agencies, either through their own initiative or legislation should coordinate their efforts more closely. More stringent procedures for handling charter applications should be devised.

100283

Improvements Needed in Recording and Reporting Appropriation Data at Fiscal Year End. FGMSD-76-63; B-179708. February 17, 1977. 20 pp.

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101).

Organization Concerned: Department of the Treasury; Department of Health, Education, and Welfare; Office of Management and Budget; Health Services Administration.

Congressional Relevance: House Committee on Education and Labor; Senate Committee on Labor and Public Welfare; Congress.

Authority: Antideficiency Act. 31 U.S.C. 665. P.L. 84-798. 31 U.S.C. 701-708. 31 U.S.C. 628. 31 U.S.C. 712.

Abstract: The Health Services Administration of the Department of Health, Education, and Welfare has serious weaknesses in its accounting systems. These weaknesses may have led to violations of the Antideficiency Act which prohibits Federal agencies from engaging in programs that will lead to deficits in funds. **Findings/Conclusions:** To force its own and Treasury's accounts into agreement as of June 30, 1974, the Health Services Administration made unsupported adjustments totaling \$16 million of which \$2 million involved the illegal transfer of funds between appropriation year accounts. Also, the unexpended balance of appropriations as of June 30, 1975, differed from amounts shown on the Treasury's books by \$190 million. Improvements are needed in accounting for receivables. Officials do not agree that adjustments were illegal, but they indicate that such adjustments are no longer being made. **Recommendation To Agencies:** The Health Services Administration should: improve accounting and reporting of appropriation data so that reports to Treasury are accurate and properly verified; determine the reasons for discrepancies in the fiscal year (FY) 74 and FY 75 reports and adjust appropriation accounts as necessary based on the results of the reconciliation; and determine whether a violation of the Antideficiency Act has occurred and adjust accounts as necessary.

100286

[Controls and Accountability for Checks Returned to Treasury's Disbursing Centers]. FGMSD-76-56; B-112924. March 1, 1977. 9 pp. Report to Secretary, Department of the Treasury; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of the Treasury.

Congressional Relevance: House Committee on Banking, Currency and Housing; Senate Committee on Banking, Housing and Urban Affairs.

Authority: Budget and Accounting Procedures Act of 1950. Treasury Fiscal Requirements Manual ch. 7000. 2 GAO 12.2.

Abstract: A review was conducted of the Department of the Treasury's controls over checks on hand that were returned as undelivered or were withdrawn from delivery after preparation. **Findings/Conclusions:** During fiscal year 1976, seven Treasury disbursing centers were holding about 53,000 negotiable checks (about \$17.7 million) without adequate safeguards. About 41,000 of these undelivered checks were at least 6 months old. Because Treasury did not cancel the checks immediately, Federal agencies have been precluded from making timely adjustments to their accounting records. Several weaknesses were noted in internal controls over the processing of returned checks: mail containing checks was not always opened in the presence of other employees as required; checks not under accounting control were placed in open desks accessible to anyone; and uncanceled checks were processed without adequate controls. Treasury's problems in controlling returned checks could be minimized if such checks were canceled shortly after receipt. **Recommendation To Agencies:** The Secretary of the Treasury should: provide for cancellation of returned checks upon receipt by Treasury, notify Federal agencies when their returned checks are canceled; and improve controls over returned

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and withdrawn checks that are still negotiable by adequately separating duties of employees processing checks, restricting access to checks to those who have a need to handle them, and maintaining proper accountability over the checks.

100289

[Weaknesses in the Financial Controls of the National Flood Insurance Program]. CED-77-47; B-114860. March 21, 1977. 9 pp.

Report to Patricia Harris, Secretary, Department of Housing and Urban Development; by Henry Eschwege, Director, GAO Community and Economic Development Division.

Issue Area: Automatic Data Processing (0100); Automatic Data Processing: Using Results of ADP Systems (0103); Accounting and Financial Reporting (2800).

Contact: Community and Economic Development Division.

Organization Concerned: National Flood Insurers Association; Department of Housing and Urban Development; Federal Insurance Administration.

Congressional Relevance: *House* Committee on Banking, Currency and Housing; *Senate* Committee on Banking, Housing and Urban Affairs.

Authority: National Flood Insurance Act of 1968. 42 U.S.C. 4011. 42 U.S.C. 4071. Flood Disaster Protection Act of 1973. Government Corporation Control Act.

Abstract: There are numerous weaknesses in the ability of the National Flood Insurers Association (NFIA) to generate accurate financial data on its operations relating to the National Flood Insurance Program. **Findings/Conclusions:** These weaknesses could adversely affect the Government's ability to determine reasonable amounts payable to NFIA under the program; determine flood insurance premium rates; prepare financial statements of the program's condition and results of its operations; and make management decisions. Both accuracy of financial data and timeliness of such data are seriously lacking in the National Flood Insurance Program. **Recommendation To Agencies:** Every effort should be made to assure that adequate financial control over the flood insurance program is established as quickly as possible. The Secretary of Housing and Urban Development should: (1) direct the Federal Insurance Administration (FIA) to review financial control problems with NFIA with the objective of establishing a plan that will result in the receipt from NFIA of reliable financial and statistical data necessary to manage the program; (2) direct the Inspector General to review the plan developed to make sure such data will meet the needs of FIA; and (3) give consideration to a partial or full assumption by the Government of necessary functions as permitted under Part B of the National Flood Insurance Act of 1968, if adequate financial control cannot be established through arrangements with NFIA.

100297

Need To Strengthen Financial Accountability to the Congress. GGD-77-43; B-133332. March 31, 1977. 54 pp.

Report to Sen. Ted Stevens, Ranking Minority Member, House Committee on Appropriations: Interior Subcommittee; Sen. Robert C. Byrd, Chairman, House Committee on Appropriations: Interior Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting (2800).

Contact: General Government Division.

Organization Concerned: Smithsonian Institution; Smithsonian Institution: Science Information Exchange, Inc.

Congressional Relevance: *House* Committee on Appropriations: Interior Subcommittee; *Sen.* Ted Stevens; *Sen.* Robert C. Byrd.

Abstract: The Smithsonian Institution's (SI) fiscal practices and policies need to be improved. **Findings/Conclusions:** The following problems were identified: SI appears to use the Smithsonian Research Foundation for distribution of Federal funds to private

nonprofit corporations to avoid Federal restrictions; the question of which fund-reprogramming actions by SI require congressional approval has not been resolved; SI does not provide the Appropriations Committees with information on the planned uses of its private funds; and, as a result, the Committees cannot fully assess the impact of their budgetary decisions on SI programs and activities. **Recommendation To Agencies:** The Board of Regents of the Smithsonian Institution should: dissolve the Smithsonian Research Foundation and the Smithsonian Science Information Exchange; provide the Appropriations Committees with information on the planned use of private funds when appropriation requests are submitted; and establish, in conjunction with the appropriate congressional committees, clear policies governing the use of Federal and private funds. The Secretary of the Smithsonian Institution should: propose and justify to Congress the exemptions from existing legislation that SI believes it needs to run effectively, with a minimum of red tape, the programs now funded through the Smithsonian Research Foundation and the Smithsonian Science Information Exchange; and continue working with the Appropriations Committees to reach a common understanding as to the types of budget reprogramming actions the committees wish to approve in advance and, in the interim, continue seeking committee approval of all reprogramming actions.

100301

New York City's Efforts To Improve Its Accounting Systems. FGMSD-77-15; B-185522. April 4, 1977. 29 pp.

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Organization Concerned: New York, NY; Department of the Treasury.

Congressional Relevance: *House* Committee on Banking, Currency and Housing; *Senate* Committee on Banking, Housing and Urban Affairs; Congress.

Authority: New York City Seasonal Financing Act of 1975. P.L. 94-143.

Abstract: An examination of New York City's efforts to improve its accounting system was part of a review of the city's progress under its 3-year financial plan. The credit agreement under which loans are made to the city by the Federal Government requires the city to establish an accounting system by July 1, 1977, which will enable an auditor to perform an annual audit and to render an opinion. **Findings/Conclusions:** Although much progress has been made, the new accounting system will not be implemented by the required date. City officials have deferred implementation of the payroll subsystem and may also defer other subsystems because of lack of time. The city will not meet requirements for producing financial statements which will allow for an auditor's unqualified opinion because of problems in the system including inaccurate and incomplete data. **Recommendation To Agencies:** The Secretary of the Treasury should examine the city's progress in meeting requirements and authorize reasonable extensions of time where it is needed for orderly completion of work.

100324

EDP Auditing and You. October 18, 1976. 18 pp.

Speech by Kenneth A. Pollock, Assistant Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Abstract: Auditors in general and electronic data processing (EDP) auditing in particular are discussed. There are two types of auditors: external and internal. The external auditor is the certified public accountant type, independent of the firm that contracts for his services. His major purpose is to verify the financial statement

of the organization being audited. The internal auditor is an employee of the firm, and his major goal is to assure management that the firm is running as intended. The GAO auditor is a hybrid, he is internal in that he works for the Government and audits Government programs, but he reports to Congress with an external perspective. All three types of auditors are concerned with controls and are, of necessity, drawn to the computer for controls. The computer can be used for accounts receivable, inventory, and evaluation of the efficiency of programs. The auditor can participate in the design of programs, controls embedded in programs, and physical access controls. Auditors need to become involved in the programs they monitor and need to understand the EDP process. Audits can be speeded up by the proper provision of information and by cooperation with the auditor.

100326

GAO's Views on the Military's Financial Management ADP Systems. March 16, 1977. 18 pp.

Speech before the Society of Military Comptrollers, Fort Myer, VA; by Earl M. Wyson, Jr., Assistant Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Organization Concerned: Society of Military Comptrollers, Fort Myer, VA; Department of Defense; Department of the Navy; Department of the Army; Department of the Air Force.

Abstract: Accounting problems in the Department of Defense (DOD) that have been reported by GAO include: the use of open allotments for unauthorized purposes; the nonexistence of general ledgers or the nonuse of them as a source for financial reports; the obligation of O and M funds when material is purchased by local stock funds; the accounting for fixed assets; the obligation of not more than 20 percent of appropriations in the last 2 months of each fiscal year; the accounting procedures for noncontractual claims against the Government; and the lack of accrual accounting. Many of the accounting systems' designs in DOD and the military services were not in conformity with their principles and standards. GAO has always advocated standard systems such as the automatic data processing (ADP) system, but this system has had some problems. Hopefully, the Navy's new standard system will overcome past problems with management and design philosophy which led to a proliferation of nonstandard systems. The Navy's consolidation of its civilian pay systems into seven standard systems, and the Army and Air Force's consolidation of theirs into one each was commended. GAO must have adequate documentation of ADP systems in order to approve them. There have been obsolescence problems regarding documentation. Documentation standards need to be followed. At times the ADP design has not been in conformity with the functional requirements and specifications of the system. This was seen as a communication problem to be handled on an individual basis.

100428

Long-Range Analysis Activities in Seven Federal Agencies. PAD-77-18; B-184659. December 3, 1976. 74 pp.

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Evaluation Guidelines and Methodology: Agency Evaluation (2601).

Contact: Program Analysis Division.

Organization Concerned: Department of Defense; Environmental Protection Agency; Department of the Interior; Department of Agriculture; Energy Research and Development Administration; Department of Commerce; Federal Energy Administration.

Congressional Relevance: House Committee on Merchant Marine and Fisheries; Fisheries, Wildlife Conservation and the Environment Subcommittee; House Committee on Science and Technology; Environment and the Atmosphere Subcommittee; Congress.

Authority: 60 Stat. 23. Employment Act of 1946. 15 U.S.C. 1201. Air Quality Act of 1967. P.L. 90-148. National Environmental Policy Act of 1969. P.L. 91-190. Forest and Rangeland Renewable Resources Planning Act of 1974. P.L. 93-378.

Abstract: A study of the long-range analysis activities of the Departments of Agriculture, Commerce, Defense, and the Interior, the Energy Research and Development Administration, Environmental Protection Agency, and the Federal Energy Administration included an investigation of what long-range planning and policy analyses are being made by and for the executive branch; who performs these activities; to whom are the results given; and what impact the activities have on policy decisions. **Findings/Conclusions:** The seven agencies did not have a uniform approach. Some had centralized departmental level direction and coordination and some were decentralized. It was noted that not all programs are long-range and, therefore, careful consideration should be given before analysis is done. Long-term agency objectives and intended impact are not always clearly defined, producing a lack of systematic evaluation of the need for long-range analysis and consideration of long-range implications. Only a few reports were produced, and these tended to have a limited distribution. The most important factor in assuring high-quality, long-range analysis is the presence of decisionmakers in both the executive branch and Congress who want it and will use it. Decisionmakers can help effectiveness by identifying objectives and recognizing the most important interrelationships among them and assuring the active involvement of affected parties and wide dissemination of the reports.

100430

Summaries of Conclusions and Recommendations on the Operations of Civil Departments and Agencies. HRD-77-33; B-106190. January 17, 1977. 205 pp.

Report to Sen. John L. McClellan, Chairman, Senate Committee on Appropriations; Rep. George H. Mahon, Chairman, House Committee on Appropriations; by Elmer B. Staats, Comptroller General.

Issue Area: Internal Auditing Systems (0200).

Contact: Human Resources Division.

Organization Concerned: Department of Health, Education, and Welfare; Department of Commerce; Department of Labor; Department of Housing and Urban Development.

Congressional Relevance: House Committee on Appropriations; Senate Committee on Appropriations; Rep. George H. Mahon; Sen. John L. McClellan.

Authority: National Cancer Institute Act of 1971. P.L. 92-218. Federal Food, Drug, and Cosmetic Act. P.L. 94-295. Fish and Wildlife Act of 1965. 16 U.S.C. 742c.

Abstract: The annual review and audit included analysis of Federal computer systems uses and management, personnel management, and ways of saving money in operations costs for all Federal civic departments and agencies. **Findings/Conclusions:** Agriculture needs to reassess its funding of various areas and should consider better vocational education for small farmers to increase productivity. Commerce should increase funding for research into the census undercount and should develop programs to help manage and maintain fishery resources. Department of Health, Education, and Welfare's health service programs, including training programs, and health safety programs should be reevaluated to determine better management procedures. Social service and special education programs also need to be improved. Department of Housing and Urban Development programs for assessment of the environmental impact of proposed projects and collection of outstanding mortgage payments need improvement, but weaknesses in the taxpaying systems are being corrected. Department of the Interior mineral and fuel policy needs improvement, as do the

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reclamation activities. Department of Labor should improve its auditing and investigating operations, its funds allocation, and its worker protection programs. Data are available to measure the impact of minimum and overtime wage provisions for the Fair Labor Standards Act on working parents hiring babysitters. State's international aid programs need to be reevaluated and funds possibly redistributed. Transportation should improve controls over various projects. All the commissions and boards need to improve program and Fund Management.

100431

Summary of Open GAO Recommendations for Legislative Action as of December 31, 1976. OCR-77-1002; B-185993. February 16, 1977. 133 pp.

Report to Congress; by Elmer B. Staats, Comptroller General.

Contact: Office of the Comptroller General.

Congressional Relevance: Congress.

Authority: Agricultural Act of 1970. Commodity Futures Trading Commission Act of 1974. Flood Disaster Protection Act of 1973. Housing and Community Development Act of 1974.

Abstract: A summary of open GAO recommendations for legislative action, designed to assist the chairmen and ranking minority members of committees in overseeing Federal programs and agencies is presented. **Findings/Conclusions:** Legislative recommendations were referred to the following Senate Committees: Agriculture and Forestry; Appropriations; Armed Services; Banking, Housing and Urban Affairs; Commerce; District of Columbia; Finance; Foreign Relations; Government Operations; Interior and Insular Affairs; Judiciary; Labor and Public Welfare; Post Office and Civil Service; Public Works; Veterans' Affairs; and Select Committee on Small Business. Legislative recommendations were also referred to the following House Committees: Agriculture; Appropriations; Armed Services; Banking, Currency and Housing; District of Columbia; Education and Labor; Government Operations; Interior and Insular Affairs; International Relations; Interstate and Foreign Commerce; Judiciary; Merchant Marine and Fisheries; Post Office and Civil Service; Public Works and Transportation; Rules; Small Business; Veterans' Affairs; Ways and Means; and Select Committee on Aging. Legislative recommendations were referred to the following Joint Committees: Atomic Energy; Economic; Internal Revenue Taxation; and Printing. Summaries of each recommendation include a reference to the report in which the recommendation appears and a list of the relevant committees.

100433

Review of Postal Service's Payroll System. GGD-77-37; B-114874. March 15, 1977. 16 pp.

Report to Benjamin F. Bailar, Postmaster General, United States Postal Service; by Victor L. Lowe, Director, GAO General Government Division.

Issue Area: Accounting and Financial Reporting (2800).

Contact: General Government Division.

Organization Concerned: United States Postal Service.

Congressional Relevance: House Committee on Post Office and Civil Service; Senate Committee on Governmental Affairs.

Abstract: During fiscal year 1976, the Postal Service employed about 679,000 people and incurred personnel costs of \$12 billion. Although no major weaknesses were found in the payroll system, some deficiencies in procedures were identified. Suggestions were offered for improvements in the design of a new system. **Findings/Conclusions:** The computerized time and attendance system, the Postal Source Data System, did not have adequate controls of badges and authorizers to preclude improper pay authorizations and adjustments. Employees' separations and transfers were

not always promptly recorded in payroll files, resulting in some erroneous payments. Improvements would result from: (1) incorporating programmed controls into payroll programs; (2) increased involvement by the Office of Audit in computer system design and program changes; (3) strengthened procedures for computer security; (4) one master pay record for each employee; and (5) adoption of advanced data entry methods for making changes in master pay records.

100435

Federally Assisted Areawide Planning: Need To Simplify Policies and Practices. GGD-77-24; B-146285. March 28, 1977. 79 pp.

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Intergovernmental Policies and Fiscal Relations: Federal, State, Area-Wide, and Local Coordination (0402).

Contact: General Government Division.

Organization Concerned: Office of Management and Budget.

Congressional Relevance: Congress.

Authority: Intergovernmental Cooperation Act of 1968. 42 U.S.C. 4231. Demonstration Cities and Metropolitan Development Act of 1966. 42 U.S.C. 3334. OMB Circular A-95. OMB Circular A-82.

Abstract: The Intergovernmental Cooperation Act of 1968 recognized the interrelated nature of most Federal planning programs and the need to coordinate them. Twenty federally assisted areawide planning programs were reviewed to determine whether the procedures of Circular A-95 of the Office of Management and Budget (OMB) adequately carry out the purposes of the Intergovernmental Cooperation Act of 1968. **Findings/Conclusions:** OMB encouragement of the use of a single areawide organization to plan or to coordinate planning has not been effective because: (1) programs were initiated haphazardly to satisfy particular demands and each program built its own constituency at the State, areawide, and local level, which made it difficult for State and local governments to form a coordinated planning effort; (2) Federal agencies often ignored the designated comprehensive planning agency; (3) the States sometimes disregarded their own planning subdivisions in implementing Federal programs; and (4) Federal agencies had varying requirements which created impediments to coordinated planning and made it difficult for one planning organization to satisfy all Federal requirements. **Recommendation To Congress:** Congress should establish a national policy on areawide planning and provide a basis for strengthening planning focal points at the areawide level. **Recommendation To Agencies:** OMB should: require Federal agencies and federally funded State agencies to use the designated areawide comprehensive planning agencies to carry out and coordinate areawide planning, and to use, to the extent possible, the planning boundaries designated by the States.

100439

Problems of the New National Bulk Mail System. GGD-76-100; B-114874. December 10, 1976. 28 pp. plus 1 appendix (2 pp.).

Report to Rep. Charles H. Wilson, Chairman, House Committee on Post Office and Civil Service: Postal Facilities, Mail and Labor Management Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Facilities and Material Management: Building, Buying, or Leasing Federal Facilities and Equipment (0706).

Contact: General Government Division.

Organization Concerned: United States Postal Service.

Congressional Relevance: House Committee on Post Office and Civil Service: Postal Facilities, Mail and Labor Management Subcommittee; Rep. Charles H. Wilson.

Abstract: The status of the Postal Service's bulk mail system was reviewed through site visits to the four operational bulk mail centers and the center still in the testing stage. The bulk mail

represents the Service's first attempt to mechanize a nationwide mail processing system. The estimated cost to construct and equip the system was \$950 million, but the cost rose to \$997 million. In addition, completion was delayed a year. **Findings/Conclusions:** Major reasons for cost increases were: building and mechanization design changes made after contracts were awarded, and late delivery of Government-furnished equipment to the contractors. Problems encountered in development of the system included: overestimation of the processing capacity of the system; underestimation of the volume of mail that could not be handled by the system; a high incidence of misdirected mail and parcel damage; and failure to meet delivery standards. It cannot be concluded at this time if the bulk mail system can provide enough savings to justify investment in the system.

100453

How GAO Plans and Carries Out Its Audits and Evaluations. February 1977. 28 pp.

Speech before the Australian Society of Accountants; by Elmer B. Staats, Comptroller General.

Contact: Office of the Comptroller General.

Organization Concerned: General Accounting Office; Australian Society of Accountants.

Authority: Budget and Accounting Act of 1921.

Abstract: The increasing complexity of Government and the interest in evaluating and improving its operation have put great pressure on GAO. Auditing has become more difficult because computers have become accounting and management tools and auditors have had to acquire specialized knowledge of them. Program results auditing has given auditors an important judgmental role. In the GAO 1972 reorganization, Government-wide responsibility for particular programs and functions was assigned to individual operating divisions, instead of being assigned on a Federal agency basis. The lead division concept was developed to deal with workload by giving responsibility for key issue areas to certain lead divisions charged with providing leadership and guidance in the planning, programming and reporting of all work undertaken in designated areas. In choosing its audit work, GAO emphasizes Federal programs and agency operations with a strong present or potential congressional interest and opportunities for improvement. Audit work involves survey, review, and report with recommendations. GAO has moved to an increased involvement of staff members having an acquaintance with many fields and calls upon outside experts and consultants when necessary.

100488

The GAO Review, Winter 1977, Volume II, Issue I. 1977. 131 pp. by Office of the Comptroller General

Edited by E. H. Morse, Jr.; Individual articles contained in this document appear elsewhere, as appropriate, in this issue as separate citations.

Contact: Office of the Comptroller General.

Organization Concerned: Small Business Administration; United States Civil Service Commission; Department of Health, Education, and Welfare; Office of Management and Budget; National Institutes of Health: National Cancer Institute; Securities and Exchange Commission; District of Columbia; New York, NY; Congressional Budget Office; Cost Accounting Standards Board.

100489

Better Communication, Cooperation and Coordination Needed in Department of Defense Development of Its Tri-Service Medical Information System Program. LCD-76-117; B-182666. October 6, 1976. 36 pp.

Report to Sen. William Proxmire; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Applying Technology (0101); Military Preparedness Plans: Military Communications and Information Processing Needs (0803); Health Programs: System for Providing Treatment (1205).

Contact: Logistics and Communications Division.

Organization Concerned: Department of Defense; Department of Defense: Assistant Secretary of Defense (Health Affairs).

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services; Sen. William Proxmire.

Authority: 10 U.S.C. 2304. 10 U.S.C. 2306.

Abstract: An analysis of the Department of Defense (DOD) Tri-Service Medical Information System (TRIMIS) revealed problems in design and development. **Findings/Conclusions:** The system was intended to improve DOD health care delivery through a combined automated system for the three services. The system has been operating for more than 2 years at an expenditure of over \$14 million. The program was initiated without the necessary management and cooperation needed for success. In spite of some management improvement, the services are still working independently. The program will cost \$504 million through fiscal year 1982. Successful development and utilization of TRIMIS depends on the establishment of detailed user requirements, more uniformity, and improved management. If service differences can be resolved, the Assistant Secretaries of Defense should be directed to reorganize TRIMIS and to designate a project manager with increased responsibility, establish evaluation criteria, standardize procedures, and conduct analyses. If a sound basis is established, requirements should include review, control, and reevaluation.

100502

More Civil Service Commission Supervision Needed To Control Health Insurance Costs for Federal Employees. HRD-76-174; B-164562. January 14, 1977. 49 pp.

Report to Rep. Richard C. White, Chairman, House Committee on Post Office and Civil Service: Retirement and Employee Benefits Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Health Programs: Health Care Costs (1208).

Contact: Human Resources Division.

Organization Concerned: United States Civil Service Commission: Bureau of Executive Manpower; National Association of Blue Shield Plans; Aetna Life Insurance Co.; United States Civil Service Commission.

Congressional Relevance: House Committee on Post Office and Civil Service: Retirement and Employee Benefits Subcommittee; Rep. Richard C. White.

Authority: Federal Employees Health Benefits Act of 1959. 5 U.S.C. 8901.

Abstract: GAO was requested to determine what the two Government-wide carriers, Blue Cross and Blue Shield and the Aetna Life Insurance Company, and the Civil Service Commission are doing to control health care costs under the Federal Employees Health Benefits program. **Findings/Conclusions:** Benefit payments have been made without conforming to contract or policy requirements and without enough information to determine whether payments were allowable. The contracts negotiated by the Civil Service Commission provide no incentives for the carriers to control benefit payments, and contain no provisions under which the Commission, either through audit or other means, can exercise sufficient control over the allowability of benefits paid by the carriers. **Recommendation To Agencies:** The Civil Service Commission should revise its health insurance contracts to provide incentives for compliance with the Commission's contract requirements; it should include in its contracts specific cost-control programs that the carriers must follow; and should clarify its audit authority, expand its audits, and

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act more effectively on its audit findings. If the Commission does not adopt these recommendations, the Subcommittee on Retirement and Employee Benefits should consider developing legislation to this end.

100503

State Audits To Identify Medicaid Overpayments to Nursing Homes. HRD-77-29; B-164031(3). January 24, 1977. 33 pp.
Report to Sen. Frank Church, Chairman, Senate Special Committee on Aging: Long-Term Care Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Health Programs: Compliance With Financing Laws and Regulations (1207); Health Programs: Health Care Costs (1208).

Contact: Human Resources Division.

Organization Concerned: Department of Health, Education, and Welfare; Social and Rehabilitation Service.

Congressional Relevance: *Senate* Special Committee on Aging: Long-Term Care Subcommittee; *Sen.* Frank Church.

Authority: Social Security Act. 45 C.F.R. 250.30(b)(3). P.L. 92-603.

Abstract: Techniques used by nursing home operators to inflate Medicaid costs and reimbursements were studied in New York, Florida, Massachusetts, and Virginia. The purpose of the study was to determine the adequacy of Department of Health, Education, and Welfare (HEW) and State systems to control and deflect such costs and the progress made by HEW in implementing State reimbursement on a cost-related basis. **Findings/Conclusions:** The most common types of costs which should have been disallowed were: nonpatient care revenues, costs not related to patient care, undocumented expenses, costs of capital items expensed rather than capitalized, and capital items both expensed and capitalized. Of more than \$300 million in total costs submitted by nursing homes, States disallowed about \$9 million or 3 percent. Field audits were productive in identifying costs that should be disallowed, but the States varied substantially in their field audit efforts. Law enforcement officials in New York and Massachusetts used field audits to obtain evidence for convictions of nursing home operators for fraudulent claims. The cost of State field audits will be justified if overpayments can be prevented or recouped. **Recommendation To Agencies:** The Social and Rehabilitation Service should assess periodically whether each state identifies and reports overpayments promptly to nursing homes and should deny Federal participation in overpayments when States do not establish an effective recoupment program promptly.

100508

Loss of Millions of Dollars in Revenue Because of Inadequate Charges for Medical Care. FGMSD-76-102; B-133142. March 8, 1977. 17 pp.
Report to Congress; by Robert F. Keller, Acting Comptroller General.

Issue Area: Health Programs: Health Care Costs (1208); Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of the Navy; Department of Defense; Department of the Army; Department of the Air Force.

Congressional Relevance: *House* Committee on Armed Services; *Senate* Committee on Armed Services; Congress.

Authority: 24 U.S.C. 34. P.L. 78-51. DOD Instruction 7230.7. Executive Order 11116. Executive Order 11609. OMB Circular A-25.

Abstract: A review was conducted of policies and procedures used for determining and charging rates for medical care in military medical facilities. Pertinent accounting records and reports were also reviewed. **Findings/Conclusions:** Persons other than active and

retired military personnel and their dependents must pay for the medical care they get in military medical facilities. The rates charged paying patients are so low that about \$12 million in medical costs are not recovered annually. Computations of full reimbursement rates excluded many costs of medical operations because of inconsistencies in accounting data submitted by the military services to the Department of Defense (DOD) and because of the exclusion of certain costs by DOD in computing the rates. Reimbursements could be increased by about \$3.2 million annually if full charge rates were increased to recover all costs of providing medical care. Reimbursements could be increased another \$8.7 million annually if the special charges for U.S. civilians and foreign nationals and their dependents working for the Government overseas were revised to recover the costs of providing the medical care. Legislative history indicates that the charges should be high enough to recover costs. **Recommendation To Agencies:** The Secretary of Defense should provide the military services with specific guidance for reporting accounting data so that complete and consistent costs are used to compute reimbursement rates; establish procedures so that all applicable costs are included in rate computations; and revise the rates periodically. Rates for inpatient and outpatient medical care which are intended to recover all costs should be increased.

100542

Little Accomplished in Insuring That Proper Rents Are Charged Under the Section 236 Rental Housing Program. CED-76-146; B-171630. October 5, 1976. 31 pp.
Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Domestic Housing and Community Development: Management of Federal Housing Programs (2105).

Contact: Community and Economic Development Division.

Organization Concerned: Department of Housing and Urban Development.

Congressional Relevance: *House* Committee on Banking, Currency and Housing; *Senate* Committee on Banking, Housing and Urban Affairs; Congress.

Authority: Housing and Urban Development Act of 1968. 42 U.S.C. 1441a. National Housing Act. 12 U.S.C. 1715z-1.

Abstract: A followup review was done of progress by the Department of Housing and Urban Development (HUD) in correcting deficiencies in determining tenants' income for subsidized rentals as required under the rental assistance housing program. **Findings/Conclusions:** In spite of HUD plans in response to previous reports over 3 years ago, little corrective action has been taken. The review covered three HUD area offices but was considered representative. HUD program requirements for income recertification and computation of rents were not met or were late. Weaknesses still exist in income recertification procedures and monitoring. A need exists for HUD to make on site reviews of housing projects, to emphasize compliance to project owners, and implement programs and explore further courses of action to make necessary on site reviews and insure compliance.

100546

Why the Formula for Allocating Community Development Block Grant Funds Should Be Improved. CED-77-2; B-171630. December 6, 1976. 50 pp.
Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Domestic Housing and Community Development: Assisting Urban Communities to Prevent and Eliminate Blight and Deterioration (2102).

Contact: Community and Economic Development Division.

Organization Concerned: Department of Housing and Urban Development; Bureau of the Census; Bureau of Labor Statistics.

Congressional Relevance: *House* Committee on Banking, Currency and Housing; *Senate* Committee on Banking, Housing and Urban Affairs; Congress.

Authority: Housing and Community Development Act of 1974. 42 U.S.C. 5301. P.L. 94-521.

Abstract: A review of the formula used to allocate Community Development Block Grant funds by the Department of Housing and Urban Development (HUD) revealed inequities. In the Block Grants program, funds for the improvement of urban communities were to be allocated according to a needs formula based on population, overcrowded housing, and the extent of poverty. **Findings/Conclusions:** In determining poverty, which receives a double weight in the formula, HUD does not recognize regional differences in cost of living as authorized by legislation. Proposed allocations by HUD for 1977 are based on 1973 census population estimates and 1970 data on poverty which would lead to a shift of funds to wealthier suburban areas. GAO believes that funds should be distributed on the basis of the latest census data. **Recommendation To Congress:** Congress should amend the Housing and Community Development Act of 1974 to require use of latest census data for the three variables in the allocation formula until methods for updating the variables are developed. **Recommendation To Agencies:** HUD should revise the methodology used to allocate Community Development Block Grant funds to recognize regional cost of living variations.

100610

Improprieties in Time and Attendance Practices at Medical Facilities. FGMSD-76-79; B-184661. January 14, 1977. 7 pp.

Report to Sen. Herman E. Talmadge; by Elmer B. Staats, Comptroller General.

Issue Area: Law Enforcement and Crime Prevention: Treating Criminal Offenders (0503).

Contact: Financial and General Management Studies Division.

Organization Concerned: Bureau of Prisons: U.S. Penitentiary, Atlanta, GA; Bureau of Prisons; Public Health Service.

Congressional Relevance: *Sen.* Herman E. Talmadge.

Authority: 5 U.S.C. 5547. 5 U.S.C. 6101(a). 5 U.S.C. 5584. 31 U.S.C. 4107, 4108. 5 C.F.R. 610.101.

Abstract: Allegations were made of improprieties in time and attendance practices by physicians at the U.S. Penitentiary in Atlanta, Georgia. **Findings/Conclusions:** All three physicians on the penitentiary medical staff earning maximum pay were improperly taking compensatory time off during working hours while being reported on regular duty. Instances were also found at other U.S. penitentiaries in which physicians earning maximum pay were improperly taking compensatory time off. The Bureau of Prisons and the Public Health Service recognize the difficulty of retaining physicians in the Government because of lower income and inconsistencies within the Federal pay system. However, officials are prohibited from authorizing compensatory leave for overtime, night, holiday, or Sunday work for physicians earning maximum pay. Two applications by an employee for 79 hours of sick leave were apparently fraudulent since the applications contained signatures of a nonexistent physician. **Recommendation To Agencies:** The Bureau of Prisons and Public Health Service Hospitals should take necessary actions to stop the improper use of compensatory time and provide explicit instructions to employees responsible for the maintenance and certification of official time and attendance records. They should report all cases in which compensatory time was improperly taken and review the work schedules of physicians to determine if they can be revised to better meet the agency's needs.

100611

War on Organized Crime Faltering--Federal Strike Forces Not Getting the Job Done. GGD-77-17; B-178618. March 17, 1977. 67 pp. *Report to Congress; by Robert F. Keller, Acting Comptroller General.*

Issue Area: Law Enforcement and Crime Prevention (0500); Law Enforcement and Crime Prevention: Organized Crime (0508).

Contact: General Government Division.

Organization Concerned: Department of Justice; Department of Labor; Department of the Treasury; United States Postal Service.

Congressional Relevance: *House* Committee on the Judiciary; *Senate* Committee on the Judiciary; Congress.

Authority: Organized Crime Control Act of 1970. P.L. 91-452. Executive Order 11534.

Abstract: The Federal effort to coordinate the fight against organized crime involved the creation of Justice Department's strike forces. The operations of the strike forces located in Cleveland, Ohio; Detroit, Michigan; Los Angeles, California; New Orleans, Louisiana; and Brooklyn and Manhattan, New York, were investigated. **Findings/Conclusions:** The strike forces are located in areas of major organized crime activity and are composed primarily of representatives from Federal investigative agencies and attorneys of the Justice Department. Work at the strike force locations showed that: the Government has not developed a strategy to fight organized crime; there is no agreement on what organized crime is; the strike forces have no statements of objectives or plans for achieving those objectives; individual strike forces are hampered because the Justice attorneys-in-charge have no authority over participants from other agencies; and a costly computerized organized crime intelligence system is of dubious value. **Recommendation To Agencies:** In order to improve the Federal effort to fight organized crime, the Justice Department should identify what and whom the strike forces are combating; develop a national strategy for fighting organized crime; centralize Federal efforts, giving someone the responsibility and authority for developing plans and overseeing their implementation; and establish a system for evaluating the effectiveness of the national and individual strike force efforts.

100632

Export-Import Bank's Financial Disclosure System for Employees and Its Procurement Practices. ID-76-81; B-185101. October 4, 1976. 11 pp.

Report to Rep. John E. Moss; by Elmer B. Staats, Comptroller General.

Issue Area: Personnel Management and Compensation: Employee Conflicts of Interest (0301); International Affairs (0600).

Contact: International Division.

Organization Concerned: United States Civil Service Commission; Export-Import Bank of the United States.

Congressional Relevance: *Rep.* John E. Moss.

Authority: Export-Import Bank Act of 1945. 12 U.S.C. 635 et seq. 12 C.F.R. 400.735.

Abstract: A review of the financial disclosure system for employees and procurement practices of the Export-Import Bank of the United States (Eximbank) revealed some needs for improvement. Files of financial disclosure statements for fiscal year 1975 were examined to determine whether requirements for filing were met, and a sampling of financial interests was conducted. **Findings/Conclusions:** Eximbank's regulations generally conform with Civil Service Commission guidelines, but some appearances of conflict of interest exist. Tests disclosed 29 instances in which seven employees were involved in transactions which benefited firms in which they held interests. Inaccuracies and lateness in filing statements were also found. Procurement actions for fiscal years 1973-75 generally complied with requirements. **Recommendation To Congress:** Review procedures should be strengthened by identification and monitoring of employees with potential conflict of

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interests. Procedures for prompt collection and timely review and approval of disclosure statements should be established.

100641

[Action of OMB Designed To Expand the Amount of Contracting Out of Functions Now Performed In-House by Civil Service Employees]. PSAD-77-6, PSAD-77-7; B-158685. November 5, 1976. 6 pp. plus 4 enclosures (6 pp.).

Report to Rep. Morris K. Udall; Rep. Christopher J. Dodd; by Elmer B. Staats, Comptroller General.

Issue Area: General Procurement: OMB Guidelines for Relying on the Private Sector To Supply Federal Needs (1906).

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: United States Civil Service Commission; Office of Management and Budget.

Congressional Relevance: Rep. Morris K. Udall; Rep. Christopher J. Dodd.

Abstract: Questions are answered regarding actions of the Office of Management and Budget (OMB) designed to expand the amount of contracting out of functions now performed in-house by civil service employees. The questions and answers concern retirement costs, methods to estimate future costs, and the need for cost-comparison analyses before each contracting-out action. **Findings/Conclusions:** The annual retirement costs to the Government for civil service employees are higher than 7 percent of payroll costs. The Civil Service Commission's estimate of 31.7 percent of current payroll costs as the dynamic normal cost for the retirement system is reasonable, provided that one accepts the economic assumptions prescribed by OMB that were used in calculating the costs. The models used to calculate normal cost and the input data were examined; different normal costs based upon different economic assumptions were consistent with one another. In making cost comparisons to determine whether activities should be contracted out, proper consideration should be given to costs in both sectors, including computation of social security costs for private sector employees on the same normal basis as retirement costs for Government employees. **Recommendation To Congress:** Five recommendations addressing cost comparisons advocated by the Commission on Government Procurement should be pursued.

100642

Alternatives in Controlling Department of Defense Manpower Costs. PAD-77-8; B-165959. November 12, 1976. 48 pp.

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Personnel Management and Compensation (0300).

Contact: Program Analysis Division.

Organization Concerned: Department of Defense; Department of the Navy; Department of the Army; Department of the Air Force.

Congressional Relevance: Congress.

Abstract: The principal factors affecting defense manpower costs and the issues involved in cost reduction are based on the Department of Defense (DOD) materials, congressional hearings and reports, and reports and studies of several other organizations. **Findings/Conclusions:** The portion of the DOD budget that is related to manpower costs has increased because of switching to an all-volunteer force, adopting the pay raise comparability principle, rapid rises in military retirement costs, changes in the composition of defense manpower, and changes in grade distribution. Savings in manpower costs can be achieved only by reducing the number of personnel, reducing pay levels, or using personnel more efficiently. Manpower requirements depend upon perceived threats to national security. Reducing pay to achieve savings would require a judgment that present levels of compensation and recruitment policies could be adjusted to attract the needed manpower at a lower net cost. Potential efficiency improvements are in five areas: (1)

reducing the size of headquarters and support functions; (2) relying on more reserve forces; (3) converting from military to civilian positions; (4) reducing military turnover; and (5) making training more efficient.

100647

Actions Needed To Improve the Federal Communications Commission's Financial Disclosure System. FPCD-76-51; B-103987, B-180228. December 21, 1976. 29 pp.

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Personnel Management and Compensation: Employee Conflicts of Interest (0301).

Contact: Federal Personnel and Compensation Division.

Organization Concerned: Federal Communications Commission.

Congressional Relevance: House Committee on Interstate and Foreign Commerce; Senate Committee on Commerce; Congress.

Authority: Federal Communications Act of 1934. 47 U.S.C. 154(b). 18 U.S.C. 208. Executive Order 11222. 47 C.F.R. 19.

Abstract: Improvements that are needed in the Federal Communications Commission's (FCC) financial disclosure system were discussed in accordance with standards of ethical conduct for Government officials. **Findings/Conclusions:** Several weaknesses were found in the present system. Criteria for identifying positions requiring disclosure were too general. Procedures for collection, processing, and followup of statements were inadequate. The FCC interpretation of regulations allowed family members to have holdings that would be prohibited if held directly. GAO felt that this practice could result in conflicts of interest. **Recommendation To Congress:** Congress should enact amendments to apply prohibition only to companies significantly regulated by FCC and to include constructive as well as direct interests of employees. **Recommendation To Agencies:** The Chairman of FCC should develop adequate criteria and procedures for identifying positions requiring disclosure, for prompt collection of statements, and adequate followup. The Chairman should develop procedures to enable supervisors to verify employee actions in disqualifying themselves from matters related to their holdings.

100671

System for Processing Individual Equal Employment Opportunity Discrimination Complaints: Improvements Needed. FPCD-76-77; B-178929. April 8, 1977. 91 pp.

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Personnel Management and Compensation: Equal Employment Opportunity (0302); Non-Discrimination and Equal Opportunity Programs (1000); Non-Discrimination and Equal Opportunity Programs: Employment Discrimination in the Federal Sector (1004).

Contact: Federal Personnel and Compensation Division.

Organization Concerned: Department of Defense; United States Civil Service Commission.

Congressional Relevance: House Committee on Education and Labor; Senate Committee on Labor and Public Welfare; Congress.

Authority: 86 Stat. 103. Equal Employment Opportunity Act of 1972. 42 U.S.C. 2000e. P.L. 92-261. Fair Labor Standards Amendments of 1974. 29 U.S.C. 633a.

Abstract: Although the Civil Service Commission has established an extensive system for processing individual discrimination complaints, many aspects of the system need improvement. **Findings/Conclusions:** At nine Federal agencies and departments, the planning and actions taken to make sure that discrimination complaint system objectives are met can be improved in several areas: management commitment, structure within the agency, and determining financial resources required and analyzing staff needs and qualifications. The nine agencies reviewed did not have reliable

data on the costs of operating their discrimination complaints systems and Government-wide cost data were not adequate. A variety of problems regarding fairness and impartiality, timeliness, and complaint resolution were noted. Neither the Commission nor the agencies reviewed have adequately reviewed and evaluated the discrimination complaint systems. Sound reviews and evaluations were not possible because adequate data were lacking. **Recommendation To Agencies:** The Chairman of the Civil Service Commission should emphasize that agencies should properly plan and implement their discrimination complaint systems. The Chairman and the heads of the nine agencies reviewed should take action to improve their reviews and evaluations of complaint systems. The Chairman should also develop criteria for and assess the effectiveness and efficiency of agencies' complaint systems that consider qualitative and cost aspects in addition to timeliness consideration.

101106

Construction of a Computer Facilities Building by the Social Security Administration: Justification and Alternatives. HRD-77-8; B-164031(4). November 17, 1976. 8 pp.

Report to Rep. L. H. Fountain, Chairman, House Committee on Government Operations: Intergovernmental Relations and Human Resources Subcommittee; by Elmer B. Staats, Comptroller General.

Contact: Human Resources Division.

Organization Concerned: Social Security Administration.

Congressional Relevance: House Committee on Government Operations: Intergovernmental Relations and Human Resources Subcommittee; *Rep. L. H. Fountain.*

Abstract: GAO investigated the need for the Social Security Administration's (SSA) proposed computer facilities building. The use of certain computer systems at the agency were analyzed to determine whether the present capacity of these systems could support a greater workload or tolerate a transfer of work among the systems to allow installation of new systems, alteration of current space, or other potential alternatives to the proposed construction. **Findings/Conclusions:** Analysis by use of a computer program designed to measure computer-capacity utilization and to evaluate production indicated that the 15 systems examined were capable of supporting more than twice the largest identifiable workload processed by the agency. Certain practices and procedures were believed to be major causes of the apparent underutilization of computers. SSA was acting to improve the operations and security of its computer facility. A detailed utilization analysis was planned, which should be instrumental in further identification of equipment needs. GAO will continue to monitor the activities associated with the analysis.

101121

[Procedures and Practices Used by Army and Navy Inventory Managers and Their Shipping Activities To Respond to Requests for Cancellation of Requisitions for Materiel]. LCD-77-201; B-162152. February 17, 1977. 12 pp.

Report to Secretary, Department of Defense; by Robert G. Rothwell (for Fred J. Shafer, Director), GAO Logistics and Communications Division.

Issue Area: Facilities and Material Management: Requirements for Equipment, Spare Parts and Supplies (0702).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of the Navy: Aviation Supply Office, Philadelphia, PA; Department of the Army: Army Tank-Automotive Command, Warren, MI; Department of the Army: Army Aviation Systems Command; Department of Defense.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services.

Abstract: The Navy, having responded to earlier GAO recommendations, has implemented an automatic data processing system which has saved an estimated \$44 million in procurement and transportation costs between July 1974 and March 1976 by identifying and canceling unfilled orders for materiel which the requisitioners no longer needed. **Findings/Conclusions:** Unlike the Navy system, the Army's automated logistic systems only provide for demand removal on the basis of confirmed requisition cancellations. The Army could benefit by adopting the Navy's system for automatic removal of invalid demands. Army and Navy inventory control points are required to cancel direct delivery back orders if procurement action has not been started when the request is canceled, but action should be taken only for cancellation of materiel valued at more than \$50 if procurement has been started. This practice has not been followed. The cancellation of requisitions has not been quickly processed and has cost millions of dollars. Many unnecessary procurements and shipments have occurred because of weaknesses in the system. The Navy's controls are inadequate to prevent duplicate filling of direct delivery of back orders. **Recommendation To Agencies:** The Army should provide for automated removal of invalid recurring past demands from requirement computation databases; require monthly use of special detection programs for unprocessed cancellation requests and prompt action on unprocessed cancellation requests; and require compliance with the Department of Defense criteria for cancellation of procurement or diversion of shipment. The Navy should establish automated controls to prevent duplicate filling of back orders. Uniform time standards and management controls for processing cancellation requests similar to the standards for processing requisitions should be established.

101127

Federal Supply Service Not Buying Goods at Lowest Possible Price. PSAD-77-69; B-114807. March 4, 1977. 23 pp.

Report to Congress; by Robert F. Keller, Acting Comptroller General.

Issue Area: General Procurement: Reasonableness of Prices Under Negotiated Contracts and Subcontracts (1904).

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: General Services Administration; Federal Supply Service.

Congressional Relevance: Congress.

Authority: Truth-in-Negotiation Act. P.L. 87-653.

Abstract: Some contractors charge the Government more for their products than they charge commercial customers who buy smaller or comparable quantities of those products. **Findings/Conclusions:** Prices charged the Federal Supply Service (FSS) by 5 of 12 multiple award schedule contractors were much higher than prices charged other customers. This was probably because FSS did not have procedures for considering the total purchases expected under a contract when evaluating offers and prices. As a result, the FSS did not obtain the volume discounts normally available to other customers. Had it done so, the Government could have saved about \$1.2 million on purchases totaling \$11.2 million from the five contractors. Although sales from FSS contracts amounted to \$840 million, contractors' proposals were rarely independently audited. Sales and discount information submitted on 6 of 15 contract proposals was not accurate, current, or complete. Therefore, the pricing information used by FSS in evaluating offers and negotiating prices may have been inaccurate. **Recommendation To Agencies:** FSS should develop procedures to enable it to obtain discounts given by contractors to other customers buying large quantities of goods and increase its verification of contractors' proposals and audit coverage of completed contracts. The General Services Administration

Citation Section

needs to reevaluate its role and adopt the concept that it represents the Government as an entity rather than as individual purchasing units.

101141

History of Contract Awarded To Develop a Project Grant Information System. HRD-77-47; B-185845. April 8, 1977. 30 pp. plus 6 appendices (11 pp.).
Report to Sen. William Proxmire; by Robert F. Keller, Acting Comptroller General.

Issue Area: Education, Training, and Employment Programs (1100); General Procurement (1900).

Contact: Human Resources Division.

Organization Concerned: Office of Education; Rockwell International Corp.

Congressional Relevance: *Sen.* William Proxmire.

Authority: 86 Stat. 1279. Property and Administrative Services Act. P.L. 92-582. 41 C.F.R. 1. 41 C.F.R. 3. 41 U.S.C. 252(c)(10).

Abstract: The Office of Education awarded a sole-source contract to North American Rockwell Corporation in 1969 for development of a computerized management information system. **Findings/Conclusions:** The sole-source contract stipulated that the system be operational in 9 months at a total cost-plus-fixed-fee of \$378,174. Instead, the contract took 44 months to complete and the costs amounted to about \$3 million. Despite the amount of time and funds expended, the system did not function as intended, and the contract was terminated before the contractor completed all the work it was to have accomplished. After abandoning the use of the system developed by the contractor, the Office of Education developed a less sophisticated system of its own at a cost of about \$20,000 that met the same needs. The contract review procedures were inadequate, and agency officials did not adequately justify the continuation of contract modifications. Office of Education officials in several instances did not comply with Federal procurement regulations and circumvented office internal procedures in administering this contract.

101183

A Cooperative Audit of the Procurement System of the State of Oregon. PSAD-77-15. January 10, 1977. 32 pp. plus 2 appendices.
Staff Study by Richard W. Gutmann, Director, GAO Procurement and Systems Acquisition Division.

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: Oregon.

Congressional Relevance: *Senate* Committee on Appropriations: HUD-Independent Agencies Subcommittee.

Abstract: Oregon's procurement policies and practices were reviewed, with an emphasis on procurements administered by the Oregon Department of General Services. **Findings/Conclusions:** General Services has recognized its need for the following kinds of information essential to requirements determination and planning: historical usage and future requirements, inventories of unused equipment, and lease versus purchase alternatives. General Services is aware of the goals of contracting and contract administration and is striving to increase competition and reduce prices, provide better assurance that quality levels are attained, and assure that items are provided on a more timely basis. **Recommendation To Agencies:** General Services should: obtain better data for determining State agency requirements and for planning procurements; improve cooperative arrangements for purchasing for State and local governments and encourage cooperation among local procuring agencies; improve contracting methods and contract ad-

ministration; and improve procurement by clarifying rules on delegation of purchasing authority.

101215

[Procurement for Data Processing Services Not in Conflict With Buy American Act. B-153751. October 14, 1976. 3 pp.

Decision re: Blodgett Keypunching Co.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Department of the Air Force; International Computer Resources, Inc.; Blodgett Keypunching Co.

Authority: Buy American Act. 41 U.S.C. 10a-d Executive Order 10582. *Descomp v. Sampson*, 377 F. Supp. 254 (1974).

Abstract: A bid protest was lodged by Blodgett Keypunching Company relative to a procurement by the Department of the Air Force for processing computer tapes, allegedly contrary to the Buy American Act. A contract for conversion and storage of data is not manufacturing in terms of the Buy American Act, and computer tape, initially processed abroad, is not a manufactured product under the Act. The protest was denied.

101279

[Advance Knowledge of Proposed Procurement]. B-186049. November 11, 1976. 3 pp.

Decision re: Department of the Army: Army Reserve, Ada, OK; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Department of the Army: Field Artillery Center, Fort Sill, OK; Computer Utility Corp.; Department of the Army: Army Reserve, Ada, OK.

Authority: 4 C.F.R. 20.1(a). A.R. 600-50. 49 Comp. Gen. 857. 49 Comp. Gen. 862.

Abstract: An enlisted Army reserve member questioned the propriety of awarding a contract for automatic data processing services to a firm owned by an enlisted reservist. Advance knowledge did afford the reservist an unfair advantage over competition but, since no other proposals were submitted, no further action was required.

101320

[Computer Program With Enhanced Magnetic Tape and Associated Documentation Printed in the United States]. B-18485. November 19, 1976. 3 pp.

Decision re: MRI Systems Corp.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: General Services Administration; MRI Systems Corp.

Authority: Buy American Act. 45 Comp. Gen. 658.

Abstract: A company protested the award of a General Services Administration contract for a computer program consisting of a software package produced in Germany and a master tape and documentation printed in the United States. The computer program is properly considered a domestic end product for purposes of the Buy American Act.

101350

[Protest Alleging Lack of Specificity Is Denied]. B-186983. December 8, 1976. 4 pp.

Decision re: Comten, Inc.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Department of the Army; Army Electronics Research and Development, Fort Monmouth, NJ; Comten, Inc.
Authority: 49 Comp. Gen. 707. 33 Comp. Gen. 586. 30 Comp. Gen. 368. 54 Comp. Gen. 408. 54 Comp. Gen. 416. 54 Comp. Gen. 29. 55 Comp. Gen. 60. 55 Comp. Gen. 67. A.S.P.R. 3-404.2(b). B-183849 (1975).

Abstract: A company alleged that a solicitation for programmable communications controllers lacked specificity and would not meet future needs. The protest was denied as the Army is the best judge of its minimum needs. Allegations related to contravention of guidelines and delegation of authority were also dismissed.

101352

[Compliance With Statutory Requirements of Brooks Act]. B-185724. December 8, 1976. 8 pp.

Decision re: E-Systems, Inc.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: National Oceanic and Atmospheric Administration; National Weather Service; Aeronutronic Ford Corp.; E-Systems, Inc.

Authority: Automatic Data Processing Equipment Act. 40 U.S.C. 759. P.L. 89-306. 4 C.F.R. 20. 47 Comp. Gen. 275. 47 Comp. Gen. 278. 51 Comp. Gen. 457. 51 Comp. Gen. 460. 51 Comp. Gen. 461. 53 Comp. Gen. 730. 55 Comp. Gen. 307.

Abstract: A company protested the award of a National Weather Service automation system contract to competitor, alleging that: the procurement violated the Brooks Act; the awardee proposed to build a new minicomputer although the solicitation requires use of off-the-shelf equipment; and the agency conducted negotiations with a competitor but not with other offerors within the competitive range. Although the protest concerning compliance with the Brooks Act was untimely, it was considered because it raised significant issues relating to congressional intent. The allegation that the minicomputer was not compatible with specifications was not substantiated, and the allegation concerning negotiations will not be considered because the same issues were heard by a court of competent jurisdiction. The protest was denied.

101359

[Protest of Award of a Fixed-Price Contract to Any Other Offeror for Automatic Data Processing Systems for the Department of Navy]. B-186940. December 9, 1976. 8 pp.

Decision re: Honeywell Information Systems, Inc.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Honeywell Information Systems, Inc.; General Services Administration; Department of the Navy.

Congressional Relevance: House Committee on Government Operations; Senate Committee on Government Operations.

Authority: 31 U.S.C. 1176. 31 U.S.C. 665(a). 41 U.S.C. 11. 36 Comp. Gen. 683. 37 Comp. Gen. 155. 48 Comp. Gen. 497. *Leiter v. United States*, 271 U.S. 204 (1926). *Goodyear Tire and Rubber Company v. United States*, 276 U.S. 287 (1928). 41 C.F.R. 101-32.408-5.

Abstract: The protest arose out of a General Services Administration evaluation of certain separate charges in a company's best and final proposal. These charges are considered to be in violation of statutory authority for the fixed price clause of the request for proposals (RFP). The clause, however, was ambiguous and misleading; therefore, RFP negotiations should be reopened.

101386

[Protest re Technical Conclusions and Brand Name Requirement]. B-187126. December 17, 1976. 6 pp.

Decision re: Ambac Industries, Inc.; Tele-Dynamics Division; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: Internal Revenue Service; Burroughs Corp.; Ambac Industries, Inc.; Tele-Dynamics Division.

Authority: F.P.R. 1-1.307-4(b). 55 Comp. Gen. 60. B-183614 (1976). B-186057 (1976). B-180608 (1974).

Abstract: A protester contended that requirements of a solicitation were so restrictive as to be tantamount to a sole-source solicitation and objected to a brand name or equal clause. The agency's determination will not be questioned since objections did not challenge technical justification, and the agency relied on proper authorization to use the brand name or equal clause.

101416

[Court Adjudication Precludes GAO Consideration of Protest]. B-187201. December 27, 1976. 2 pp.

Decision re: Burroughs Corp.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Geological Survey; Burroughs Corp.

Authority: 31 U.S.C. 66(a). 41 U.S.C. 11. B-186276 (1976). B-178872 (1974). B-178224 (1974). B-179173 (1974). Federal Rules of Civil Procedure 41(a)(1). *Smoot v. Fox*, 340 F.2d 301 (6th Cir. 1964).

Abstract: A company protested the award of a contract to a competitor who included a separate charges clause in its proposal and instituted a civil suit and injunction against award. Stipulation of dismissal with prejudice, filed by all parties, acted as final adjudication, and GAO would not consider the matter further.

101421

[Specifications for Automated Data Processing Equipment Are Unduly Restrictive]. B-186855. January 3, 1977. 5 pp.

Decision re: Sanders Associates, Inc.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: General Services Administration; Department of the Army; Army Electronics Command; Sanders Associates, Inc.

Authority: Automatic Data Processing Equipment Act. 40 U.S.C. 759. F.P.M.R. 101-32.403(b). B-180586 (1975). B-180608 (1975). B-183849 (1975). B-184141 (1975). 55 Comp. Gen. 60. 41 C.F.R. 101-32.4.

Abstract: A request for proposals for lease of data processing equipment was alleged to unduly restrict competition. GAO determined that present specifications unduly restrict competition. The General Services Administration should resubmit its solicitation for approval before proceeding with the procurement.

101424

[Contention That Agency Improperly Evaluated Proposals by Failing To Consider Maintenance Charges]. B-187269. January 4, 1977. 4 pp.

Decision re: California Computer Products, Inc.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: United States Marine Corps; California Computer Products, Inc.; Stromberg-Datagraphix, Inc.

Authority: F.P.M.R. 101-26.408. F.P.M.R. 101-32.4.

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Abstract: A company protested the purchase of a computer microfilm system by the Marine Corps alleging that its proposal was not properly evaluated. The need to utilize competitive procedures in procurement was stressed, and it was found that the existence of an automatic data processing contract did not waive the requirement for competition. Accordingly, the protest was sustained.

101452

[Protest Against Navy's Cost Reevaluation]. B-186858. January 14, 1977. 27 pp.

Decision re: Tymshare, Inc.; Computer Network Corp.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Department of the Navy: Naval Regional Procurement Office, Washington, DC; Tymshare, Inc.; Computer Network Corp.

Authority: Privacy Act of 1974. 5 U.S.C. 552a. 31 U.S.C. 1176. A.S.P.R. 7-104.96. A.S.P.R. 7-2003.72. 4 C.F.R. 20.2(b)(1). 47 Comp. Gen. 29. 53 Comp. Gen. 800. 53 Comp. Gen. 895. 54 Comp. Gen. 237. 54 Comp. Gen. 483. 55 Comp. Gen. 1151. 55 Comp. Gen. 201. 55 Comp. Gen. 374. 55 Comp. Gen. 60. Freedom of Information Act.

Abstract: A contract award was protested and, after reevaluation of costs, was reawarded to the protester. The original contractor protested this decision, questioning the sufficiency of the request for proposal evaluation factors. Since the Navy awarded the contract erroneously in part the second time and since both contractors did not meet request for proposals requirements completely, negotiations should be reopened, revised proposals obtained, and the contract awarded to the protester or the present contract modified pursuant the contractor's best and final offer.

101493

[Competitor's Submission of Optional Proposal for Evaluation and Amendment Shortening Contract Period]. B-184560. January 28, 1977. 6 pp.

Decision re: Northrop Services, Inc.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Department of Commerce; Grumman Data Systems Corp.; Northrop Services, Inc.

Authority: 31 U.S.C. 665(a). F.P.R. 1-3.805-1(b). 51 Comp. Gen. 479. 51 Comp. Gen. 481. 55 Comp. Gen. 432. 55 Comp. Gen. 436. B-183697 (1976).

Abstract: A company protested the award of a contract for computer management and operations on the basis that the agency improperly allowed the bidder to submit an optional proposal for evaluation and to revise the proposal after the closing date for the best and final offer. Evaluation of the optional proposal submitted by the successful offeror as the best and final offer did not require solicitation of optional proposals from other bidders. After the award, it became apparent that funding permitted contracting only for a shorter time; the amendment did not necessitate reopening negotiations. The contract award could not be canceled, and the protester's proposal preparation costs could not be reimbursed.

101499

[Protest Alleging Agency Waived Requirements Was Sustained]. B-187116. January 31, 1977. 10 pp.

Decision re: Sperry Rand Corp.: Sperry Univac Federal Systems Division; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Geological Survey; Systems Engineering

Laboratories; Sperry Rand Corp.: Sperry Univac Federal Systems Division.

Authority: F.P.R. 1-3.805-1(d). B-184194 (1976). B-182347 (1975). B-180310 (1974). B-185892 (1976). 53 Comp. Gen. 895. 54 Comp. Gen. 44. 55 Comp. Gen. 374. 54 Comp. Gen. 363. 54 Comp. Gen. 169. 55 Comp. Gen. 201.

Abstract: A company protested a contract for a small computer system and ancillary items contending that the successful bidder failed to meet hardware and software requirements and that its live benchmark test demonstration was unacceptably biased. GAO held that the protest had merit and was sustained. Termination would be too costly to the Government, so no remedy could be effected.

101501

[Automatic Data Processing Equipment May Not Be Procured on Sole-Source Basis]. B-186501. February 2, 1977. 3 pp.

Decision re: Control Data Corp.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Department of the Air Force: Robins AFB, Warner Robins, GA; Control Data Corp.

Authority: 31 U.S.C. 1172. 10 U.S.C. 2304(a)(10). A.S.P.R. 3-210.2(15). 54 Comp. Gen. 196. 54 Comp. Gen. 835. F.P.M.R. 101-32.402-1. F.P.M.R. 101-32.403-5. F.P.M.R. 101-32.402-4.

Abstract: The negotiated sole-source award for disc packs to be used with a UNIVAC computer system was protested. Such equipment should be considered automatic data processing equipment, which cannot be procured on a sole-source basis without delegation of procurement authority from the General Services Administration. Therefore, the protest was sustained.

101513

[Protest re Price and Compliance With Specifications]. B-186999. February 8, 1977. 6 pp.

Decision re: Radix II, Inc.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Department of the Army: Harry Diamond Laboratories; C3, Inc.; Radix II, Inc.

Authority: B-162403 (1968). B-183381 (1975). A.S.P.R. 2-407.8(b)(3). 4 C.F.R. 20.2(b). 55 Comp. Gen. 231. 17 Comp. Gen. 554. 17 Comp. Gen. 557.

Abstract: The award of a contract for data acquisition systems was protested because prior to the award, the protester submitted a conditional protest concerning price and non-conforming specifications by another offeror. GAO held that the award was proper during the pendency of the protest because the imagined bases were not present. Without evidence of arbitrary evaluation, GAO will not contest the adequacy of the descriptive literature.

101529

[Protests re Lack of Advertisement, Insufficient Bid Time, Too Few Bids, and Failure To Issue Determination and Findings]. B-186755. February 15, 1977. 5 pp.

Decision re: Electronic Composition, Inc.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Department of Commerce; Electronic Composition, Inc.

Authority: 41 U.S.C. 253. B-185403 (1976). B-175721(1) (1973). 55 Comp. Gen. 1362. F.P.R. 1-2.202-1(c). F.P.R. 1-2.407-1(b). F.P.R. 1-2.407-8(b)(4). F.P.R.1-1.1003-2(a)(4).

Abstract: A protester contended that not synthesizing the solicitation requirements in the Commerce Business Daily and allowing only 20 days for offerors to respond to the solicitation violated Federal procurement regulations. The protester also objected to the failure of the contracting officer to issue his determination and findings and the fact that there were only two bidders. The protest was denied, but exception was allowed due to the cost savings prompting the award.

101574

[Proof of Award of a Fixed Unit Price Contract To Provide Computer Time and Concomitant Support Services]. B-187177. March 1, 1977. 7 pp.

Decision re: National CSS, Inc.; American Management Systems, Inc.; Informatics, Inc.; by Robert F. Keller, Acting Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: ACTION; Computer Network Corp.; Boeing Computer Services, Inc.; Informatics, Inc.; American Management Systems, Inc.; National CSS, Inc.

Authority: F.P.R. 1.3.805-1(d). A.S.P.R. 3-805.1(a). 55 Comp. Gen. 802. B-184263 (1976). B-186600 (1976).

Abstract: The award of a fixed unit price contract for computer time was protested. The protester alleged that an award evaluation based solely on benchmark costs was illegal since these costs do not reflect the Government's true costs and such an evaluation was not provided for. GAO held that there was merit to the protest. Therefore, the contract should be resolicited.

101737

[Problems and Related Costs Associated With Ineligibles in the AFDC Program]. HRD-77-6; B-164031(3). October 21, 1976. 6 pp.

Report to Secretary, Department of Health, Education, and Welfare; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Income Security and Social Services: Eligibility Determination (1301).

Contact: Human Resources Division.

Organization Concerned: Department of Health, Education, and Welfare; Ohio: Department of Public Welfare.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Finance.

Abstract: A review of Ohio's procedures for closing Aid to Families with Dependent Children (AFDC) cases and adjusting grant amounts in two counties and at the Department of Public Welfare in Columbus indicated that the counties had problems in promptly transmitting information on closed cases and adjustments. **Findings/Conclusions:** This resulted in an extra month's AFDC payment and Medicaid coverage to ineligible families and AFDC overpayments and underpayments to eligible families. Changes being made by Ohio to correct the situation, if properly implemented, could save about \$5 million annually. The erroneous payments in Ohio and New York City highlight the need for systems to facilitate timely termination and adjustment of AFDC payments. GAO is aware of the problem in Ohio and New York, but other States may have similar problems. The Administrator of the Social and Rehabilitation Service should be instructed by the Secretary of Department of Health, Education, and Welfare (HEW) to determine whether other States have similar problems and, if so, to help those States design and implement effective measures to correct them. The Administrator should also be instructed to assure that the HEW Chicago regional office monitors Ohio's payment system changes to insure that timely terminations and adjustments of AFDC payments and Medicaid eligibility result and that the New York regional office determines whether the problem in New York City can be corrected.

101738

Supplemental Security Income Payment Errors Can Be Reduced. HRD-76-159; B-164031(4). November 18, 1976. 18 pp. **Report to Congress;** by Elmer B. Staats, Comptroller General.

Issue Area: Income Security and Social Services (1300); Income Security and Social Services: Eligibility Determination (1301); Income Security and Social Services: Program Monitoring and Administration (1303).

Contact: Human Resources Division.

Organization Concerned: Veterans Administration; Department of Health, Education, and Welfare; Social Security Administration; Railroad Retirement Board.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Finance; Congress.

Authority: Social Security Act.

Abstract: The Social Security Administration's management of the Supplemental Security Income program was reviewed to determine the causes of problems resulting in over \$1 billion in erroneous payments in 2 years. A principal cause of errors is a lack of accurate information on income of recipients from other Federal agencies. This information is used in determining eligibility and benefit payment amounts. **Findings/Conclusions:** GAO estimated that accurate benefit information from the Veterans Administration (VA) and the Railroad Retirement Board would reduce overpayments by \$60 million a year, correct annual underpayments by \$4 million, and remove 35,600 recipients from Supplemental Security Income rolls. **Recommendation To Agencies:** The Secretary of Health, Education, and Welfare should obtain accurate and complete information from VA and the Railroad Retirement Board, review other Federal benefit payments, and establish a system for insuring timely receipt of information.

101773

Federal Funds Used in Chicago To Procure, and Later Replace, Unreliable Communication Equipment. CED-77-5; B-180617. November 22, 1976. 38 pp.

Report to Rep. Garner E. Shriver; by Elmer B. Staats, Comptroller General.

Issue Area: General Procurement (1900); Transportation Systems and Policies: Economically Viable Urban Public Transit Systems (2411).

Contact: Community and Economic Development Division.

Organization Concerned: Department of Transportation; Urban Mass Transportation Administration; Chicago, IL: Transit Authority.

Congressional Relevance: Rep. Garner E. Shriver.

Authority: Urban Mass Transportation Act of 1964. 49 U.S.C. 1601 et seq.

Abstract: Financial assistance to the Chicago Transit Authority by the Urban Mass Transportation Administration was reviewed. About \$6.1 million was granted from 1968 through 1975 to acquire an advanced bus communication system. **Findings/Conclusions:** The Administration approved the purchase of 1070 communication units even though the transmission capabilities of this equipment were never proven reliable under a demonstration grant which provided for 500 units. Partly because the system worked poorly, the Authority requested approximately \$3.8 million of additional capital assistance to replace the 1570 units, some of which were less than 3 years old. The Administration approved this request but did not fully analyze alternative solutions to the replacement proposal until after approval. **Recommendation To Agencies:** The Urban Mass Transportation Administration should: determine if new projects are warranted before they are funded, monitor equipment

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in use, develop performance standards, and clarify criteria for new technology.

101775

Issues and Management Problems in Developing an Improved Air-Traffic-Control System. PSAD-77-13; B-164497(1). December 15, 1976. 37 pp. plus 4 appendices.

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Science and Technology: Management and Oversight of Programs (2004); Transportation Systems and Policies: Management Practices in Transportation Programs (2405).

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: Federal Aviation Administration.

Congressional Relevance: House Committee on Appropriations: Defense Subcommittee; House Committee on Public Works and Transportation; Senate Committee on Commerce; Congress.

Abstract: The Federal Aviation Administration (FAA) engineering and development program management was examined with an emphasis on the Upgraded Third Generation System, a computer-based semiautomated system intended for en route control centers and airport terminals. **Findings/Conclusions:** By the end of 1975, over \$149 million had been spent on this system, and \$564 million was spent and was planned for the next decade. Detailed studies and analyses which would provide information to assess the program's potential have not been completed. Among the unresolved issues are: whether programs to develop the system are designed in response to accident conditions and causes, whether programs to develop the system are cost effective, and whether the Government should go forward with the Third Generation program. FAA development plans are often untimely; they lack information needed for program appraisal; they do not use savings techniques such as life-cycle-costing and design-to-cost goals; and they do not adequately describe integration of the various components into the existing system. The Administration does not have effective management control throughout development. **Recommendation To Congress:** A formal process to formulate long-range requirements and incorporate criteria for cost, schedule, and performance in these development plans should be established. Systems analysis should be strengthened and an implementation strategy should be developed early.

101777

Railcar Compliance and Enforcement: An Update. CED-77-21; B-139052. January 12, 1977. 20 pp. plus 2 appendices.

Report to Rep. John E. Moss, Chairman, House Committee on Interstate and Foreign Commerce: Oversight and Investigations Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Transportation Systems and Policies: Railroad Freight Transportation System (2407).

Contact: Community and Economic Development Division.

Organization Concerned: Interstate Commerce Commission.

Congressional Relevance: House Committee on Interstate and Foreign Commerce: Oversight and Investigations Subcommittee; Rep. John E. Moss.

Abstract: In 1974, it was found that railroad operations were not effectively monitored because of an inadequate number of car service agents and because compliance activities were not adequately planned and supervised. The following were recommended in the 1974 report: inspecting some railroads more often, providing that supervisors of car service have railroad backgrounds, and improving car service agents' reporting systems. **Findings/Conclusions:** Railcars were in short supply in 1974, but a general surplus existed in 1976. Scheduled inspections have not been accomplished with current staffing. As of September 1976, only 45 percent of the inspections had been completed; 20 percent of the scheduled

inspections were over 2 years late. Information is not available on the time actually being used for inspections. Fines assessed for violations of car handling orders are much lower than the maximum allowed. **Recommendation To Agencies:** Considering the staff available, the Interstate Commerce Commission should establish more realistic frequencies for railroad inspections and establish a better system for reviewing and planning car agents' activities. It should also evaluate the effectiveness of the enforcement program.

101891

Use of a Computer Model in Policy Analysis. August 15, 1976. 2 pp. by Gary R. Boss, Food Coordination and Analysis Staff, GAO Community and Economic Development Division.

In Food Update, vol. 1, no. 5, pp. 3, 4.

Contact: Community and Economic Development Division.

101919

[Proposed Financial Management System for the Central Government of the Trust Territory of the Pacific Islands]. FGMSD-77-27; B-114888. April 18, 1977. 4 pp. plus 3 enclosures (5 pp.).

Report to Rep. Phillip Burton, Chairman, House Committee on Interior and Insular Affairs: National Parks and Insular Affairs Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of the Interior; Office of Territorial Affairs.

Congressional Relevance: House Committee on Interior and Insular Affairs: National Parks and Insular Affairs Subcommittee; Rep. Phillip Burton.

Abstract: The Office of Territorial Affairs of the Department of the Interior had proposed and was beginning to install a financial management system for the Central Government of the Trust Territory of the Pacific Islands. **Findings/Conclusions:** The proposed system appears to be more elaborate than would be necessary to meet operating manager requirements. Operating managers at both headquarters and the district levels feel their primary requirement is for current and accurate information to enable effective administrative control of funds and to provide information on expenditures by program. This information is within the capacity of the IBM 360/25 computer, which has been in place since 1971, and would not require the more sophisticated computer configuration called for by the proposed system and installed. The proposed system does not appear to be needed to meet the requirements of the present or future Government of the Trust Territory and the United States. The present requirements are to ensure fiscal accountability and to have accurate and timely information on expenditures under the various programs which are funded by grants from the United States. Current projections are that there will not be enough qualified Micronesian programmers to operate the system. The system cannot be financed from Trust Territory resources, and would appear to require a continuing subsidy from the United States.

101968

[Magnitude of Nonappropriated Fund and Related Activities in the Executive Branch]. FPCD-77-28. April 25, 1977. 73 pp.

Report to International Organization of Supreme Audit Institutions; by Hyman L. Krieger, Director, GAO Federal Personnel and Compensation Division.

Issue Area: Personnel Management and Compensation: Compensation (0305).

Contact: Federal Personnel and Compensation Division.

Organization Concerned: Department of Defense.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services.

Authority: General Accounting Office Act of 1974. P.L. 93-604.

Abstract: A survey was conducted of the nonappropriated fund activities operated by executive agencies to sell merchandise or services to Government personnel. Data supplied by departments and agencies on the nature and size of such activities and where they are operated are listed. A brief description of each nonappropriated fund activity is presented together with data on its current assets on June 30, 1975, and its gross revenue during fiscal year 1975. A summary list also provides data on the totals for each department or agency and is keyed to detailed lists of nonappropriated fund activities. **Findings/Conclusions:** Executive departments and agencies reported nonappropriated fund and related activities with over \$1.6 billion in current assets and over \$8.2 billion in gross revenues. The Department of Defense has, by far, the largest number of activities, accounting for 98 percent of the assets and revenue reported. Some reporting offices took the position that certain of their programs were not Government nonappropriated fund activities but were private associations not officially a part of the Federal Government. Since there is no official definition or commonly understood opinion of what is or is not a nonappropriated fund activity, it is difficult to gather reliable information about nonappropriated fund activities in the executive agencies. No attempt has been made to establish any criterion which would strictly classify the activities as nonappropriated fund activities or otherwise.

102034

Government Printing Office Production and Management Controls: Improvement Opportunities. LCD-77-410; B-114829. May 4, 1977. 29 pp.

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Facilities and Material Management (0700).

Contact: Logistics and Communications Division.

Organization Concerned: Government Printing Office.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services; Congress.

Authority: 44 U.S.C. 501.

Abstract: A review of Government Printing Office (GPO) operations and management included an examination of procedures for determining contract work, production planning and scheduling, labor productivity, and controls over materials spoilage. **Findings/Conclusions:** Although regulations require work that is not under urgent time schedules to be commercially procured, some work was unnecessarily printed in-house because of erroneous information on procurement capability or processing schedules. Production schedules were sometimes unrealistic because of lack of feedback systems or inaccurate information. Labor productivity indexes were still being developed, and labor standards did not cover all operations. Controls and reporting systems related to spoilage needed improvement. **Recommendation To Agencies:** GPO needs to: establish coordination between the Customer Service Department and the Printing Procurement Department on timing for procurement and commercial availability of certain items; improve information related to production plans and backlog levels; and increase coverage and update standards applied to labor operations.

102052

[Competitive Award of Contract for Automatic Data Processing System]. B-186313. April 13, 1977. 10 pp.

Decision re: Department of the Interior; Honeywell Information Systems, Inc.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Burroughs Corp.; Mining Enforcement and Safety Administration; Honeywell Information Systems, Inc.; Department of the Interior.

Authority: 51 Comp. Gen. 423. 55 Comp. Gen. 60. 55 Comp. Gen. 1066. 48 Comp. Gen. 536. 55 Comp. Gen. 864. 50 Comp. Gen. 222. B-185103 (1976). B-178701(1) (1974). B-180292 (1974). B-185592 (1976). B-187659 (1977). F.P.R. 1-3.805-1(b).

Abstract: Reconsideration was requested of the decision which sustained a protest against the award of a contract for the acquisition of an automatic data processing system for the Mining Enforcement and Safety Administration. The earlier recommendation for solicitations of new best and final offers from the protester and the contractor was modified in recognition of the portion of work already performed under the contract. Otherwise, the prior decision was affirmed.

102057

[Multiple Extensions of Contract Beyond Option Periods]. B-187607. April 15, 1977. 2 pp.

Decision re: Intermem Corp.; by Robert F. Keller, Acting Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: General Services Administration; Ampex Corp.; Intermem Corp.

Abstract: The protester objected to the extension of the life of a mandatory requirements contract for plug-to-plug compatible memory for use with various designated electronic data processing equipment. GAO held that multiple extensions of the contract beyond the option period were unjustified, since the necessity apparently arose from the agency's failure to timely solicit a follow-on contract. Therefore, the protest was sustained.

102058

[Protest of a General Services Administration Mandatory Requirement Contract Award for Memory Systems]. B-188016. April 15, 1977. 2 pp.

Decision re: Intermem Corp.; by Robert F. Keller, Acting Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Department of the Army; Ampex Corp.; General Services Administration; Intermem Corp.

Authority: 4 C.F.R. 20.2(b)(2).

Abstract: A protester contended that the procurement order was for the purchase of a larger memory unit than was specified, and, therefore, the order should have been competitively bid. The protest was denied, because the Army purchased two smaller units to equal the size of the larger one.

102062

[Protest Against "Fatal" Errors During Procurement Is Untimely]. B-188564. April 18, 1977. 3 pp.

Decision re: Informatics, Inc.; by Paul G. Dembling, General Counsel.

Contact: Office of the General Counsel.

Organization Concerned: General Services Administration; Computer Network Corp.; Informatics, Inc.

Authority: 4 C.F.R. 20.2(b)(1-2). 54 Comp. Gen. 468. B-186719 (1976).

Abstract: A protest was made against a General Services Administration (GSA) procurement for automated data and telecommunication services with computer time. The protester alleged that evaluation errors were made by GSA which included: refusal to accept

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proposal revision; failure to accept an improved pricing plan; and the use of a benchmark evaluation only, which created an imbalance in cost measurement criteria and a gaming situation for the offerors. Since the protest was not filed in a timely manner, it was untimely and was dismissed.

102075

[Agency Decision Not To Award Contract]. B-187455. April 22, 1977. 4 pp.

Decision re: Interdata, Inc.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: General Services Administration; Interdata, Inc.

Authority: Property and Administrative Services Act. 63 Stat. 377. 40 U.S.C. 481. 41 U.S.C. 251 et seq. B-185103 (1976). B-180833 (1974). B-163971 (1969). B-173971 (1969). B-177426 (1973).

Abstract: A protester objected to the agency's decision not to award it an automatic data processing schedule contract. The protester did not carry its burden of affirmatively proving its case. Where, as here, there is no showing that implementation of agency policy of requiring preferential discounts was contrary to law or an abuse of discretion, there is no basis for GAO to substitute its judgment for that of the agency administrator.

102108

[Release of Materials Submitted to GAO in Connection With Protests]. B-186858. April 14, 1977. 2 pp.

Letter to Arent, Fox, Kintner, Plotkin & Kaha; by Paul G. Dembling, General Counsel.

Contact: Office of the General Counsel.

Organization Concerned: Computer Network Corp.; Tymshare, Inc.; Arent, Fox, Kintner, Plotkin & Kaha.

102119

The Well-Being of Older People in Cleveland, Ohio. HRD-77-70; B-165430. April 19, 1977. 29 pp. plus 1 appendix (71 pp.).

Report to Congress; by Robert F. Keller, Acting Comptroller General.

Issue Area: Income Security and Social Services: Programs for Special Target Population (1304).

Contact: Human Resources Division.

Organization Concerned: Department of Labor; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Department of Transportation; Department of Agriculture; ACTION.

Congressional Relevance: House Committee on Education and Labor; Senate Committee on Human Resources; Congress.

Abstract: The overall well-being of older people in Cleveland, Ohio, was assessed in terms of their social and economic status, mental and physical health, and ability to do daily tasks. Information was gathered on the services offered by 23 Federal programs and other services and factors which could affect the well-being of the individuals in the sample. *Findings/Conclusions:* Only one of every five of the more than 1,600 people 65 years and older interviewed was not impaired in some way, with 23 percent impaired in at least four of the five areas considered. About \$67 million in Federal funds is spent annually for services to older people in Cleveland, with Medicare, Medicaid, and Supplemental Security Income programs accounting for \$58 million of this. The rest comes from 23 Federal programs administered by seven agencies, including the Departments of Agriculture; Health, Education, and Welfare; Housing and Urban Development; Labor; and Transportation.

Older people also receive a variety of services from 118 social service agencies and from family and friends. Many older people were eligible for Federal programs but were not using them. Eighty-nine percent of those eligible were not using public housing; 77 percent were not using food stamps; 52 percent were not using Supplemental Security Income; and 29 percent were not using Medicaid.

102131

NASA's Resource Data Base and Techniques for Supporting, Planning, and Controlling Programs Need Improvement. PSAD-77-78; B-133340. May 19, 1977. 33 pp.

Report to Rep. Don Fuqua, Chairman, House Committee on Science and Technology: Space Science and Applications Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Science and Technology (2000).

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: National Aeronautics and Space Administration.

Congressional Relevance: House Committee on Science and Technology: Space Science and Applications Subcommittee; Rep. Don Fuqua.

Abstract: Data compiled by the National Aeronautics and Space Administration (NASA) on its resources and management techniques for supporting, planning, and controlling research and development programs omitted some resources and did not identify others with the projects they benefited. *Findings/Conclusions:* The database of resources available in fiscal year 1976 for carrying out its research and development programs excluded about 36 percent of the NASA appropriated funds, 7 percent of its personnel, and 72 percent of its real and personal property. Subcommittee staff members and NASA agreed to exclude some resources, but others were excluded due to inadvertent omissions, a NASA belief that the subcommittee did not want certain resources included in the agency's definition of research and development costs, differing interpretations by NASA centers of its headquarters' instructions for compiling the data, and the fact that NASA said it regularly reports certain resource data to Congress. There were no major problems with NASA internal guidelines for program planning and control of resources. *Recommendation To Agencies:* The Administrator of NASA should revise the data provided to the subcommittee to include all resources available to NASA in fiscal year 1976 to carry out its research and development programs and to identify all resources with the projects they benefit. The subcommittee should investigate NASA management of underused, deactivated, or inoperable facilities and NASA policy and procedures for identifying such facilities and reaching decisions concerning their use or disposal.

102134

Summary of Actions Being Taken in the United States To Control Questionable Corporate Payments in Foreign Countries. OP-77-1. May 2, 1977. 29 pp.

Report by Elmer B. Staats, Comptroller General.

Contact: Office of Policy.

Organization Concerned: Lockheed Aircraft Corp.

Congressional Relevance: House Committee on Interstate and Foreign Commerce: Consumer Protection and Finance Subcommittee; House Committee on International Relations: International Economic Policy Subcommittee; Senate Committee on Foreign Relations: Multinational Corporations Subcommittee; Senate Committee on Banking, Housing and Urban Affairs; Joint Economic Committee: Priorities and Economy in Government Subcommittee.

Authority: International Security Assistance and Arms Export Control Act. P.L. 94-329. Tax Reform Act of 1976. P.L. 94-455. Foreign Payments Disclosure Act. H.R. 15149 (94th Cong.). S. 3741

(94th Cong.). Anti-Kickback Act. 41 U.S.C. 51-54.

Abstract: Payments by American corporations to foreign government officials or others to obtain business advantages have had a political impact on the countries involved and have undermined confidence in public and private institutions. In response, a series of actions were taken by the President and Congress. **Findings/Conclusions:** Hearings were held by congressional committees and bills were introduced dealing with: circumstances and legality of corporate payments, development of a code of conduct for international trade, and U.S. policy and criminal penalties related to corporate bribery. Laws were passed with provisions for discontinuing foreign assistance or foreign tax benefits where illegal bribes were determined. A task force, established by former President Ford, provided interim suggestions and proposed legislation with payments-reporting requirements. A proposed international agreement on corrupt practices was introduced at a United Nations forum. Actions by concerned Government agencies included enforcing securities regulations, utilizing antitrust laws, determining tax fraud, presenting criminal cases, and auditing transactions. The private sector also has been seeking solutions. GAO, in auditing negotiated contracts, generally refers violations to the procuring agency.

102135

[Establishing a Proper Fee Schedule Under the Independent Offices Appropriation Act, 1952]. CED-77-70; B-145252. May 6, 1977. 36 pp.

Report to Sen. Ernest F. Hollings, Chairman, Senate Committee on Commerce, Science, and Transportation: Communications Subcommittee; Rep. Lionel Van Deerlin, Chairman, House Committee on Interstate and Foreign Commerce: Communications Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Procurement of Major Systems (3000).

Contact: Community and Economic Development Division.

Organization Concerned: Federal Communications Commission.

Congressional Relevance: House Committee on Interstate and Foreign Commerce: Communications Subcommittee; Senate Committee on Commerce, Science, and Transportation: Communications Subcommittee; Rep. Lionel Van Deerlin; Sen. Ernest F. Hollings.

Authority: Independent Offices Appropriation Act, 1952. 31 U.S.C. 483a. Communications Act of 1934. 47 U.S.C. 214. BOB Circular A-25. Federal Power Commission v. New England Power Co., 415 U.S. 345 (1974).

Abstract: A review was conducted of the actions taken by the Federal Communications Commission (FCC) since the U.S. Court of Appeals for the District of Columbia Circuit ordered FCC to recalculate its 1970 and 1975 fee schedules. **Findings/Conclusions:** GAO believes that sufficient guidance is contained in the recent court decisions from which a proper fee schedule can be established. As a result, contrary to the FCC position, GAO believes that FCC can make a good-faith effort to recalculate its fee schedules and refund only the excess portion of the \$164 million in fees collected from 1970 through 1976. FCC interpreted the court decisions to require that fees not only be based on costs but also on the value conferred upon the people or organizations paying the fees which FCC has stated that it is unable to do. GAO does not believe that the court of appeals requires FCC to measure separately the value conferred. Instead, based upon interpretation of the court decisions, the FCC can establish a proper fee schedule based solely on cost. **Recommendation To Agencies:** FCC should implement a new fee schedule and, using the methods developed to implement the new fee schedule, recalculate the 1970 and 1975 fee schedules and refund any excess fees collected.

102143

[Potential for Cost Reduction in Providing Message Refile Services Through DOD Telecommunications Centers]. LCD-76-128; B-146864. May 18, 1977. 6 pp.

Report to Harold Brown, Secretary, Department of Defense; by Fred J. Shafer, Director, GAO Logistics and Communications Division.

Issue Area: Military Preparedness Plans: Military Communications and Information Processing Needs (0803).

Contact: Logistics and Communications Division.

Organization Concerned: General Services Administration; Department of Defense.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services.

Abstract: The Department of Defense's (DOD) message refile activities were surveyed to ascertain the potential for cost reductions. **Findings/Conclusions:** The potential exists for savings through automation of refile centers, especially where refiles are made to subscribers of other networks who have a terminal and where the delivery could be made electronically without human intervention. However, certain types of messages, where the carrier and the Government personnel would perform the same manual delivery functions should be considered for exclusion. **Recommendation To Agencies:** DOD should determine the feasibilities and economies of (1) further consolidation of refile centers, (2) automating the operations performed in refiling messages, and (3) having public service-type messages delivered by refile center personnel via telephone and mail versus refile and delivery by commercial carrier personnel. DOD should implement the above for maximum economies and efficiencies and reemphasize to refile center personnel the importance of limiting access to DOD communications systems to authorized users only.

102146

Computer-Aided Transcription Program in the Federal Courts. B-185484. May 25, 1977. 11 pp.

Decision re: Federal Judicial Center; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Federal Judicial Center.

Authority: Court Reporters Act. 28 U.S.C. 753, 753(e). B-185484 (1976). H. Rept. 90-351. S. Rept. 90-781. 11 D.C. Code 1727(b)(1973). 55 Comp. Gen. 1172. 55 Comp. Gen. 1176. 28 U.S.C. 604(a)(1), 604(a)(8), 604(a)(10). 28 U.S.C. 620, 620a-b, 620(3). 28 U.S.C. 623, 623(a)(5). 31 U.S.C. 483a, 484. P.L. 90-219.

Abstract: The Director of the Federal Judicial Center requested an opinion on whether its Computer-Aided Transcription Research Project may continue to use appropriated funds and still allow court reporters to collect fees for transcripts under the project. GAO held that court reporters may retain transcript fees. Necessary equipment and supplies may be furnished on a cost reimbursable basis, as may be the use of the computer system, although some transcripts must be furnished to the court at no cost.

102150

An Experience in Data Retrieval. 1977. 4 pp.

by Barry R. Snyder, John W. Lainhart, IV.
In GAO Review, Spring 1977, vol. 12, issue 2, pp. 58-61.

Contact: Office of the Comptroller General.

Citation Section

102183

Reporting, Staffing, and Other Changes Would Enhance the Internal Audit Function. CED-77-58; B-160759. June 1, 1977. 37 pp. Report to Secretary, Department of Commerce; by Henry Eschwege, Director, GAO Community and Economic Development Division.

Issue Area: Internal Auditing Systems (0200).

Contact: Community and Economic Development Division.

Organization Concerned: Department of Commerce; Department of Commerce: Office of Audits; Office of Minority Business Enterprise.

Congressional Relevance: House Committee on Interstate and Foreign Commerce; Senate Committee on Commerce.

Authority: Budget and Accounting Procedures Act of 1950. 31 U.S.C. 66a. Federal Management Circular 73-2.

Abstract: Generally, the Department of Commerce's Office of Audits has performed its activities satisfactorily; however, greater benefits could be achieved if more personnel were available. **Findings/Conclusions:** The average estimated cycle for auditing the Department's programs and activities, once every 12 to 13 years, is unduly long. Some programs and activities have not been audited since 1967, and only selected aspects of many others have been audited in recent years. There are several advantages and disadvantages in the survey approach technique adopted by the Office of Audits, under which only a limited amount of detailed examination work was performed to identify weaknesses. There is a possibility that independence of the Office of Audit could be adversely affected because of its placement in the organizational structure. **Recommendation To Agencies:** The Secretary of Commerce should: (1) determine whether staffing level requirements can be met through position realignments within the Office of Audits, an increased use of the studies made by the Office of Program Evaluation and the audits by independent public accountants only to the extent practicable, or a proposal to Congress for additional staff; (2) direct the Director of the Office of Audits to review a sufficient percentage of the workpapers prepared by independent public accountants; and (3) require, to the extent practicable, the use of independent public accountants for audits of grants and contracts awarded by the Office of Minority Business Enterprise.

102194

HUD's Accounting Systems for Mortgage Insurance Premiums and Property Tax Liabilities. May 11, 1977. 26 pp. plus 2 enclosures (4 pp.).

Testimony before the House Committee on Government Operations: Manpower and Housing Subcommittee; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Housing and Urban Development; Department of Defense; Department of Housing and Urban Development: Office of Finance and Accounting.

Congressional Relevance: House Committee on Government Operations: Manpower and Housing Subcommittee.

Authority: National Housing Act of 1934. 12 U.S.C. 1709. National Housing Act of 1954.

Abstract: The Department of Housing and Urban Development's (HUD) accounting systems for mortgage insurance premiums and for property tax liabilities have resulted in many problems. **Findings/Conclusions:** In May 1976 and December 1976, GAO reported to the Secretary of HUD on the need for the Department to collect delinquent mortgage insurance premiums due from mortgages, improve its collection procedures, improve its accounting system, and improve its supporting automatic data processing (ADP) system. HUD sends about 25,000 premium billings in error each month because the Offices of Finance and Accounting and

ADP Operations do not use established internal controls to assure that all mortgage transactions sent in by mortgages are completely and accurately entered in the master billing file. HUD annually loses about \$14.6 million in interest due to insurance premium collection policies. There are opportunities for substantial savings in the HUD mortgage insurance premium payment system. Improvements are still needed in the HUD accounting system for paying property taxes. **Recommendation To Agencies:** HUD should: follow the 15-day criteria of the mortgage banking industry for identifying delinquent accounts; assess late payment charges; and use its suspension authority in flagrant cases. The Secretary of HUD should amend HUD regulations to require mortgages to pay insurance premiums monthly as they are collected from mortgagors. The Secretaries of HUD and Defense should evaluate the need for the Government to continue to pay housing insurance premiums for military personnel.

102197

Developments in Accounting, Auditing and Fiscal Management in the Federal Government. May 16, 1977. 17 pp.

Speech before the Seminar on Accounting and Auditing; by Elmer B. Staats, Comptroller General.

Contact: Office of the Comptroller General.

Organization Concerned: Department of the Treasury; General Accounting Office; Cost Accounting Standards Board.

Authority: Budget and Accounting Act of 1921.

Abstract: A summary of Federal accounting and auditing operations described the roles of agencies performing these services, new projects developed, and recent advances. The Cost Accounting Standards Board, a legislative agency, is responsible for the development of cost accounting standards for the negotiation and administration of Government contracts. In its 6 years of operation, it has issued 14 standards dealing with allocation of costs, overall concepts, employee benefits, materials, and capital assets. A recent development in Federal accounting is the Department of the Treasury project to develop a set of consolidated financial statements for the Federal Government on the accrual basis to show assets and liabilities. Recent changes in Governmental auditing, as performed by GAO, have become necessary because of the complexity of programs, the Government role in social issues, and the use of automatic data processing techniques. One important development is the auditing of programs to determine their effectiveness in meeting goals.

102214

Extension of Lessons Learned. 1977. 3 pp.

by Austin J. Dayton.

In GAO Review, Spring 1977, vol. 12, issue 2, pp. 72-74.

Contact: Office of the Comptroller General.

102215

The GAO Review, Spring 1977, Vol. 12, Issue 2. 1977. 108 pp.

Edited by Ellsworth H. Morse, Jr.; Individual articles contained in this document appear elsewhere in this issue as separate citations.

Contact: Office of the Comptroller General.

102216

What's Been Happening to Auditing Since Equity Funding. 1977. 4 pp.

by Kenneth A. Pollock.

In GAO Review, Spring 1977, vol. 12, issue 2, pp. 62-64.

Contact: Office of the Comptroller General.

102223

Investigations of Medicare and Medicaid Fraud and Abuse--Improvements Needed. HRD-77-19; B-164031(4). May 23, 1977. 69 pp.

Report to Sen. Herman E. Talmadge, Chairman, Senate Committee on Finance: Health Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Law Enforcement and Crime Prevention: White-Collar Crime (0509); Health Programs: Fraud and Abuse Exist in the Financing Program (1206).

Contact: Human Resources Division.

Organization Concerned: Department of Health, Education, and Welfare.

Congressional Relevance: Senate Committee on Finance: Health Subcommittee; *Sen.* Herman E. Talmadge.

Authority: Social Security Act. 42 U.S.C. 1395nn. False Claims Act. 31 U.S.C. 231. Federal Criminal Code, sec. 1001. 18 U.S.C. 1001. P.L. 94-505.

Abstract: Investigations of the Department of Health, Education, and Welfare (HEW) into potential Medicare fraud and abuse cases, identified from Medicare contractors' internal control systems were reviewed. Also reviewed were Medicaid fraud and abuse investigations carried out by two states, Missouri and California. **Findings/Conclusions:** Investigations of Medicare fraud and abuse were weak in that some complaints were prematurely closed and sampling procedures and monitoring of regional office and contractor investigations were inadequate. About half of the fraud cases have been prosecuted, usually successfully, but there was often delay or unwillingness to prosecute. The States are responsible for Medicaid investigations, and Federal action has been minimal. Limited reviews of two States' efforts showed wide variance in the investigations. Medicare and Medicaid investigations were not well coordinated. Recent organizational changes in HEW should provide better investigatory oversight. **Recommendation To Agencies:** HEW should better monitor investigations so that they are not terminated prematurely; sample more effectively to detect fraudulent billing; reduce paperwork by referring complaints directly to contractors not to regional office; coordinate with the Department of Justice for timely decisions on prosecution; develop investigative priorities; hire personnel with necessary investigatory experience; delineate organizational responsibilities for investigations within HEW; coordinate between HEW and the States; help Missouri develop a more active investigation program; and stress with California officials the importance of criminal prosecutions.

102332

A Central Manager Is Needed To Coordinate the Military Diagnostic and Calibration Program. LCD-77-427; B-160682. May 31, 1977. 12 pp. plus 2 appendices (4 pp.).

Report to Secretary, Department of Defense; by Robert G. Rothwell (for Fred J. Shafer, Director), GAO Logistics and Communications Division.

Issue Area: Facilities and Material Management: Consolidating or Sharing of Supply and Maintenance Systems (0701).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Office of Management and Budget; Department of Transportation; National Aeronautics and Space Administration; Energy Research and Development Administration; Department of Defense.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services.

Abstract: The creation of a single, central manager with authority over the entire calibration program within the Department of Defense (DOD) would be a major improvement in the management of calibration resources within DOD. **Findings/Conclusions:**

The military services use precision measuring and test equipment valued at over \$1.8 billion to design, construct, operate, and maintain their facility, equipment, and research programs. The military services operate more than 700 calibration facilities worldwide; employ about 9,000 civilian and military technicians; and make over 3 million calibrations each year. The military facilities can be generally classified as metrology centers, primary laboratories, secondary laboratories, intermediate facilities, and user facilities. The DOD Joint Technical Coordinating Group for Metrology and Calibration established a subgroup in June 1975 to consolidate calibration services. **Recommendation To Agencies:** A single manager should be created within DOD to cover all diagnostic tools, non-destructive tests, and diagnostic procedures common to more than one service. The consolidations of the three metrology and engineering centers, the four primary laboratories; and the many secondary, intermediate, and user facilities should be considered. The services should be directed to use the nearest calibration facility which can perform the service most effectively at the lowest transportation cost.

102351

[Unequal Treatment During Conduct of a Benchmark Demonstration]. B-186164. May 9, 1977. 3 pp.

Decision re: Compu-Serv; by Paul G. Dembling (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: Department of Health, Education, and Welfare; On-Line Systems; Tymshare, Inc.; Compu-Serv.

Authority: 54 Comp. Gen. 468. B-186719 (1976).

Abstract: A company protested that all offerors were not treated equally during the conduct of benchmark demonstrations outlined by the agency. The protest was untimely because it was filed more than 10 days after the grounds for the protest were known. Although an offeror with a benchmark deficiency was allowed to submit a best and final offer, the facts were not prejudicial to the protester since the award was made to a third offeror who successfully passed the benchmark.

102370

[Timely Protest of Noncompliance With One Specification Is Sustained]. B-186979. May 18, 1977. 10 pp.

Decision re: Datapoint Corp.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Geological Survey; 3M Co.; Datapoint Corp.

Authority: B-181130 (1974). B-172836(1) (1971). B-186313 (1977). B-180292 (1974). B-189940 (1976). B-186313 (1976). B-186841 (1976). 4 C.F.R. 202(b)(2). F.P.R. 1-3.805-1(d).

Abstract: For various reasons, the protest that the awardee did not comply with specification was timely. One item was nonconforming where specification was restricted by question-answer exchange and recompetition was recommended. Cancellation of the entire contract was not in the Government's best interest. Even if evaluated differently, the protester's proposal would exceed the low bid on two items, this making academic the contention that information submitted for other purposes was used for evaluation.

102373

[Deviations From Solicitation Requirements]. B-187720. May 19, 1977. 6 pp.

Decision re: International Business Machines Corp.; by Robert F. Keller, Deputy Comptroller General.

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Contact: Office of the General Counsel.

Organization Concerned: TRW, Inc.; Geological Survey; International Business Machines Corp.

Authority: 54 Comp. Gen. 363. F.P.R. 1-1.305. F.P.R. 1-3.805-1.

Abstract: The protester asserted that the award of a contract was in violation of Federal procurement regulations because the award-ee's proposed system deviated from the solicitation requirements and the agency failed to communicate the relaxation of the specification to all offerors. The agency was not required to amend the specification to apprise all offerors of the proposed elimination of items which were not required by the system design proposed by one offeror. Since the protester also took exception to certain requirements in the solicitation, it appeared to have understood that specification deviation was permitted so long as functional and performance requirements were met.

102380

[Reimbursement of Overcharge Resulting From Computer Error]. B-188785. May 23, 1977. 3 pp.

Decision re: L. Z. Hiser; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Forest Service; Department of Agriculture.

Authority: B-183643 (1975). B-182257 (1974). B-163065 (1968). B-159064 (1966).

Abstract: The Secretary of Agriculture requested authorization to permit the Forest Service to reform a contract to allow payment to correct an error in volume determination resulting from a computer error. In light of the computer error and the sampling frequency computation used to indicate the volume of red pine sawtimber, the contract may be modified to indicate the correct volume. GAO will not object to a refund of the overcharge based on the erroneous volume designation in the contract.

102432

[Computer Operations and Data Processing Activities at the Social Security Administration]. HRD-77-97; B-164031(4). June 3, 1977. 11 pp.

Report to Rep. William L. Armstrong; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: User Requirements and Systems Specifications for Software (0105); Automatic Data Processing: Design, Development, and Installation of Software (0106); Automatic Data Processing: Acquisition of ADP Resources Under the Brooks Act (0111).

Contact: Human Resources Division.

Organization Concerned: Social Security Administration.

Congressional Relevance: *Rep. William L. Armstrong.*

Abstract: The primary responsibility of the Social Security Administration is to make correct and timely benefit payments to individuals entitled to receive various benefits under several Federal programs. The agency processes much of the necessary recordkeeping workload on specially designed electronic data processing systems, mostly located at agency headquarters. A congressionally requested analysis in 1975 indicated that the major causes of the apparent underuse included employee ignorance of computer capabilities, indifference to work, and lack of communication between different shifts which resulted in a slowdown of operations when changing shifts. There was also a lack of workload sharing among the groups assigned to various programs, and the security system was weak. The agency has agreed that the broad question of computer use versus capacity still needs to be answered, and it has taken steps to

study the situation and to improve its existing computer operations and security. These steps include hiring a consulting firm to analyze the systems practices and procedures, waiting until the analysis is complete before planning further computer development, hiring a systems expert to improve management and staffing, initiating overlapping shifts for computer operations personnel, adopting new security procedures, and funding a preliminary physical security evaluation. **Findings/Conclusions:** In responding to the 1974 recommendations and a Presidential directive, the agency established the Advanced Operating Systems Staff, which has the responsibilities of modernizing the agency's approach to data processing and planning, designing, and overseeing implementation of a long-range overall agency process. The master plan developed by this staff has four phases: conceptualization; requirements definition; design and development; and implementation. As of April 1977, Phase 1 had not been completed. Initial cost estimates indicate a total project expenditure for FY 1976 through 1981 will be \$364 million in 1975 constant dollars. GAO considered this estimate to be low. Through March 31, 1977, the agency had spent almost \$4.5 million on its advanced systems project.

102469

[Approval of Naval Civilian Payroll Systems]. FGMSD-77-10. December 6, 1976. 2 pp.

Report to Gary D. Penisten, Department of the Navy: Assistant Secretary of the Navy (Financial Management); by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of the Navy; Department of the Navy: Assistant Secretary of the Navy (Financial Management).

Authority: NAVCOMPT Instruction 7000.36.

Abstract: During GAO evaluation of civilian payroll systems for Facilities Engineering Activities and Industrial Air Stations, certain areas were noted that could be improved in internal controls and efficiency. **Findings/Conclusions:** The systems do not assure that changes from the civilian personnel office are entered into the master payroll and leave files. Moreover, the systems rely on manual suspense files maintained by payroll clerks to keep track of the termination dates of temporary employees. **Recommendation To Congress:** For better control and for avoidance of manual, retroactive calculations, Navy civilian payroll systems should require that all changes sent to the payroll office by the civilian personnel office be entered on the master files. An automatic control feature could be incorporated into the systems design to stop payment when a temporary employee's appointment time is exceeded. Intensive internal audit surveillance should be conducted to assure the implementation of Naval regulations to provide the necessary internal controls. **Recommendation To Agencies:** For better control and for avoidance of manual, retroactive calculations, Navy civilian payroll systems should require that all changes sent to the payroll office by the civilian personnel office be entered on the master files. An automatic control feature could be incorporated into the systems design to stop payment when a temporary employee's appointment time is exceeded. Intensive internal audit surveillance should be conducted to assure the implementation of Naval regulations to provide the necessary internal controls.

102491

What the Federal Government Is Doing About Auditing Computers. May 17, 1977. 21 pp. plus 39 enclosures (44 pp.).

Speech before the Thirteenth Annual Conference, American Institute of Certified Public Accountants; by Kenneth A. Pollock, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Abstract: The growth in the use of computers by Federal agencies in recent years has necessitated an increase in auditing of computers. Auditors at the Department of Defense, the largest computer user, were given some automatic data processing (ADP) training, but it was not considered very extensive. GAO work in auditing computers included reviews at various agencies of payrolls, Supplemental Security Income payments, computer crimes, requisitioning procedures, veterans' benefits, and other automated functions. Erroneous results were found in these systems because of poor data, poor programs, and lack of reviews. GAO made recommendations to correct some of these deficiencies, issued standards for audit of governmental organizations, and encouraged internal audit groups to do more in the field of computer audits. GAO has developed its own staff in dealing with computers through training programs and a diagnostic test for personnel

102498

Centralized Direction Needed for Calibration Program. LCD-77-426; B-160682. June 13, 1977. 8 pp. plus 1 appendix (16 pp.).

Report to Bert Lance, Director, Office of Management and Budget; by William J. Anderson (for Victor L. Lowe, Director), GAO General Government Division.

Issue Area: Facilities and Material Management: Consolidating or Sharing of Supply and Maintenance Systems (0701).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Office of Management and Budget; Department of Defense; Department of Transportation; Energy Research and Development Administration; National Aeronautics and Space Administration; Federal Aviation Administration; United States Coast Guard.

Congressional Relevance: House Committee on Science and Technology; Senate Committee on Commerce.

Authority: OMB Circular A-76.

Abstract: Federal agencies use precision measuring and test equipment worth over \$2.7 billion, with the military services operating more than 700 calibration facilities, and four major nonmilitary agency users maintaining their own systems at an annual operating cost of about \$42 million. **Findings/Conclusions:** Agencies are reluctant to use other agencies' resources as required by the Office of Management and Budget (OMB). The National Aeronautics and Space Administration has directed that each of its 10 centers establish their own calibration system, but no provision is made for central management control. Neither the Federal Aviation Administration nor the Energy Research and Development Administration has a centralized calibration system. The Coast Guard has provided its district offices with instructions describing the essential features of a calibration system, but each district is responsible for devising its own system. The military services, although they continue to operate separate systems, have demonstrated that effective operation can be achieved with central direction. The overall Federal calibration program, which would prove easy to standardize, is poorly coordinated and sometimes duplicates activities. **Recommendation To Agencies:** OMB should provide for central program direction and coordination of civil agencies' calibration systems and require closer coordination with the Department of Defense.

102548

Drugs, Firearms, Currency, and Other Property Seized by Law Enforcement Agencies: Too Much Held Too Long. GGD-76-105; B-175425. May 31, 1977. 41 pp. plus 4 appendices (16 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Law Enforcement and Crime Prevention: Police Efforts, Capabilities and Images (0501).

Contact: General Government Division.

Organization Concerned: Department of Justice; Department of the Treasury; General Services Administration; Drug Enforcement Administration; United States Customs Service; Bureau of Alcohol, Tobacco and Firearms.

Congressional Relevance: House Committee on the Judiciary; Senate Committee on the Judiciary; Congress.

Authority: Contraband Seizure Act. 49 U.S.C. 781 et seq. Tariff Act of 1930. 19 U.S.C. 1202 et seq.

Abstract: The disposition of property seized by Federal law enforcement officers in carrying out their work was questioned. **Findings/Conclusions:** Drugs are often held for several years as possible court evidence. This, along with the manner in which drugs are stored and accounted for, greatly increases the chances for loss. Currency also held as evidence would earn interest savings if it were returned to owners or the U.S. Treasury instead of being stored in vaults. Vehicles forfeited to the Government are either used by the seizing agency or sold, but slow forfeiture processes resulted in depreciation and vandalism of vehicles. Sales methods varied, resulting in duplication of effort and use of employees for duties other than those for which they were hired. Seized firearms and explosives present difficulties in disposal. **Recommendation To Agencies:** To dispose of seized property the Attorney General should: (1) direct that, for seized narcotics, a sample should be used as evidence and the bulk of the seizure destroyed after examination by counsel; (2) establish procedures to use serial numbers and photocopies of seized money for evidence; (3) improve administrative procedures to allow for more timely disposition of seized weapons; and (4) direct that law enforcement agencies be promptly advised of case closings. Drug and narcotics evidence handling and accounting practices should be strengthened. Congress should enact legislation to increase the number of seized vehicles that could be forfeited administratively.

102559

Management of Civilian Personnel in the Federal Government: The Present Situation and Proposals for Improvements. FPCD-77-36. June 6, 1977. 42 pp.

Staff Study by Hyman L. Krieger, Director, GAO Federal Personnel and Compensation Division.

Contact: Federal Personnel and Compensation Division.

Organization Concerned: United States Civil Service Commission.

Congressional Relevance: House Committee on Post Office and Civil Service; Senate Committee on Governmental Affairs.

Authority: Pendleton Act of 1883. P.L. 89-554. 80 Stat. 378. Lloyd-LaFollette Act. Classification Act of 1923. Classification Act of 1949. Budget and Accounting Act of 1921. Retirement Act of 1920. Economy Act of 1932. Hatch Act of 1939. Hatch Act of 1940. Ramspect Act of 1940. Performance Rating Act of 1950. Annual and Sick Leave Act of 1954. Government Employees Incentive Awards Act of 1954. Federal Employees Group Life Insurance Act of 1954. Federal Employees Health Benefits Act of 1959. Civil Service Retirement Act of 1956. Government Employees Training Act, 1958. Federal Salary Reform Act of 1962. Federal Pay Comparability Act of 1970. Intergovernmental Personnel Act of 1970. Civil Rights Act of 1964. H. Rept. 94-12080. Executive Order 10988. Executive Order 11491.

Abstract: Widespread agreement now exists among public managers of both political parties, students of Government and some Government personnel officials, members of congressional oversight committees, and public service organizations on the need for Federal personnel systems changes. There is rather general agreement that the systems must be modified to improve service delivery, enhance productivity, and restore some lost credibility to

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the public service. Recent recommendations have ranged from advocating minor revisions in the existing patchwork structure to plans for complete personnel reorganization. Recommendations requiring structural changes stressed the Civil Service Commission's (CSC) role in three areas: merit system hiring for the competitive service; the placement of the Federal appeals system; and collective bargaining and the CSC role in policy guidance and technical assistance in labor-management relations. **Findings/Conclusions:** Personnel functions may be organized for effective administration by: leaving the competitive service structure unchanged and tightening up the operations, particularly those related to merit system hiring; retaining policy and operations in CSC; creating a separate independent appeals agency; separating policy, operations, and appellate functions; shifting policy to the Executive Office of the President; delegating operations to the agencies; and creating an independent review and appellate board with enforcement powers. Among those who want change, there are three major positions on when and how the alterations should be made: thorough long-range examination of all Federal personnel management systems similar to past Hoover Commission studies; a much shorter study, perhaps by a 90-day task force; and immediate action by the new administration, including simultaneous work on a new bill to be presented to Congress.

102594

[Computation of Severance Pay]. B-188533. June 24, 1977. 5 pp. **Decision re:** Donald E. Clark; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Bureau of Indian Affairs.

Authority: P.L. 89-301. 5 U.S.C. 5595(a)(2)(ii). B-162646 (1967). B-157753 (1968). 50 Comp. Gen. 726. 47 Comp. Gen. 72. 5 C.F.R. 550.707(b). 5 C.F.R. 550.704(b). 5 C.F.R. 550. F.P.M. Supp. 990-2, Book 550 S7-5e(2). S. Rept. 89-910.

Abstract: An authorized certifying officer of the Bureau of Indian Affairs requested a decision on a claim of former employee for additional severance pay. After involuntary termination by reduction in force, the employee immediately obtained a full-time temporary position with another agency. Severance pay is computed on basic pay at termination, but years of service and age are computed from end of temporary position because full-time temporary appointment has a definite time limitation. The claim was upheld.

102623

[Proposed Procurement of Equipment for the Department of Agriculture's Kansas City Computer Center]. LCD-77-114; B-146864. June 23, 1977. 3 pp. plus 2 enclosures (8 pp.). **Report to Rep. Jack Brooks, Chairman, House Committee on Government Operations; by Elmer B. Staats, Comptroller General.**

Issue Area: Automatic Data Processing: Acquiring and Using Resources (0102); General Procurement: Determination of Performance Requirements in Relation to Need of the Procuring Agency (1902).

Contact: Logistics and Communications Division.

Organization Concerned: Department of Agriculture; General Services Administration; Farmers Home Administration; Department of Agriculture: Office of Automated Data Systems.

Congressional Relevance: House Committee on Government Operations; Senate Committee on Agriculture and Forestry; Rep. Jack Brooks.

Abstract: Cooperative efforts among officials of GAO, the Farmers Home Administration, and the Department of Agriculture's Office of Automated Data Services to work out the details for a feasibility study have resulted in a better understanding of the problem and a more deliberate approach to meeting the information processing

needs of the Farmers Home Administration. **Findings/Conclusions:** The Farmers Home Administration decided to proceed with its Unified Management Information System without the on-line terminal network that would have included terminals in every county office. The scope of the current plan for implementing the Unified Management Information System and for testing the concept has been narrowed from the multistate test originally planned and will be department-wide, rather than single-agency oriented. GAO supports the plan because it contains the safeguards suggested earlier by GAO, allows Agriculture to proceed with procuring equipment for its Kansas City Computer Center, allows for development of the National Operating Center concept as the basis for implementing the Unified Management Information System, and does not require that contract options be used for additional computer capacity until such needs have been satisfactorily demonstrated.

102638

GAO and Federal Government ADP Procurement. June 8, 1977. 29 pp. **Speech before the American Institute of Industrial Engineers; by Paul G. Dembling, General Counsel.**

Contact: Office of the General Counsel.

Organization Concerned: American Institute of Industrial Engineers.

Authority: Budget and Accounting Act of 1921. 31 U.S.C. 53. Brooks Act. P.L. 89-306. 40 U.S.C. 759(f)(2). 31 U.S.C. 665(a). 31 U.S.C. 712a. 41 U.S.C. 11. F.P.M.R. 101-32. Executive Order 11717. 4 C.F.R. 20. 51 Comp. Gen. 609. 51 Comp. Gen. 613. 54 Comp. Gen. 930.

Abstract: The General Accounting Office (GAO) has increased the scope of its audit activities in the last few years in an attempt to improve procurement and management of the Government's automatic data processing (ADP) resources. GAO has also received a steadily increasing number of bid protests involving ADP procurements. Both individual ADP procurements and general policies and procedures have been reviewed in an attempt to test their efficiency and economy. The revolving fund specially created by the Brooks Act to facilitate the financing of the acquisition of Government ADP equipment should eventually be fully utilized for Government ADP equipment purchases and leases and for operation of Federal computer centers. Neither of these objectives has been achieved to date. There is a need for standardization in ADP management to improve the economy and efficiency of Government ADP operations. Issues that have been presented in bid protests involving ADP procurements include a bid provision disclaiming implied warranties of the merchant's ability and fitness for a particular purpose and excluding the bidder from liability to the Government for consequential damages; procurement that called for a facilities management services contract to cover an agency's ADP needs for an 18-month period; and the technical acceptability of a proposal for a large-scale scientific computer system.

102639

What GAO Looks for. June 8, 1977. 7 pp. **Speech by Donald Eirich, Associate Director, GAO Logistics and Communications Division.**

Contact: Logistics and Communications Division.

Abstract: Most of the procurement audit work being done by GAO is being done prior to procurement. Congress wants to know whether the procurements are competitive, necessary, and cost effective when systems are in the conceptual stage or as far in advance of the procurement process as is possible. Audit criteria involve agency compliance with Federal directives and the agency's own implementing criteria. A 1977 report on problems found with Government acquisition and use of computers in procurement

audits identified general problem areas that included: not adequately determining the scope of work to be performed; no cost-benefit analysis of alternative ways to meet needs; inaccurate assessment of current utilization; acquiring equipment sooner than necessary; procurement without competition; avoidance of authority to delegate procurement responsibility; communications applications not identified; and security requirements not considered. Areas being emphasized in procurement involve: competition, need, expected benefits, costs, privacy protection, and meeting agency needs.

102642

[Reconsideration of Decision re Informatics, Inc.]. B-187435. June 2, 1977. 8 pp.

Decision re: International Computaprint Corp.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Informatics, Inc.; Department of Commerce; International Computaprint Corp.

Authority: 31 U.S.C. 1176. B-187435 (1977). B-184141 (1975). 37 Comp. Gen. 688. 45 Comp. Gen. 365.

Abstract: After reconsidering a decision finding that a Department of Commerce request for proposals (RFP) for patent data processing was defective and after recommended resolicitation, the prior decision was affirmed, as the cost impact of RFP erroneous work estimates could not be predicted without renegotiation. The decision was modified to extent that the agency was permitted not to exercise resolicit option due to changed requirements since the original decision. The requirement for standardized encoding was not restrictive as need was legitimate.

102668

[Protest Against Location of Contract Performance, Best and Final Notification, Proposal Revision, Type of Contract, and Evaluation Factors]. B-187395. June 8, 1977. 19 pp.

Decision re: Kappa Systems, Inc.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Systems Consultants, Inc.; Department of the Air Force; Kappa Systems, Inc.

Authority: B-185592 (1976). B-185764 (1976). B-186602 (1976). B-186404 (1976). B-184369 (1977). B-186999 (1977). B-185892 (1976). B-181978 (1974). B-186031 (1976). B-184446 (1976). B-186718 (1976). B-187444 (1976). B-184825 (1975). 4 C.F.R. 20. A.S.P.R. 3-805.3(d). A.S.P.R. 3-404.7. 53 Comp. Gen. 860. 51 Comp. Gen. 481. 48 Comp. Gen. 536. 50 Comp. Gen. 222. 50 Comp. Gen. 246.

Abstract: A contract award for operations analysis and computer services was protested. The protest that all testing of computer software performance had to be performed onsite was denied; solicitation did not explicitly say so. An objection to the lack of a best and final notification was rejected. Despite an assertion to the contrary, the protester was informed and had an opportunity to revise the proposal. Challenges of firm-fixed-price type of contract and evaluation factors were untimely.

102740

More Emphasis Needed on Data Analysis Phase of Space Science Programs. PSAD-77-114; B-133394. June 27, 1977. 17 pp. plus 4 appendices (24 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: General Procurement (1900); Science and Technology: Management and Oversight of Programs (2004).

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: National Aeronautics and Space Administration; National Aeronautics and Space Administration: Associate Administrator for Space Science; National Aeronautics and Space Administration: National Space Science Data Center.

Congressional Relevance: *House* Committee on Science and Technology; *Senate* Committee on Commerce, Science, and Transportation; Congress.

Authority: National Aeronautics and Space Act of 1958. P.L. 85-568. 72 Stat. 426.

Abstract: Scientific data acquired from the National Aeronautics and Space Administration's (NASA) space programs are not always promptly made available to the scientific community for further analysis and maximum benefit to the United States.

Findings/Conclusions: The National Space Science Data Center has problems acquiring data promptly because some principal investigators fail to submit their data. Factors contributing to late data or data not received are: contracts and written agreements which required investigators to submit data were not enforced; too little money and time were available to investigators for data analysis; and the Center was understaffed in relation to its mission. **Recommendation To Agencies:** The Administrator of NASA should direct the Associate Administrator for Space Science to enforce the contracts and in-house agreements requiring investigators to submit data to the Center in order to maintain a schedule showing when investigators are expected to submit data from their experiments and to set up a system showing which experiments should receive priority attention at the Center. The Administrator should develop more realistic estimates of funds and time necessary to adequately support investigators' data analysis and assign certain data acquisition duties to project scientists. When evaluating NASA program content and budget requests, Congress should examine the adequacy of NASA allocation of resources between gathering space science data and analyzing it.

102744

Food Stamp Receipts: Who's Watching the Money? CED-77-76; A-51604. June 15, 1977. 54 pp. plus 3 appendices (24 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Income Security and Social Services: Program Monitoring and Administration (1303).

Contact: Community and Economic Development Division.

Organization Concerned: Department of Agriculture; Food and Nutrition Service.

Congressional Relevance: *House* Committee on Agriculture; *Senate* Committee on Agriculture and Forestry; Congress.

Authority: Food Stamp Act of 1964 (7 U.S.C. 2011 et seq.). Emergency Food Stamp Vendor Accountability Act of 1976.

Abstract: Misuses and mishandling of over \$34 million in food stamp receipts went undetected for extended periods because neither the Food and Nutrition Service nor the States were effectively monitoring the agents who sold food stamps. **Findings/Conclusions:** 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 follow up when agents failed to submit required reports. The Service's computer-produced management reports, designed to identify problem agents, were not usable because they listed too many agents without problems, as well as agents with problems. Although some improvements have been made, much more needs to be done. **Recommendation To Agencies:** Several changes should be made in the present accountability system in order to reduce the number of invalid exceptions on cash reconciliation and other reports and to improve the reports' reliability and usefulness for monitoring agent accountability. Regardless of the changes made in

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the accountability system, the Secretary of Agriculture should require the Service to: provide the States and its regional offices with their respective sections of any management reports and other accountability-related reports prepared by the Service or others; disseminate regulations on the respective responsibilities of the States and the Service; and provide special help to States having the most serious problems in monitoring agent accountability.

102755

Food and Agriculture Models for Policy Analysis. CED-77-87. July 13, 1977. 36 pp. plus 6 appendices (28 pp.).
Staff Study by Henry Eschwege, Director, GAO Community and Economic Development Division.

Contact: Community and Economic Development Division.

Organization Concerned: Department of Agriculture.

Congressional Relevance: House Committee on Agriculture; Senate Committee on Agriculture and Forestry.

Abstract: In recent years, a large number of computer-based models have been developed to help the agricultural community analyze trends, identify problems, and evaluate policy alternatives.

Findings/Conclusions: Over 50 models with potential for food and agricultural issue analysis were identified. These models vary by scope, size, methodology, and issues covered. They can be viewed as a hierarchical set of analytical tools which can be used to address several levels of problems, such as local issues of a specific crop; regional issues involving several farm inputs; national issues integrating nutrition with production policies; or global problems addressing population, wealth, and food. Many of the models identified are single or multicrop models and are usually confined to a particular region of the world. Other models are designed to aid understanding of specific policies or issues such as grain reserve costs under varying conditions. Still others are highly aggregated, treating the agriculture community as a whole, and are intended to predict general levels of activity over the short run. A smaller number of large-scale models exist that are not limited to any particular timeframe and, in some cases, are actually a series of interacting submodels combining agricultural and nonagricultural issues. These models attempt to portray key factors such as demography, environment, and pollution that influence the system.

102760

Improved Management of Computer Resources Needed To Enhance Marine Corps' Efficiency and Effectiveness. LCD-76-124; B-163074. July 11, 1977. 39 pp. plus 5 appendices (10 pp.).
Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Acquiring and Using Resources (0102); Military Preparedness Plans: Military Communications and Information Processing Needs (0803).

Contact: Logistics and Communications Division.

Organization Concerned: Department of the Navy; United States Marine Corps; Department of Defense.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services; Congress.

Authority: Federal Management Circular 74-5.

Abstract: Many Marine Corps' administrative and tactical information processes have been automated and, consequently, whether at an established base or deployed at a remote location, depend on the availability of computer support. **Findings/Conclusions:** The Corps has separate computer installations for its combat force and its service support units. Thus, it has acquired more computers than it needs and has developed separate systems for similar purposes. The availability of computer support has been impaired by fragmented management, lack of a comprehensive plan integrating administrative and tactical information needs, and a superficial determination of user requirements. Critical shortcomings were noted in

the use of computer systems during emergency deployment. The expenditure of at least \$8 million annually to operate separate force computer centers did not seem justified because the computers were not tested to meet the needs of deployment. Corrective actions initiated by the Corps in response to GAO recommendations were found to be generally consistent with these recommendations. **Recommendation To Agencies:** The Secretary of Defense should direct the Secretary of the Navy and the Commandant of the Marine Corps to: (1) implement a single office for data processing management; (2) develop an overall plan for integrating systems; (3) reconsider separation of computer installations; (4) improve systems for meeting needs of local users; and (5) assure greater compliance with Government regulations related to data processing requirements, cost evaluations, and competitive procurement.

102769

Methods Used for Determining Conventional Ammunition Requirements (Unclassified Digest). LCD-77-401. July 20, 1977. 5 pp.
Report to House Committee on Appropriations; by Elmer B. Staats, Comptroller General.

Issue Area: Military Preparedness Plans: Effectiveness of the Military Forces (0805).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of the Navy; Department of Defense; Department of the Army; Department of the Air Force.

Congressional Relevance: House Committee on Appropriations.

Abstract: The methods used for determining conventional U.S. ammunition requirements for the war reserve stockpile were examined, and recommendations were made for improving the methods used to meet the munitions needs in Europe. **Findings/Conclusions:** Resupply from production facilities will take twice as long as estimated if ammunition supplies are exhausted in Europe. Logistics planning on a yearly basis reflects the world situation, but it has created imbalances between the services. The services base their requirements on different criteria. Air Force requirements are primarily based on cost effectiveness; whereas, Army requirements are primarily based on combat simulations. Despite the recommendation of the Secretary of Defense, the Navy and some Marine Corps munitions were not based on a cost-effective criterion.

Recommendation To Congress: The House Committee on Appropriations should ask the Department of Defense to evaluate U.S. military posture in Europe relative to allied capability; discuss the implications of substituting precision-guided munitions for some less sophisticated munitions to support an Asian scenario; and discuss with the Navy the validity of adding shipfill requirements to the war reserve stockpile. **Recommendation To Agencies:** The Secretary of the Army should examine the Army's special operational project requirements and plan to meet these needs, where appropriate, from the war reserve stockpile. The Secretary of Defense should direct the Marine Corps to follow his guidance in developing requirements and require the services to fully recognize in-theatre losses to minimize the impact on U.S. readiness posture for munitions. The Marine Corps should eliminate its practice of rounding firing rates to conform to unit packs.

102796

[Survey at the Regional Finance and Data Processing Center in Paris, France]. May 17, 1977. 4 pp. plus 1 enclosure (1 p.).
Report to John M. Thomas, Assistant Secretary for Administration, Department of State; by Frank M. Zappacosta, Assistant Director, GAO International Division.

Issue Area: Automatic Data Processing: Acquisition of ADP Resources Under the Brooks Act (0111).

Contact: International Division.

Organization Concerned: Department of State: Regional Finance and Data Processing Center, Paris, France.

Authority: Federal Management Circular 74-5.

Abstract: An examination was performed of activities related to automated data processing equipment, foreign currency purchases, payroll allotment accounting, cashiers, and check stock at the Regional Finance and Data Processing Center in Paris, France.

Findings/Conclusions: The mechanics of processing accounting data and paying vouchers and payroll were adequate and resulted in timely and accurate outputs. However, several issues were noted that required attention. First, automatic data processing equipment was leased rather than purchased. Approximately \$700,000 could have been saved by purchasing the equipment. Secondly, a computerized model, developed for use in foreign currency purchases, was not used by personnel, who claimed that it was not always accurate. Center officials said that they would refine the model to improve its accuracy and to expand its use. Third, contractor services were used for absent console operators and keypunchers. Fourth, a proposed expansion of computer capacity needed review based on implementation of expansion of the Accrued Cost and Real Estate System. **Recommendation To Agencies:** The Center should: (1) evaluate the most economical method for acquiring equipment; (2) evaluate the computerized model and, if it is found to be more effective and economical than the manual system, implement its use and consider whether it would be applicable to the Bangkok Center; (3) evaluate alternatives to identify the most economical method of obtaining console operator and keypuncher services; and (4) use the Management Services Branch more effectively by expanding its oversight role.

102797

Need To Apply Adequate Controls in the Army Standard Payroll System Prior to Implementation Defense-Wide. FGMSD-77-4; B-146856. July 5, 1977. 17 pp.

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing (0100); Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Defense; Department of the Army.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services; Congress.

Authority: Army Regulation 37-105.

Abstract: The Army's standard civilian payroll system, which may replace Department of Defense payroll systems, does not contain adequate procedures and controls to prevent erroneous or fraudulent payments. **Findings/Conclusions:** The standard system currently implemented by the Army continues to have many of the same problems that were reported in earlier GAO reports, including: lack of an adequate separation of duties; incomplete and outdated documentation showing how the system works; lack of sufficient edit checks to detect missing or invalid data; and heavy reliance on manual procedures and controls to assure accurate processing of data through the system. The Army has taken or plans to take actions to eliminate most of the weaknesses and is reevaluating the feasibility of a single Defense civilian payroll system. **Recommendation To Agencies:** The Secretary of Defense should direct the Secretary of the Army to: revise Army Regulation 37-105 and the standard system's users manual to provide for adequate separation of duties; revise the standard system so that a list of all permanent pay changes is forwarded directly to the personnel office each pay period and prepunched timecards are routed directly to timekeepers; incorporate additional edit checks into the Army's standard system in order to detect unusual situations; and revise the standard system to better use computer capabilities to control

payroll processing. All needed improvements should be made to the Army's standard system before it is used Defense-wide.

102800

IRS' Security Program Requires Improvements To Protect Confidentiality of Income Tax Information. GGD-77-44; B-137762. July 11, 1977. 70 pp. plus 2 appendices (15 pp.).

Report to Chairman, Joint Committee on Taxation; by Elmer B. Staats, Comptroller General.

Issue Area: Tax Administration (2700).

Contact: General Government Division.

Organization Concerned: Internal Revenue Service.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Finance; Joint Committee on Taxation.

Authority: Tax Reform Act of 1976. Privacy Act of 1974.

Abstract: The Internal Revenue Service (IRS) designed a security program to protect the confidentiality of tax data under its control. However, weaknesses in carrying out the program are widespread, and some essential procedures and controls are totally lacking. **Findings/Conclusions:** Inadequate controls over computer operations afforded IRS employees and others many opportunities to unlawfully disclose tax data. Computer programmers could easily run an unauthorized program or make an unauthorized program change without detection. Controls were exercised inadequately over the IRS primary computerized data retrieval system. Employees were able to get unneeded tax data because IRS was not enforcing its policy of limiting employee access to only that data needed to perform official duties. IRS employees were also able to get unneeded tax data due to equipment shortages. There is the potential for unauthorized tax data disclosure due to IRS methods for assessing the integrity of employees and others having access to its facilities. Although the facility's physical features and guard services were adequate to deter general access by unauthorized persons to IRS facilities, other aspects of physical security were weak and precluded maximum protection of tax data. Thirty-two recommendations designed to correct specific weaknesses were made by GAO. IRS agreed with most of the recommendations.

102805

Why the Army Should Strengthen Its Internal Audit Function. FGMSD-77-49; B-134192. July 26, 1977. 41 pp. plus 9 appendices (44 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Internal Auditing Systems (0200); Internal Auditing Systems: Sufficiency of Federal Auditors and Coverage (0201); Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of the Army; Department of Defense; Department of the Army: Army Audit Agency.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services; Congress.

Authority: Budget and Accounting Procedures Act of 1950. 31 U.S.C. 66a. National Security Amendments of 1949. 10 U.S.C. 3014. 10 U.S.C. 5061. 10 U.S.C. 8014. National Security Act. American National Red Cross Act of 1905. 10 U.S.C. 125. B-132900 (1970). DOD Directive 1100.4.

Abstract: The Army Audit Agency's internal audit activities were reviewed for the period from August 1975 to September 1976. A number of conditions, measured against GAO standards and Department of Defense (DOD) policy, gave cause for concern. **Findings/Conclusions:** Restrictions on the scope of internal auditing resulted in a lack of audit coverage of important areas. The Audit Agency is not placed high enough in the Army's organization to grant it maximum independence in its audit functions. Contrary to DOD policy, the Agency is headed by a high ranking military

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officer not by a civilian. More effective use of audit staff is needed; work is increasing at the same time that staff is decreasing. Additionally, the system does not provide for an effective followup of findings. **Recommendation To Agencies:** Army managers should remove restrictions on the scope of audit work; place the audit function at a higher organizational level; place as the head of the agency a qualified civilian; use auditors more effectively by eliminating work that is not fully productive or is not directly related to the audit organization's basic mission; and strengthen the audit followup system.

102808

[Review of Accounts Receivable at the General Services Administration]. FGMSD-77-29; B-159687. July 27, 1977. 6 pp. Report to Joel W. Solomon, Administrator, General Services Administration; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Organization Concerned: General Services Administration; General Services Administration; Office of Finance.

Abstract: A review of the General Services Administration's (GSA) system of accounting for accounts receivable from the public showed that the system was, for the most part, operated effectively and in accordance with the accounting system approved by the Comptroller General in 1965. However, the accounting for and reporting of these receivables needed improvement. **Findings/Conclusions:** One GSA fund was overstated by \$69.9 million, and two others were understated by \$4.1 million. About \$9.3 million of long-term installments were improperly classified as current assets. Delinquent accounts were not promptly identified for followup action. This material inaccuracy in recording and reporting receivables indicated a need for improvement in the system of internal controls. The exclusion of delinquent accounts that were 30 to 60 days older than the GSA aging schedule precluded the prompt identification and subsequent collection of delinquent accounts. Inclusion of these delinquent accounts on the aging schedule would contribute to prompt collection action. **Recommendation To Agencies:** The Office of Finance should improve the GSA internal control system by providing: effective supervisory review of significant adjusting entries to assure that they are valid and properly documented; documentary evidence linking individual transactions and adjustments to their summation in the ledger accounts; and classification of receivables which are not due within a year or less as noncurrent assets in the statement of financial condition. To assist in the prompt identification and followup of delinquent accounts, the Office of Finance should list all GSA accounts receivable over 30 days old on the monthly aging schedule and initiate prompt and adequate collection action.

102815

Veterans' Administration Justification of Costs and Benefits of Proposed Computer System (Target). HRD-77-98; B-114859. July 20, 1977. 51 pp. plus 4 appendices (24 pp.). Report to Rep. Charles Rose; Rep. John E. Moss; by Elmer B. Staats, Comptroller General.

Issue Area: Facilities and Material Management (0700).

Contact: Human Resources Division.

Organization Concerned: Veterans Administration.

Congressional Relevance: Rep. Charles Rose; Rep. John E. Moss.

Abstract: The Veterans' Administration's (VA) proposed computer system, the Target System, is intended to modernize benefit claims processing and to improve service to veterans. The VA estimates that the system will cost over \$100 million to develop and over \$12 million each year to operate. **Findings/Conclusions:** The VA has

proceeded with the development of the Target System without an economic analyses of the proposed system or of alternative ways of meeting its benefit claims processing needs. The VA had not established measurable goals or standards for improved service to veterans. Therefore, it had no basis for comparing alternative approaches or for determining whether systems less complex and expensive than Target could do the job. Although major cost savings are possible, Target's costs could exceed the costs of the current benefit claims processing system. **Recommendation To Congress:** Congress should not permit the VA to award a contract for the Target System until it has set up the measurable goals and standards so that the most cost-effective way of processing benefit claims can be determined. If Congress determines that the VA has satisfactorily resolved these issues, VA should not be allowed to award a contract until it has resolved the uncertainties about progress of development and the cost and implementation schedule of the system. **Recommendation To Agencies:** The Administrator of Veterans Affairs should establish in measurable terms goals and standards for improving benefit claims services to veterans.

102820

Automated Systems: The Auditor's Role. July 13, 1977. 24 pp. Speech before the National Association for Systems Management, 8th Convention, Caracas, Venezuela, July 13-16, 1977; by Earl M. Wysong, Jr., Assistant Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Organization Concerned: National Association for Systems Management.

Abstract: A variety of approaches and techniques are used by the auditors and systems evaluators of GAO to review electronic data processing systems. From the standpoint of system logic, a system is fully designed when a programmer begins coding the programs. Review of system designs includes an evaluation of the network of system controls and audit trails; a determination of the degree of integrity maintained over the data in the files; and a determination that the automated system is designed in conformity with accounting specifications. Significant gaps in any of these areas could be a basis for disapproval of the system design. The reliability assessment technique is used to determine the degree of risk and the audit methodology. The reliability assessment technique aids in determining how much reliance can be placed on the following areas: top management oversight of electronic data processing functions; organizational structure, staffing, and administrative practices to control processing of data; general controls; and application controls. Methods that can be used to obtain evidence or assurance that controls are functioning include the evaluation of a sample of the automated records and test transactions. Auditors should make at least one unannounced visit to the data processing center to evaluate the adequacy of general controls.

102848

[Veterans' Administration Actions Taken in Response to GAO Report on the Agency's Automated Clinical Lab System]. HRD-77-122; B-133044. July 12, 1977. 5 pp.

Report to Sen. Alan Cranston, Chairman, Senate Committee on Veterans' Affairs; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing (0100); Health Programs (1200); Health Programs: Direct Delivery Programs of the Federal Government (1216).

Contact: Human Resources Division.

Organization Concerned: Veterans Administration.

Congressional Relevance: House Committee on Veterans' Affairs; Senate Committee on Veterans' Affairs; Sen. Alan Cranston.

Abstract: The Veterans' Administration's (VA) automated clinical laboratory is basically a small computer system designed to provide physicians with prompt and accurate test results and hospitals with

accurate administrative reports. A GAO study concluded that the system had not greatly improved the timeliness and accuracy of the test results nor the accuracy of the administrative reports. GAO further concluded that the system showed no improvements over the manual system that it had replaced. It was recommended that further development of the system be terminated until its reliability and capability could be evaluated and that the computer's role in hospital laboratory and administrative operations be studied. **Findings/Conclusions:** Although the VA has made several studies of the deficiencies of the clinical laboratory reporting system, the actions taken by the VA were not responsive to the GAO report. The response is basically concerned with the issue of whether the new system it plans, the Honeywell H-716, will be cost beneficial. VA has not addressed the main problems identified by GAO.

102955

[Interim Upgrade of Equipment for the Department of Agriculture's Fort Collins Computer Center]. LCD-77-104; B-146864. July 1, 1977. 5 pp.

Report to Rep. Jack Brooks, Chairman, House Committee on Government Operations; by Elmer B. Staats, Comptroller General.

Issue Area: Federal Information Management (1400); General Procurement (1900).

Contact: Logistics and Communications Division.

Organization Concerned: Department of Agriculture; Department of Agriculture: Fort Collins Computer Center, CO; Federal Supply Service.

Congressional Relevance: House Committee on Government Operations; Senate Committee on Agriculture, Nutrition, and Forestry; Rep. Jack Brooks.

Abstract: The acquisition by the Department of Agriculture of a Univac 1100/42 computer system as a replacement was reviewed to determine whether there was justification for procurement and noncompetitive procedures. The need to upgrade the system evolved from plans to establish large-scale regional computer centers. In anticipation of the procurement of computer systems, the Department established the Fort Collins Computer Center. **Findings/Conclusions:** Transfer of work from Forest Service field offices and cancellation of the procurement program caused a workload that exceeded the capacity of the existing system. However, cost analyses were not prepared for Forest Service applications systems to be transferred to the Center, and improper methods were used to compare costs with commercial services. The new system was needed because the existing one was being operated at maximum capability, and the workload was increasing. However, better planning could have limited the size of the workload transferred by the Forest Service which would have prevented this situation and allowed time to conduct a fully competitive procurement.

102969

[Protest Against Alleged Oral Changes in Specifications]. B-189321. July 5, 1977. 2 pp.

Decision re: Jet International, Inc.; by Milton J. Socolar (for Paul G. Dembling, General Counsel).

Contact: Office of the General Counsel.

Organization Concerned: Department of the Army; Jet International, Inc.

Congressional Relevance: Sen. Harrison A. Williams, Jr.

Authority: 4 C.F.R. 20.2(b)(1). B-184194 (1976).

Abstract: A bidder protested alleged oral specification changes concerning compatibility of procured items to existing Government equipment. The protest came after the close of date for initial receipt of proposals, and was therefore rejected as untimely since the alleged impropriety was apparent prior to closing date.

102978

[Protest to Solicitation Cancellation and Suggestion That GAO Set Procurement Standards]. B-189322. July 11, 1977. 2 pp.

Decision re: Young Engineering Systems; by Paul G. Dembling, General Counsel.

Contact: Office of the General Counsel.

Organization Concerned: Department of Health, Education, and Welfare; Young Engineering Systems.

Authority: 47 Comp. Gen. 21. 47 Comp. Gen. 25.

Abstract: A protest was made to procurement which was canceled and the protester was so notified. The protester requested that GAO assist the agency in establishing standards for computer procurements including testing. The protest regarding cancellation of the solicitation by the agency was moot. The bid protest function does not include establishing criteria for guidance of contracting officers and contractors except as GAO decisions in particular cases serve that purpose.

103050

The Food Stamp Program: Overissued Benefits Not Recovered and Fraud Not Punished. CED-77-112; A-51604. July 18, 1977. 47 pp. plus 2 appendices (3 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Income Security and Social Services: Program Monitoring and Administration (1303).

Contact: Community and Economic Development Division.

Organization Concerned: Department of Agriculture; Department of Justice.

Congressional Relevance: House Committee on Agriculture; Senate Committee on Agriculture, Nutrition, and Forestry; Congress.

Authority: Food Stamp Act of 1964 (7 U.S.C. 2011 et seq.).

Abstract: The Government is losing over half a billion dollars annually because of overissued food stamp benefits caused by errors, misrepresentation, and suspected fraud by recipients and by errors of local food stamp offices. **Findings/Conclusions:** For every \$100 of the more than \$5 billion annual benefits issued nationally, overissuances account for about \$12; only about 12 cents of that \$12 have been recovered. The eight local projects reviewed were doing little to identify and recover the value of these overissuances. At five of the eight projects, about half of the dollar value of the claims established for food stamp overissuances was classified as involving suspected fraud by recipients, but very few recipients were prosecuted or otherwise penalized. **Recommendation To Congress:** 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 the suspected fraud cases. Congress should also 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. **Recommendation To Agencies:** The Department of Agriculture should take a number of steps to make sure that States adequately identify and recover overissued food stamp benefits and punish people who engage in food stamp fraud.

103053

Legislation Needed To Improve Program for Reducing Erroneous Welfare Payments. HRD-76-164; B-164031(3). August 1, 1977. 50 pp. plus 2 appendices (7 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Income Security and Social Services: Program

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Monitoring and Administration (1303).

Contact: Human Resources Division.

Organization Concerned: Department of Health, Education, and Welfare.

Congressional Relevance: *House* Committee on Ways and Means; *Senate* Committee on Finance; Congress.

Authority: Social Security Act. 42 U.S.C. 301 et seq. H.R. 7153 (95th Cong.). S. Rept. 87-1672. S. Rept. 93-1356. 40 Fed. Reg. 21737. 45 C.F.R. 206.10.

Abstract: Some financial incentive is needed to assure that States continue to seek appropriate corrective actions to the high number of erroneous payments made to recipients of aid-to-families-with-dependent-children. **Findings/Conclusions:** Although error rates have declined since 1973, nearly \$500 million a year in Federal funds is being misspent. The Department of Health, Education, and Welfare (HEW) presently lacks the means for withholding funds and will continue to encounter problems in implementing any financial incentive provision administratively. Through 1976, HEW has overstated accomplishments in reducing errors. Changes in administrative practices reduced errors, but they did not necessarily reduce welfare payments. **Recommendation To Congress:** Congress should enact legislation to establish an incentive to encourage better administration and cost control for the program. Such legislation should provide for a payment error rate rather than a case error rate as the basis for measuring State accomplishments in reducing error. **Recommendation To Agencies:** To improve the quality control program administration, the Secretary of HEW should revise the HEW basis for determining program accomplishments so that savings are determined on the basis of valid statistical projections and by considering only error reductions that directly reduce program costs; base HEW reporting of State errors on dollar amounts rather than case error rates; and assist States in identifying cost-effective corrective actions.

103054

Efforts To Implement the Employee Retirement Income Security Act of 1974 by the Department of Labor. HRD-77-99; B-164292. July 6, 1977. 17 pp. plus 2 appendices (2 pp.).

Report to Sen. Harrison A. Williams, Jr., Chairman, Senate Committee on Human Resources; Sen. Jacob K. Javits, Ranking Minority Member; by Elmer B. Staats, Comptroller General.

Issue Area: Income Security and Social Services: Programs To Protect the Income of Working Americans (1306).

Contact: Human Resources Division.

Organization Concerned: Department of Labor.

Congressional Relevance: *Senate* Committee on Human Resources; *Sen. Jacob K. Javits; Sen. Harrison A. Williams, Jr.*

Authority: Employee Retirement Income Security Act of 1974.

Abstract: Members of congressional committees, Department of Labor officials, and employee benefit plan administrators are concerned about problems Labor has experienced in administering the Employee Retirement Income Security Act of 1974, the first comprehensive Federal law regulating employee benefits. Specific concern has been expressed about delays in issuing regulations and acting on requests for exemptions from prohibited transactions. **Findings/Conclusions:** After over 2 years of program operations, the issue of how Labor should be organized to carry out its responsibilities has not been resolved. Labor has not determined the extent to which program inefficiencies exist and are caused by the organization structure which divides the responsibility for administering the Act between two separate Labor organizations. Labor also has not determined the long-range enforcement needs of the program. **Recommendation To Agencies:** Before making a decision on reorganization, the Secretary of Labor should assess the efficiency of the present Labor organizational structure for administering the Employee Retirement Income Security Act and the

anticipated size of future program operations. The Secretary should also closely monitor the progress in issuing regulations and processing applications for exemptions from prohibited transactions so that these tasks can be accomplished without further delay.

103056

Replacing Lost or Stolen Government Checks: Expedited Service Versus Costs and Risks. GGD-77-65; B-164031(4). July 19, 1977. 18 pp. plus 1 appendix (2 pp.).

Report to Rep. Elizabeth Holtzman; by Elmer B. Staats, Comptroller General.

Issue Area: Income Security and Social Services: Program Monitoring and Administration (1303).

Contact: General Government Division.

Organization Concerned: Department of the Treasury; Social Security Administration.

Congressional Relevance: *Rep. Elizabeth Holtzman.*

Abstract: The Department of the Treasury and other agencies are developing data on the timeliness, costs, and risks of various alternatives for replacing lost or stolen checks with a minimum of hardship for the recipients and without incurring excessive costs and risks for the Government. **Findings/Conclusions:** Because the Supplemental Security Income Program serves the needy, Treasury expedites its claims for replacement checks. Safeguards built into the regular check replacement system to prevent double payments are bypassed. Check replacement time averaged 12 days for claims receiving expedited service. A new system implemented in April 1977 was to have replacement checks delivered within 4 days after a claim is filed, but it is too early to tell if the system will meet this goal. Check replacement time for other programs, including Social Security and Veterans, ranged from an average of 22 to 85 days. Treasury is taking steps to expedite the normal check replacement process, but the resulting replacement time frame may still not be satisfactory. Provision of administrative machinery needed to expedite check processing in these other agencies would entail an undetermined expense. In addition, bypassing the safeguard of determining whether an original check has been cashed would result in unnecessary replacement checks being issued in these programs. About 30 percent of the claims filed in 1976 were either abandoned or denied. Recovering duplicate payments could be slow and uncertain.

103076

[Potential Economies Involving the Advanced Record System]. LCD-77-108; B-146864. August 8, 1977. 9 pp.

Report to Joel W. Solomon, Administrator, General Services Administration; by Fred J. Shafer, Director, GAO Logistics and Communications Division.

Issue Area: Military Preparedness Plans: Military Communications and Information Processing Needs (0803).

Contact: Logistics and Communications Division.

Organization Concerned: General Services Administration.

Abstract: The General Services Administration (GSA) needs to improve its planning for management of record communications services. **Findings/Conclusions:** GSA did not thoroughly evaluate alternatives in its planning during 1969 and 1970 for future Advanced Record System services. Instead, GSA extended the existing contract, which resulted in subjecting the Government to significantly higher potential termination charges. Contrary to GSA expectations of saturation, the Advanced Record System has unused capacity resulting primarily because a large user established its own system. **Recommendation To Agencies:** The Administrator of General Services should: determine the civil agencies' record and data communications requirements and perform cost analyses of various system alternatives before further expanding or

enhancing the Advanced Record System in a manner that would extend the performance period or increase the amount of termination liability for the Government; aggressively continue GSA efforts to increase the use of the Advanced Record System under conditions where it can provide adequate service and when the incremental costs to the Government are equal to or less than those for an alternate system; and evaluate the economy and feasibility of shifting the circuit switching network to the Federal Telecommunications System voice network or another competitively procured system periodically, such as when tariffs or usage change significantly.

103077

Automated Decisionmaking and Computer-Related Crimes; A Discussion of Two GAO Reports. September 13, 1977. 10 pp.

Speech before the AESOP XVII, Boston, MA; by Kenneth A. Pollock, Assistant Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Organization Concerned: AESOP XVII, Boston, MA.

Authority: S. 1776 (95th Cong.).

Abstract: Two recent GAO reports related to inadequacies in the automated system design and development process. In the report, "Improvements Needed in Managing Automated Decisionmaking by Computers Throughout the Federal Government," automated decisionmaking applications were identified, causes for bad decisions were analyzed, and corrective actions suggested. In a sampling of 128 systems, over 1.7 billion actions a year were identified involving a monetary impact of over \$40 billion. In the 128 systems, 27 percent had none of the action-causing output manually reviewed for correctness; 33 percent of the systems had less than 10 percent of output reviewed, and 10 percent of the systems had less than 20 percent of output reviewed. Decisions made were often wrong and cost the Government hundreds of millions of dollars in unnecessary expenditures. Causes for bad decisions were found to be either software problems, data problems, or a combination of the two. The report, "Computer-Related Crimes in Federal Programs," dealt with categories of computer crimes and the means for controlling them. Most of the cases that were found involved fraudulent input initiation, and it was noted that good controls over input were lacking. Both reports pointed up the need for more control over system design and implementation.

103085

Collection Efforts Not Keeping Pace With Growing Number of Defaulted Student Loans. CD-77-1; B-117604. August 11, 1977. 25 pp. plus 3 appendices (8 pp.).

Report to Secretary, Department of Health, Education, and Welfare; by James D. Martin (for Gregory J. Ahart, Director), GAO Human Resources Division.

Issue Area: Education, Training, and Employment Programs: Student Assistance Programs for Post-Secondary Education (1101).

Contact: Claims Division.

Organization Concerned: Office of Education; Department of Health, Education, and Welfare.

Congressional Relevance: *House* Committee on Education and Labor; *Senate* Committee on Human Resources.

Authority: Federal Claims Collection Act of 1966. 31 U.S.C. 951. 4 C.F.R. 101-105. 45 C.F.R. 73.735-701(a). Education Amendments of 1976.

Abstract: Although some positive actions are being taken by the Office of Education to collect defaulted student loans, the problem has reached serious proportions. **Findings/Conclusions:** The Office of Education guaranteed 4 million student loans amounting to \$4.5 billion through September 1976. It had to pay about \$287 million to lending institutions during the same time because about one of

every six loans had been defaulted after the student completed or withdrew from school. After paying lenders, the Office has to collect the defaulted loans. Through September 1976, only \$25 million had been collected, mostly through monthly payments. Collectors cannot handle their workloads, and the trend is toward ever larger, less manageable workloads. **Recommendation To Agencies:** The Secretary of Health, Education, and Welfare should direct the Commissioner of Education to effectively process defaulted student loans to the point of collection, referral for legal action, or termination. This should include: requiring the contractor to document unsuccessful collection efforts; instructing collectors to request debtor-prepared financial statements; revising guidelines on compromise; developing guidelines on collecting from current or former Federal employees; requiring every regional collection staff to develop the capability for referring defaulted loans directly to U.S. attorneys; and establishing a system for monitoring regional office collection activity.

103103

[Procedures Used by the Internal Revenue Service To Provide Taxpayers With Refunds Not Initially Delivered by the Postal Service]. FGMSD-77-9; B-137762. August 4, 1977. 6 pp.

Report to Jerome Kurtz, Commissioner, Internal Revenue Service; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of the Treasury; Internal Revenue Service.

Congressional Relevance: *House* Committee on Ways and Means: Oversight Subcommittee; *Senate* Committee on Finance: Taxation and Debt Management Generally Subcommittee.

Abstract: Internal Revenue Service (IRS) procedures are generally adequate for providing undelivered refunds to taxpayers who file income tax returns in the year following the one in which the refunds were undelivered. However, IRS needs to take action to deliver unclaimed tax refunds to some taxpayers who may not file tax returns in succeeding years. **Findings/Conclusions:** As of December 31, 1975, IRS was holding about \$25 million in refunds belonging to nearly 200,000 individual taxpayers whose refund checks were returned as undeliverable by the Postal Service. Followup letters have been partially successful in locating taxpayers entitled to tax refunds. Of the 352,000 refund checks returned in 1975, IRS was able to redeliver 248,000, or 71 percent, of the checks to the taxpayers. However, in cases where tax refunds are paid when taxpayers file their succeeding year returns, as much as a year could pass before the refunds were sent. IRS procedures should be designed to locate a greater number of taxpayers entitled to undelivered refunds and to do it more promptly. **Recommendation To Agencies:** The Commissioner of IRS should: (1) furnish the news media with lists of individuals entitled to undelivered tax refunds; and (2) determine if information in the Social Security Administration's benefit file would be useful in locating individuals entitled to undelivered tax refunds, and, if so, develop a procedure for using such information.

103112

Status, Progress, and Problems in Federal Agency Accounting During 15 Months Ended September 30, 1976. FGMSD-77-21; B-115398. August 24, 1977. 50 pp. plus 5 appendices (33 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Defense; General Services Administration; Department of Health, Education, and Welfare;

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Department of Transportation; Department of State; Department of the Interior; Department of Justice; Department of the Treasury; Department of Agriculture; Department of Commerce. **Congressional Relevance:** House Committee on Armed Services; Senate Committee on Armed Services; Congress.

Authority: Accounting and Auditing Act of 1950. 31 U.S.C. 66a. H. Rept. 90-1159. 31 U.S.C. 66b.

Abstract: During the 15 month period which ended September 30, 1976, the Comptroller General approved the designs of 32 executive agency accounting systems. Principles and standards have been approved for 98 percent of the 338 accounting systems which are subject to approval. Fifty-two percent of the system designs have now been approved. **Findings/Conclusions:** The Departments of Labor, the Treasury, Commerce, and Transportation have all or most of their accounting systems approved. The Department of Agriculture is pursuing a program of accounting systems development, but its completion is still several years away. Although a departmental system for the Department of Housing and Urban Development has been approved, the Department has never completed the designs of its subsystems. The Department of Defense made little progress in obtaining approval of its systems until recently. However, in the last 4 years, 54 subsystems have been approved, mostly in the Air Force. The Departments of Health, Education, and Welfare (HEW); Interior; and State have progressed so little that there is concern that they will not have approved accounting systems in the near future. Of the 19 accounting systems subject to approval in HEW, only five have been approved. The unapproved systems included the Social Security Administration system, one of the largest in the Government. HEW has consistently failed to meet target dates established for submitting the systems for approval.

103114

Progress in Improving Program and Budget Information for Congressional Use. PAD-77-73; B-115398. August 30, 1977. 23 pp. Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Evaluation Guidelines and Methodology (2600).

Contact: Program Analysis Division.

Organization Concerned: General Accounting Office.

Congressional Relevance: Congress.

Authority: Congressional Budget Act of 1974. P.L. 93-344. P.L. 91-510. OMB Circular A-11.

Abstract: As required by the Congressional Budget Act of 1974, GAO has assisted both authorizing and appropriations committees by providing leadership and assistance in: meeting their recurring needs for program and budget information; developing systems for authorizing committees' oversight and budget activities; using information generated by the evaluative approach of the Act to assist committees in their budget as well as oversight activities; and facilitating the future congressional use of zero-base budgeting information. **Findings/Conclusions:** During the past year, GAO developed an automated database for providing program authorization and budgetary information obtained from executive agencies to authorizing committees. The database contains information on Federal programs and activities authorized by legislation and has been substantially developed for most committees. GAO has continued working to identify needs for information at the program level and recommended improved structures for reporting information in budget justifications, the budget appendix, and other documents. GAO is working on improving budget practices; the focus is on the methods of financing now being used, those proposed for Federal programs and on the related effectiveness of the congressional control they provide. GAO is also working toward improving standard classifications to best satisfy congressional information needs. However, the Office of Management and Budget has resisted change in several areas.

103120

[Review of Several Aspects of the Internal Revenue Service's Proposed Computerized Tax Administration System]. GGD-77-73; B-137762. August 18, 1977. 12 pp.

Report to Rep. Charles Rose; Rep. John E. Moss; by Elmer B. Staats, Comptroller General.

Issue Area: Tax Administration (2700).

Contact: General Government Division.

Organization Concerned: Internal Revenue Service.

Congressional Relevance: Rep. Charles Rose; Rep. John E. Moss.

Authority: Privacy Act of 1974. P.L. 93-579. Social Security Act. Internal Revenue Code (IRC). Tax Reform Act of 1976. P.L. 94-202.

Abstract: Concern was expressed about the Internal Revenue Service's (IRS) Tax Administration System's privacy safeguards over the exchange and use of tax information, information and data management features, and potential for and controls over linking with other Government and private computer systems. The IRS management structure's ability to support the system's advanced technology was also questioned. **Findings/Conclusions:** No plans were found which would violate current laws protecting the privacy of tax return information, and no covert, illegal attempts to link the system with any other computer system could be detected. Direct electronic linkage between the IRS system and any other computer system should be decreed illegal, and the transfer of data by any means between the IRS system and other systems should be allowed only when specifically authorized by law. IRS has planned for special coding access to terminals through use of passwords, system monitoring, no terminal to terminal communication capability, and audit trails as means of preserving security. Data input under the proposed system will be the same as in the current system, and the internal control features will probably not change. IRS has no plans to link the proposed system with any other system (Government or private) unless required by law to do so. If IRS implements its planned privacy and security controls, taxpayer privacy should be protected in accordance with established legislation.

103123

What the Federal Government Is Doing About Auditing Computers. August 23, 1977. 9 pp. plus 24 enclosures (24 pp.).

Speech before the Share 49, Washington, DC; by Kenneth A. Pollock, Assistant Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Organization Concerned: Share 49, Washington, DC.

Abstract: Internal auditing of computers used in the Federal Government requires a review of controls used in operation in addition to a determination that proper controls are built into the systems design. The total computer processing units in the Federal Government exceeds 10,000; this excludes those integral to weapons systems, the Central Intelligence Agency, or the National Security Agency. Although GAO does not generally perform financial statement audits, it is concerned about controls over payrolls. It was found that, in the Military District of Washington, there were few edit checks and no limit checks and that the program would process just about anything that fit on 80 columns. At Federal agencies it was discovered that paychecks were issued to separated employees; current employees were paid wrong amounts; and in some cases, duplicate paychecks were issued. Most of the crimes uncovered related to inadequate input controls exploited primarily by system users, not programmers and analysts. GAO has advised Federal agencies that, if auditing requires extensive review of computerized systems, the audit staff must include persons having appropriate computer skills. GAO has disseminated guides within

the Government containing detailed procedures for conducting a comprehensive review of the efficiency and reliability of automated systems.

103136

A Simultaneous-Parallel Approach to Testing Computerized Systems. 1977. 9 pp.

In GAO Review, Summer 1977, vol. 12, issue 3, pp. 29-37.

Contact: Financial and General Management Studies Division.

103144

The GAO Review, Summer 1977, Volume 12, Issue 3. 1977. 110 pp. Edited by Ellsworth H. Morse, Jr.; Individual articles contained in this document appear elsewhere in this issue as separate citations.

Contact: Office of the Comptroller General.

Organization Concerned: Department of Defense; Department of Health, Education, and Welfare.

103173

Offset of Social Security Benefits Under the Survivor Benefit Plan. FPCD-77-74; B-133142. September 1, 1977. 3 pp.

Report to Secretary, Department of Defense; by Hyman L. Krieger, Director, GAO Federal Personnel and Compensation Division.

Issue Area: Personnel Management and Compensation (0300); Personnel Management and Compensation: Compensation (0305).

Contact: Federal Personnel and Compensation Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of the Air Force; Department of the Army; Department of the Navy; Department of Defense.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services.

Authority: P.L. 94-425. P.L. 92-603. DOD Directive 1332.27.

Abstract: Survivor Benefit Plan (SBP) legislation enacted on September 21, 1972, provides for payment of annuities to survivors of retired military personnel and to survivors of personnel who die while serving on active duty and who were eligible for retirement. The amended law requires SBP annuities to be reduced, in certain instances, by the amount of Social Security benefits which are attributable to the deceased member's military service. **Findings/Conclusions:** In spite of this requirement, a Department of Defense (DOD) directive, still provides that, in determining the SBP annuity reduction for survivors aged 62 or older without a dependent child, the survivor's social security benefit shall be calculated at 82.5 percent of the deceased member's social security benefit attributable to his military service. This understated reduction for benefits has resulted in overpayments which are currently continuing at the rate of \$42.50 monthly. As of June 1, 1977, there were about 4,800 survivors that have their SBP annuities offset for social security. After being advised by GAO of the failure of the DOD Directive to conform with the legislative amendment, DOD officials stated that a proposed revision of portions of the directive was forwarded to the services for comment. However, the directive has not been revised. **Recommendation To Congress:** The directive should be promptly revised to provide proper reductions consistent with the SBP and Social Security laws.

103239

[Review of Navy Contracting Procedures and Decision To Overhaul Ship Equipment Using Contractor Rather Than Naval Shipyard Employees]. PSAD-77-149, PSAD-77-150; B-146889. August 11,

1977. 4 pp. plus 1 enclosure (9 pp.).

Report to Rep. Morris K. Udall; Sen. Warren G. Magnuson; Sen. Henry M. Jackson; Rep. Norman D. Dicks; by Elmer B. Staats, Comptroller General.

Issue Area: General Procurement: OMB Guidelines for Relying on the Private Sector To Supply Federal Needs (1906).

Contact: Procurement and Systems Acquisition Division.

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058).

Organization Concerned: Department of the Navy: Naval Sea Systems Command; Department of the Navy: Puget Sound Naval Shipyard, Bremerton, WA; Hughes Aircraft Co.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services; Rep. Morris K. Udall; Rep. Norman D. Dicks; Sen. Warren G. Magnuson; Sen. Henry M. Jackson.

Abstract: A review of a Navy contract award to Hughes Aircraft Company to repair equipment aboard the U.S.S. Kitty Hawk was based on information which indicated that the award of the contract to Hughes would result in a higher cost to the Government than if Puget Sound Naval Shipyard, Naval Sea System Command, did the work. **Findings/Conclusions:** The Naval Sea Systems Command determined that Hughes was the only source capable of doing the work without making a detailed analysis of the Shipyard's capabilities or soliciting offers from other commercial sources. Navy officials stated that detailed specifications were not available for use by other commercial sources because the Navy's drawings and data package had not been kept up to date. GAO believed that Sea Systems had sufficient time before the award to evaluate the Shipyard's capability to do the work and to take action necessary to develop any additional capability needed. Since cost estimates had not been prepared, GAO could not determine what the cost of the work would have been, but it was believed that the unofficial estimate was understated. In addition, it was believed that the Navy should have evaluated relative costs before, rather than after, contracting with Hughes and that other sources should have been solicited. **Recommendation To Agencies:** The Secretary of the Navy should: reassess the Sea Systems' plan for future overhauls to better determine the Navy's minimum needs for in-house maintenance capability; update the tactical data system equipment design packages and drawings; and solicit competition to the maximum practicable extent.

103260

[Protest Against Procurement Precluding the Use of Separate Charges]. B-188399. August 4, 1977. 3 pp.

Decision re: Storage Technology Corp.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: General Services Administration; Storage Technology Corp.

Authority: 31 U.S.C. 665(a). 31 U.S.C. 712(a). 41 U.S.C. 11. 56 Comp. Gen. 142. 56 Comp. Gen. 167. 48 Comp. Gen. 497. B-182289 (1975). B-186313 (1977). *Leiter v. United States*, 271 U.S. 204 (1926). *Goodyear Tire and Rubber Co. v. United States*, 276 U.S. 287 (1928).

Abstract: The protester objected to a solicitation amendment which eliminated the provision for separate charges in a contract for furnishing plug-to-plug memory requirements for currently installed automatic data processing equipment. The agency's decision to preclude the use of separate charges for failure to exercise renewal options in the procurement was not an abuse of agency discretion because competition existed on the basis of the terms solicited.

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103277

[Reconsideration of Protest That System Proposed by Awardee Did Not Meet Solicitation Specifications]. B-187720. August 9, 1977. 4 pp. Decision re: International Business Machines Corp.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Geological Survey; TRW, Inc.; American Institute of Industrial Engineers; International Business Machines Corp.

Authority: F.P.R. 1-3.805-1(a)(5). 4 C.F.R. 20.9.

Abstract: The protester requested reconsideration of a prior decision denying its protest of an award for a data processing system. The original decision was affirmed since the facts not discussed in the decision did not alter the conclusion that the protester's own similar deviations to the solicitation requirements, which the protester now considers material, were also accepted by the agency without an amendment to the solicitation. The request for a conference on the reconsideration was denied since a conference will only be granted when the matter cannot be promptly resolved without a conference.

103365

Supplemental Security Income Overpayments to Medicaid Nursing Home Residents Can Be Reduced. HRD-77-131; B-164031. August 23, 1977. 12 pp. plus 2 appendices (3 pp.). Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Income Security and Social Services: Program Monitoring and Administration (1303).

Contact: Human Resources Division.

Organization Concerned: Department of Health, Education, and Welfare; Health Care Financing Administration; Social Security Administration.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Finance; Congress.

Authority: Social Security Act. 42 U.S.C. 1382-1382f. Social Security Amendments of 1972. 42 U.S.C. 1381.

Abstract: When recipients of Supplemental Security Income (SSI) enter nursing homes, their payments should be reduced because Medicaid pays the cost of nursing home care. **Findings/Conclusions:** In 1975, overpayments of about \$7.6 million were made to SSI recipients in California and Florida because the Social Security Administration (SSA) did not know that the recipients had been admitted to nursing homes. The majority of these overpayments could have been prevented through timely reporting of nursing home admissions. Social Security regulations require the recipient, or person authorized to accept his payments, to report admissions, but only a small percentage of admissions reviewed by GAO were reported. The regulations do not establish other methods for obtaining the information. Some SSA district offices, on their own initiative, made informal arrangements with nursing homes to report admissions, and with proper encouragement, this was found to be an effective means of obtaining timely reports. **Recommendation To Agencies:** The Commissioner of SSA should: require the district offices to provide forms to nursing homes for reporting admissions; and actively work with the nursing homes to obtain timely reports. The Administrator of the Health Care Financing Administration should have the States establish procedures requiring nursing homes participating in the Medicaid program to report admissions of recipients to district offices promptly.

103376

The SEASAT-A Project: Where It Stands Today. PSAD-77-126; B-183134. September 16, 1977. 25 pp. plus 1 appendix (18 pp.). Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: General Procurement: Notifying the Congress of Status

of Important Procurement Programs (1905); Science and Technology: Management and Oversight of Programs (2004).

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: National Aeronautics and Space Administration; National Oceanic and Atmospheric Administration.

Congressional Relevance: House Committee on Science and Technology; Senate Committee on Commerce, Science, and Transportation; Congress.

Abstract: SEASAT-A is an ocean dynamics satellite scheduled for launch in 1978 with sensors to measure winds, waves, ocean currents, sea temperatures, ice coverage, and atmospheric and water vapor. **Findings/Conclusions:** The National Aeronautics and Space Administration (NASA) has experienced cost, schedule, and performance difficulties with the SEASAT-A because of technical problems and an estimated \$5 million increase in the cost of the launch vehicle. NASA did not identify and report to Congress at least \$12.3 million in SEASAT-A project-related costs. No organization outside the Government has committed any money to the project. Government agencies that plan to use the data, especially the National Oceanic and Atmospheric Administration (NOAA) have experienced difficulty in obtaining the required funds. Without definite monetary commitments from potential users of SEASAT-A data, the Federal Government would be justified in not pursuing an operational SEASAT program planned in 1985. An economic assessment study conducted for the operational program overstated projected benefits. SEASAT-A will not be launched until 1978, and engineering validation of sensors' performance and geophysical validation of data will take several years. **Recommendation To Agencies:** The Administrator of NASA should: formalize agreements with potential users of SEASAT-A data, particularly NOAA, to insure their necessary contributions of resources to the project before expanding the program beyond the project stage; identify on the project status report all costs, cost increases, and important schedule and performance data and submit the report to each committee of the Congress having oversight and appropriations responsibility over NASA; demonstrate that SEASAT-A data can achieve its stated scientific objectives before expanding the program beyond the project phase; and develop all costs identifiable with an operational SEASAT system.

103389

Millions in Savings Possible in Converting Programs From One Computer to Another. FGMSD-77-34; B-115369. September 15, 1977. 14 pp. plus 3 appendices (45 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Agencies' Efforts To Convert Software (0107).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Commerce; Department of Defense; General Services Administration; Office of Management and Budget.

Congressional Relevance: Congress.

Authority: Automatic Data Processing Equipment Act. P.L. 89-306.

Abstract: Frequently, computer programs must be converted to make them run on a computer different from the one for which they were originally devised. The annual Federal cost of such conversions is estimated at more than \$450 million; over \$100 million of this amount could be saved. **Findings/Conclusions:** The following factors tend to increase conversion costs: lack of readily available software conversion expertise in the Government; poor quality of software to be converted; inadequate flowcharts and other explanatory data; selection of nonstandardized equipment; and lack of programmer productivity aids. The Navy and the General Services Administration (GSA) are planning a Federal center for software conversion. This center could provide the know-how that is needed in software conversion and make it readily available to all

agencies. **Recommendation To Agencies:** The Office of Management and Budget should assist in establishing a Federal center for software conversion. When such a center is established, GSA should be able to require independent conversion estimates by the center for expensive agency procurements which have significant conversion costs. The center could also assist agencies in converting programs collected by the recently established GSA Federal Software Exchange Center. Heads of Federal agencies should emphasize quality and standards in new software development, including both the programs themselves and their documentation. The National Bureau of Standards should select and publish a set of programmer productivity aids for Government-wide use to improve the productivity of computer programmers on both original development of software and software conversion.

103390

Planning for Source Data Automation in Government Industrial Activities: Coordination Needed. LCD-77-441; B-175132. September 23, 1977. 27 pp. plus 2 appendices (3 pp.). Report to Secretary, National Center for Productivity and Quality of Working Life; Executive Director, Department of Defense; by Fred J. Shafer, Director, GAO Logistics and Communications Division.

Issue Area: Automatic Data Processing: Social and Economic Impacts of Computer-Based Systems (0109).

Contact: Logistics and Communications Division.

Organization Concerned: General Services Administration; Department of Defense; National Center for Productivity and Quality of Working Life.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services.

Authority: P.L. 89-306. P.L. 94-136.

Abstract: Source data automation techniques collect data in computer readable form at the point and time of an activity. The data are automatically transmitted to a central computer or intermediate storage device where it is recorded and analyzed. When properly applied in the industrial environment, source data automation can increase productivity through improved data timing and accuracy, improved production control, and reduced inventories. However, a source data automation installation can be expensive and its benefits, some of which are difficult to identify or measure, must be carefully weighed against the cost. The Department of Defense, with its complex of manufacturing and repair facilities and its large purchases from the private sector, would be a prime benefactor of properly applied source data automation. **Findings/Conclusions:** Some Government industrial-type activities have employed source data automation systems to their advantage. Barriers to diffusion of this technology include a lack of criteria for assessing source data automation's potential, complexities involved in equipment procurement, and poor use of pilot study results. Source data automation systems and pilot projects are not tracked or sponsored beyond the command level within the Department of Defense, and feedback on the desirability of source data automation is lacking. Application of source data automation in Government industrial activities is growing, and a central source for information on installed systems would be beneficial. **Recommendation To Agencies:** The Director of the National Center for Productivity and Quality of Working Life should coordinate the Government's industrial source data automation efforts and designate focal points to: encourage development of criteria for identifying potential applications; diffuse technology; study problems affecting systems development and use; define aspects needing standards; and coordinate with industry on source data automation technology, uses, and research. The Secretary of Defense should designate a group modeled after its Manufacturing Technology Advisory Group to coordinate the services' use of source data automation.

103396

The Navy's Intermediate Ship Maintenance Program Can Be Improved. LCD-77-412; B-133170. September 23, 1977. 59 pp. plus 6 appendices (26 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Personnel Management and Compensation (0300); Military Preparedness Plans: Mobilization-Oriented Industrial Maintenance Base (0802); General Procurement (1900).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of the Navy; Department of Defense.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services; Congress.

Abstract: The Navy has been emphasizing intermediate level maintenance on its ships as a way to improve operational readiness and to increase the time between major overhauls. **Findings/Conclusions:** The Navy's intermediate maintenance program has evolved without sufficient consideration of such basic issues as: defining and quantifying work requirements; identifying ways to assess and improve productivity; analyzing operating costs and possible economic alternatives; and evaluating the impact of changing maintenance concepts. **Recommendation To Agencies:** The Secretary of the Navy should use scientific engineering analyses to define maintenance work that should be performed at each maintenance level during peacetime and wartime and quantify total requirements; assess the requirements of new maintenance concepts on intermediate level capabilities; reassess the need for new mobile intermediate maintenance activities and deactivate those not essential for wartime emergencies; reassess the need for new shore activities in light of peace and war requirements; reduce redundant maintenance functions and work centers; and improve productivity.

103404

Problems and Needed Improvements in Evaluating Office of Education Programs. HRD-76-165; B-164031(1). September 8, 1977. 76 pp. plus 4 appendices (53 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Education (3300).

Contact: Human Resources Division.

Organization Concerned: Office of Education; Department of Health, Education, and Welfare.

Congressional Relevance: House Committee on Education and Labor; Senate Committee on Human Resources; Congress.

Authority: Elementary and Secondary Education Act of 1965. 20 U.S.C. 241a. Education Amendments of 1974. P.L. 93-380. General Education Provisions Act. 20 U.S.C. 1226c. Education Amendments of 1972. P.L. 92-318. 20 U.S.C. 1231a.

Abstract: A review was conducted to determine the effectiveness of federally supported education evaluations, primarily those concerning elementary and secondary education programs, in order to obtain objective data for allocating resources and in deciding whether or not programs should be continued or modified. Questionnaires were sent to education agencies in all States and the District of Columbia and to a statistical sample of local school districts to obtain State and local agencies' views on Federal education program evaluations. Federal, State, and local education agencies frequently use standardized norm-referenced achievement tests to measure the effect of Federal education programs. **Findings/Conclusions:** The Office of Education's evaluation studies can better serve Congress by having them timed to coincide with the legislative cycle and by more frequent briefings of congressional

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committee staffs. The Office Education needs to make a better effort to set forth specific qualitative and quantitative program objectives in order to provide a clear basis for program evaluation. The usefulness of the State and local evaluation reports needs improvements in the areas of: relevance of reports to policy issues, data completeness and comparability, and report timeliness. If the reporting systems based on aggregated local agency data are to be effective, standardization of data collection efforts is needed. Educators and test experts disagree on the use of standardized norm-referenced tests versus criterion-referenced tests. More research may be needed on criterion-referenced tests and on how to reduce racial, sexual, and cultural biases in standardized tests. **Recommendation To Agencies:** The Secretary of Health, Education, and Welfare should direct the Office Education to: (1) emphasize congressional information needs when planning, implementing, and reporting on evaluation studies; (2) seek agreement with Congress on the specific program objectives to be used for evaluations as well as acceptable evaluation data and measures for each program to be evaluated; and (3) improve the implementation of evaluation results by giving greater attention and priority to procedures such as the issuance of policy implication memoranda designed to assure implementation of those results. The Office Education should review the types of State or local program evaluation information collected on programs authorized by titles I and VII of the Elementary and Secondary Education Act to determine if it is realistic to serve Federal, State, and local levels with aggregated data based on local agency evaluation reports.

103406

Office of Education's Basic Grant Program Can Be Improved. HRD-77-91; B-164031(1). September 21, 1977. 43 pp. plus 7 appendices (18 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Education, Training, and Employment Programs: Student Assistance Programs for Post-Secondary Education (1101).

Contact: Human Resources Division.

Organization Concerned: Department of Health, Education, and Welfare; Office of Education.

Congressional Relevance: House Committee on Education and Labor; Senate Committee on Human Resources; Congress.

Authority: Higher Education Act of 1965. 20 U.S.C. 1070b. 20 U.S.C. 1071. 42 U.S.C. 2751. Education Amendments of 1976.

Abstract: The Basic Educational Opportunity Grant Program has provided financial aid to needy students, but often it has not met its legislative goal of being the foundation of financial aid for needy students. **Findings/Conclusions:** The Office of Education has not established adequate controls to guarantee that information supplied by applicants and parents is accurate. As much as \$24.3 million may have been awarded to ineligible students. Other basic grants of as much as \$117.9 million were awarded without resolving conflicts in information. Because of problems in the program's information processing system, the Office could not provide needed technical assistance to participating schools and has not determined how postsecondary schools administer the Basic Grant Program. **Recommendation To Agencies:** The Secretary of Health, Education, and Welfare should direct the Office of Education to: more accurately estimate basic grant funding by extensively using the information available from program experience; provide students with application materials containing information about the Basic Grant Program, emphasizing its entitlement and student aid features; periodically assess the effect of the program's outreach efforts; improve technical assistance to participating schools and regularly review them onsite; require the program to get data from participating schools on students who drop out; include tests in the disbursement process to prevent students from receiving duplicate payments; and do more to get refunds from students who have

withdrawn from tuition-free schools and from schools choosing not to act as the Office's disbursing agent.

103422

[Proposed Legislation Regarding Energy Regulatory Agencies and the Decision of the Energy Research and Development Administration To Terminate Computer Service to the Nuclear Regulatory Commission]. EMD-77-52; B-189116. July 19, 1977. 3 pp.

Letter to Rep. John D. Dingell, Chairman, House Committee on Interstate and Foreign Commerce: Energy and Power Subcommittee; by Robert F. Keller, Deputy Comptroller General.

Contact: Energy and Minerals Division.

Organization Concerned: Energy Research and Development Administration; Federal Energy Administration; Nuclear Regulatory Commission.

Congressional Relevance: House Committee on Interstate and Foreign Commerce: Energy and Power Subcommittee; Rep. John D. Dingell.

103426

Multibillion Dollar Construction Grant Program: Are Controls Over Federal Funds Adequate? CED-77-113; B-166506. September 12, 1977. 41 pp. plus 3 appendices (19 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Environmental Protection Programs: Effectively and Efficiently Achieving Environmental Protection Objectives (2202).

Contact: Community and Economic Development Division.

Organization Concerned: Environmental Protection Agency.

Congressional Relevance: House Committee on Public Works and Transportation; Senate Committee on Environment and Public Works; Congress.

Authority: Federal Water Pollution Control Act Amendments of 1956. P.L. 84-660. Federal Water Pollution Control Act Amendments of 1972. P.L. 92-500. P.L. 94-447. P.L. 95-26.

Abstract: Although the Environmental Protection Agency (EPA) is providing billions of dollars in grants each year to build publicly owned wastewater treatment facilities, Congress does not have assurance that these are properly planned, designed, and constructed. Grantees, usually municipalities contributing from 5 percent to 25 percent of project funding, are expected to provide such assurance. However, they generally rely on consulting engineers to develop accurate, complete, and cost effective designs. They rely also on the engineer and construction contractor to assure that construction complies with detailed plans and specifications. **Findings/Conclusions:** Because EPA lacks criteria on Federal funding of aesthetic features in waste treatment plants, plants have been constructed with a wide variety of architectural features ranging from relatively austere buildings to plants with elaborate and costly aesthetic features. Of 24 operational waste treatment plants reviewed, five could not meet design criteria because of design deficiencies. Seventeen of the 48 projects reviewed experienced delays, increased costs, and inferior workmanship as a result of ineffective controls during the construction phase. If properly enforced, recently promulgated EPA regulations that establish criteria for determining whether a contractor is responsible should help to assure selection of qualified contractors. **Recommendation To Agencies:** The Administrator of EPA should establish criteria restricting Federal grant participation in the cost of ornamental or aesthetic features of waste treatment projects. The Administrator should: amend EPA regulations to require that as a grant condition the grantee shall be subject to EPA approval of the selected engineer; disapprove Federal funding for future construction projects intended to correct problems resulting from design deficiencies; provide technical assistance to grantees to identify the reasons waste treatment facilities do not meet design criteria; encourage grantees to

hold the responsible party accountable for damages; develop a clear definition of the resident engineer's duties and responsibilities; and insure that consulting engineers are held responsible for the poor performance of their resident engineers.

103435

[Approval of the Design of the Department of the Navy Field Activity Level System, General Accounting, Fleet (Surface)]. FGMSD-77-50; B-159797. July 14, 1977. 2 pp. plus 4 enclosures (15 pp.). Report to Secretary, Department of Defense; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Budget Function: Miscellaneous: Financial Management and Information Systems (1002).

Organization Concerned: Department of the Navy; Department of Defense.

Abstract: The design of the Department of the Navy Field Activity Level System, General Accounting, Fleet (Surface) was approved on June 21, 1977. The adequacy of the automatic data processing aspects of the system design was evaluated as to internal controls, audit trails, data integrity, and consistency with accounting specifications. **Findings/Conclusions:** The system design deviates from accrual accounting principles by charging travel expenses at the time the travel orders are issued. This approval is granted with the understanding that the revision recently made in the Department of Defense (DOD) Accounting Guidance Handbook, which requires that travel be recorded as an expense in the accounting period in which performance occurs, will be incorporated in the Navy design documentation at an early date. To maintain the approved status of the design, any significant changes to the system design require approval. Any planned changes to the design should be discussed with GAO representatives to determine whether or not they are significant. The system is currently in operation. At some future date, GAO will examine selected portions of the system to determine whether it is functioning effectively and in accordance with the approved design. **Recommendation To Agencies:** The Department of the Navy internal auditors should periodically review the system to assure that it is operating as designed and that the revision made to the DOD Accounting Guidance Handbook is implemented.

103445

[Design of Navy Reserve Pay System]. FGMSD-77-57; B-159797. July 21, 1977. 13 pp. plus 1 appendix (24 pp.). Report to Secretary, Department of Defense; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing (0100); Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of the Navy: Naval Reserve; Department of the Navy: Navy Regional Finance Center, Cleveland, OH; Department of Defense.

Abstract: The design of the Navy Reserve Pay System was approved. The system was designed to pay Naval Reservists for: (1) performing active duty for training; (2) performing temporary active duty for less than 30 days; and (3) attending drills. The automated portion of the system was designed to establish and maintain individual pay accounts and to pay members from a central site. It is located at the Navy Finance Center, Cleveland, Ohio, and processes data received from the Naval Reserve Personnel Center. **Findings/Conclusions:** The internal controls in the system appeared to be adequate. Interface data that enter the system are edited and validated by the Personnel Center's systems, and source documents pertaining to personnel data are retained at the Personnel Center. Transactions can be traced for audit through social

security numbers and other unique numbers assigned to forms and batches. Automated programs can be used to extract accounts. Minor problems were identified; there is a need for: (1) redesign of the software system to take advantage of enhancements offered by the new computer configuration being used; and (2) a contingency plan at the Navy Finance Center's central site computer facility. **Recommendation To Agencies:** Navy internal auditors should periodically review the system to assure that it is operating as designed with particular attention to preparation of field input, control over input, retention of documents supporting input, and the timeliness of reporting of events affecting a member's pay.

103446

[Approval of the Design of the Accounting System for the U.S. Army Corps of Engineers]. FGMSD-77-45; B-159797. July 21, 1977. 2 pp. Report to Secretary, Department of Defense; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Budget Function: Miscellaneous: Financial Management and Information Systems (1002).

Organization Concerned: Department of the Army: Corps of Engineers; Federal Power Commission; Department of Defense.

Abstract: The revised design of the accounting system for the U.S. Army Corps of Engineers was approved as adequate and in conformance in all material respects with approved accounting principles and standards. The design and approval do not include the Centralized Payroll and Leave Accounting System of the Corps because the Department of Defense plans to develop and submit for approval a single standard civilian payroll system which will encompass Corps civilian personnel. The adequacy of the automatic data processing aspects were evaluated as to internal controls, audit trails, data integrity, and consistency with the accounting specifications. **Findings/Conclusions:** The accounting system of the Corps is required to comply with the Uniform System of Accounts prescribed by the Federal Power Commission (FPC). Inasmuch as the Corps does not depreciate the cost of fee simple land, GAO has agreed to accept this deviation from title 2 of the GAO Policy and Procedures Manual for Guidance of Federal Agencies to allow the Corps to conform with FPC policy. To maintain an approved status, planned changes in the accounting system design should be discussed with GAO personnel and, if determined to be significant, submitted for approval. Corps internal auditors should periodically review the accounting system in operation to be sure that it is operating as prescribed.

103451

Internal Revenue Service's Controls Over the Use of Confidential Informants: Recent Improvements Not Adequate. GGD-77-46; B-137762. September 1, 1977. 54 pp. plus 5 appendices (53 pp.). Report to Joint Committee on Taxation; by Elmer B. Staats, Comptroller General.

Issue Area: Law Enforcement and Crime Prevention (0500); Tax Administration: Criminal Enforcement Activities To Insure Tax Law Compliance (2703).

Contact: General Government Division.

Organization Concerned: Internal Revenue Service.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Finance; Joint Committee on Taxation.

Authority: 26 U.S.C. 7623. Internal Revenue Code (IRC).

Abstract: Primarily because of inadequate management attention, the Internal Revenue Service (IRS) had not done all it could to get the most benefits with the least risk in dealing with confidential informants. **Findings/Conclusions:** Informants were sometimes used

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in ill-defined and overly broad intelligence gathering efforts, procedures for evaluating their information were inadequate, and their use was not systematically reviewed by management. Since 1975, the IRS has strengthened its controls, but it could do more. Management needs to pay more attention to the fact that an informant is used only after the potential benefits and risks have been properly assessed. **Recommendation To Agencies:** The Commissioner of Internal Revenue should require that higher level management officials, preferably regional commissioners, authorize the use of any informant who will be gathering information at the Service's request or encouragement after a determination that there is: reasonable cause to believe a tax law has been violated, no practical alternative for obtaining essential information, and a specific limitation on the time and scope of the informant's activities. The Commissioner should also require that requests to use each such informant show, among other things, why the informant is needed, how he was developed and determined reliable, and how he will be used. In order to spur proper implementation of the guidelines and adequate management attention to informant activities, the Commissioner should review those activities at least annually.

103452

[Review of the Social Security Administration's Accounting System for Accounts Receivable]. FGMSD-77-32; B-159687. September 6, 1977. 6 pp.

Report to Secretary, Department of Health, Education, and Welfare; by Harold L. Stugart (for Donald L. Scantlebury, Director), GAO Financial and General Management Studies Division.

Issue Area: Income Security and Social Services (1300); Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Organization Concerned: Social Security Administration; Department of Health, Education, and Welfare.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Finance.

Abstract: A review of the Social Security Administration's (SSA) accounting system for accounts receivable including related billing and collection procedures showed that the Administration's procedures and practices for recording and controlling accounts receivable did not comply fully with the principles, standards, and related requirements prescribed by the Comptroller General. **Findings/Conclusions:** More than \$742 million in overpayments was not reported as receivables and many followup collection actions were not made promptly. Although some overpayments may eventually prove to be uncollectible, accounting controls over all overpayments are necessary to protect the interests of the Government and to present fairly the financial position of the agency. Effective supervisory reviews are necessary to assure that followup actions are taken promptly. **Recommendation To Agencies:** The Secretary of Health, Education, and Welfare should direct the Commissioner of SSA to establish accounting controls over all overpayments and include all overpayments as accounts receivable on the SSA statement of financial condition. Guidelines should be established to determine a reasonable allowance for unrecoverable overpayments. The Secretary should also require the Commissioner to emphasize the need for increased supervisory review to assure that adequate collection efforts are taken by all service centers.

103454

Millions of Dollars in Delinquent Mortgage Insurance Premiums Should Be Collected by the Department of Housing and Urban Development. FGMSD-77-33; B-114860. September 8, 1977. 18 pp. plus 2 appendices (15 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Domestic Housing and Community Development (2100); Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Housing and Urban Development.

Congressional Relevance: House Committee on Banking, Currency and Housing; Senate Committee on Banking, Housing and Urban Affairs; Congress.

Authority: National Housing Act of 1934. 12 U.S.C. 1709.

Abstract: In a 14-month period ended March 1977, an average of \$38 million per month in mortgage insurance premiums was past due to the Department of Housing and Urban Development (HUD) because many lending institutions did not pay their bills on time. By changing its premium collection cycle from a yearly to a monthly basis, the agency could save the Government \$16.5 million in interest costs. **Findings/Conclusions:** HUD does not: promptly identify delinquent premiums due and notify lending institutions of the delinquencies; use effective collection procedures; charge interest for late payments; or use its authority to suspend persistently delinquent lending institutions from the program. HUD has outlined specific actions taken and planned to collect delinquent premiums, improve accounting and supporting computer systems, and get prompt payments of future premiums. However, HUD does not agree that insurance premiums should be collected monthly. **Recommendation To Congress:** The Secretary of Housing and Urban Development should: collect all delinquent mortgage insurance premiums; identify all mortgage insurance premiums that have not been received at the agency within 15 days after the due date and promptly notify institutions that have not paid the premiums; amend agency regulations to provide for late payment charges on premiums paid more than 15 days after the due date; suspend from agency programs institutions that consistently pay premiums late; establish effective internal controls to help make sure that all mortgage transaction documents submitted by mortgagees are properly entered in the master billing file; consider collecting mortgage insurance premiums from institutions in the same month the premium installments are paid by homeowners; and annually reconciling differences between institutions' insurance records and the agency's billing database. **Recommendation To Agencies:** The Secretary of Housing and Urban Development should: collect all delinquent mortgage insurance premiums; identify all mortgage insurance premiums that have not been received at the agency within 15 days after the due date and promptly notify institutions that have not paid the premiums; amend agency regulations to provide for late payment charges on premiums paid more than 15 days after the due date; suspend from agency programs institutions that consistently pay premiums late; establish effective internal controls to help make sure that all mortgage transaction documents submitted by mortgagees are properly entered in the master billing file; consider collecting mortgage insurance premiums from institutions in the same month the premium installments are paid by homeowners; and annually reconciling differences between institutions' insurance records and the agency's billing database.

103460

Need To Apply Adequate Control Over the Centralized Payroll System. FGMSD-77-51; B-164031. September 22, 1977. 2 pp. plus 1 appendix (17 pp.).

Report to Secretary, Department of Health, Education, and Welfare; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Health, Education, and Welfare.

Congressional Relevance: House Committee on Education and Labor; Senate Committee on Labor and Public Welfare.

Abstract: In 1976, the Department of Health, Education, and Welfare (HEW) paid over \$2.2 billion to about 150,000 employees through a centralized, automated payroll system. Weaknesses in the system that might prevent timely and accurate payments to employees include inaccuracies in time and attendance reporting, uncontrolled payments to experts and consultants, and illegible or missing payroll records. **Findings/Conclusions:** Previous GAO reports have recommended that a series of actions be taken to: (1) correct a high rate of errors in time and attendance reports; (2) improve supplemental pay processing to prevent erroneous payments, pay and leave records, and withholding statements from being generated; (3) provide controls over pay adjustments to keep previous pay errors from being compounded during the adjustment process and to reduce the potential for fraudulent or unauthorized payments through the adjustment process; (4) eliminate practices that allow excessive and fraudulent payments to experts and consultants; (5) control temporary pay records to prevent overpayments and inaccurate withholding statements; and (6) provide better microfilm copies of pay records that are being retained for payroll research and audit. **Recommendation To Agencies:** The Secretary of Health, Education, and Welfare should have the Assistant Secretary for Personnel Administration take the necessary actions to insure that the GAO recommendations previously made are fully implemented.

103461

Need for More Effective Cross-Service Auditing Arrangements. FGMSD-77-55; B-176544. September 26, 1977. 19 pp. plus 1 appendix (1 p.).

Report to Bert Lance, Director, Office of Management and Budget; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Internal Auditing Systems (0200); Internal Auditing Systems: Audit Agencies' Work Coordination (0204).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Labor; Department of Health, Education, and Welfare; Department of Housing and Urban Development; United States Civil Service Commission; Office of Management and Budget.

Authority: Accounting and Auditing Act of 1950. 31 U.S.C. 66a. Federal Management Circular 73-2.

Abstract: Federal Management Circular 73-2 requires that when two or more Federal agencies assist the same organization, they should consider establishing cross-service arrangements under which one Federal agency audits for the other. Such arrangements can conserve manpower, promote efficiency, and minimize the impact of audits on the operations of the auditee. However, the Federal agencies are not using cross-service arrangements to the maximum extent possible. This results in duplicate audit effort, a waste of time and money, and the interruption of program personnel work. **Findings/Conclusions:** Barriers which inhibit cross-service auditing include: lack of Federal-wide funding information on grantees; limited Federal audit staffs; lack of reimbursement procedures; the large number of Federal programs; and the lack of a standard audit guide which covers multiple programs and funding sources. **Recommendation To Agencies:** The Office of Management and Budget (OMB) should assess the feasibility and practicability of establishing a system to identify grantees which receive funds from several Federal agencies or under several federally assisted programs. Once these grantees are identified, OMB can work with the Federal grantor agencies to alleviate the other barriers to cross-service auditing. OMB should revise its administrative requirements for Federal grants to require that periodic audits encompass all Federal fundings received by a particular grantee and that copies of audit reports and related correspondence be furnished by the audit organization to each funding source.

103475

Compilation of Recommendations to the Office of Management and Budget for Improving Government Operations. GGD-77-85; B-170612. September 13, 1977. 40 pp. plus 1 appendix (1 p.).

Report to Rep. Jack Brooks, Chairman, House Committee on Government Operations; by Elmer B. Staats, Comptroller General.

Contact: General Government Division.

Organization Concerned: Office of Management and Budget.

Congressional Relevance: House Committee on Government Operations; Sen. Harrison A. Williams, Jr.; Rep. Harley O. Staggers; Rep. Paul G. Rogers; Rep. Jack Brooks; Sen. Edward M. Kennedy; Sen. Henry M. Jackson.

Authority: Property and Administrative Services Act. 40 U.S.C. 459. P.L. 89-306. Reports Act. 44 U.S.C. 3501 et seq. Federal Advisory Committee Act. 5 U.S.C. 1 et seq. Joint Funding Simplification Act of 1974. 42 U.S.C. 4251 et seq. OMB Circular A-76. OMB Circular A-95. Congressional Budget and Impoundment Control Act of 1974. Intergovernmental Cooperation Act of 1968.

Abstract: GAO has made many recommendations to the Office of Management and Budget (OMB) on how to improve Government operations in various functional areas. Much has been done to improve Government operations through the combined efforts of GAO and OMB. However, OMB has not done as much as it could have done to implement some recommendations and, to that extent, has slowed the related benefits. **Findings/Conclusions:** Many of the recommendations relate to the responsibility of OMB for providing managerial leadership and insuring that agency programs are coordinated with a minimum of duplication and overlap. This includes criticism of OMB for not providing agencies the leadership and guidance for managing Federal advisory committees so that those not making valuable contributions can be abolished. Other recommendations concern automatic data processing matters. For example, OMB should require that the costs and benefits of sharing computers be evaluated by Federal grantor agencies and grantees and that agency uses of computers be analyzed and standards to guide their development and operation be established. In the area of personnel management, personnel ceilings do not provide the most effective management control over personnel resources, and OMB should test alternative controls. In addition, fundamental changes are needed in the Federal white-collar pay system.

103491

[Summary of the Status of the Department of Health, Education, and Welfare's Grants and Loans Made Under the Health Maintenance Organization Act as of June 30, 1977]. HRD-77-140; B-164031(5). September 2, 1977. 3 pp. plus 5 enclosures (6 pp.).

Report to Sen. Harrison A. Williams, Jr., Chairman, Senate Committee on Human Resources; Rep. Harley O. Staggers, Chairman, House Committee on Interstate and Foreign Commerce; Sen. Richard S. Schweiker; Rep. Paul G. Rogers, Chairman, House Committee on Interstate and Foreign Commerce: Health and the Environment Subcommittee; Sen. Edward M. Kennedy, Chairman, Senate Committee on Human Resources: Health and Scientific Research Subcommittee; Rep. Tim Lee Carter; Sen. Henry M. Jackson, Chairman, Senate Committee on Governmental Affairs: Permanent Subcommittee on Investigations; Sen. Lloyd Bentsen; by Elmer B. Staats, Comptroller General.

Issue Area: Health Programs: Health Maintenance Organizations' Compliance With Law (1214).

Contact: Human Resources Division.

Organization Concerned: Department of Health, Education, and Welfare.

Congressional Relevance: House Committee on Interstate and For-

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eign Commerce: Health and the Environment Subcommittee; House Committee on Interstate and Foreign Commerce; Senate Committee on Governmental Affairs: Permanent Subcommittee on Investigations; Senate Committee on Human Resources: Health and Scientific Research Subcommittee; Senate Committee on Human Resources; *Rep.* Harley O Staggars; *Rep.* Paul G. Rogers; *Rep.* Tim Lee Carter; *Sen.* Harrison A. Williams, Jr.; *Sen.* Richard S. Schweiker; *Sen.* Edward M. Kennedy; *Sen.* Henry M. Jackson; *Sen.* Ernest F. Hollings; *Sen.* Lloyd Bentsen.

Authority: Health Maintenance Organization Act. 42 U.S.C. 300e. Public Health Service Act.

Abstract: Summaries of the status of the Department of Health, Education, and Welfare's (HEW) grants and loans made under the Health Maintenance Organization Act as of June 30, 1977, were developed in order to help monitor the implementation of this Act. The Act authorized grant funds for feasibility studies and planning and initial development activities and loans for operational assistance after an organization becomes a federally qualified health maintenance organization. HEW has provided a total of \$98.6 million in grant and loan assistance under the Act to 168 organizations. Prior to implementation of the Act, 24 of these organizations also received a total of \$7.5 million under the Public Health Service Act to develop model health maintenance organizations. **Findings/Conclusions:** As of June 30, 1977, there were 35 federally qualified health maintenance organizations. Twenty-eight of these received grant and loan assistance totaling more than \$68 million under the Health Maintenance Organization Act. Of the 168 organizations, 140 have received grant funds totaling \$30.2 million for the purpose of planning and developing qualified health maintenance organizations. Eighty-two of the 168 organizations are considered by HEW to be active grantees, while the remaining 86 are considered inactive. Total grant and loan funds received under the Act by the active organizations were \$89.2 million, while the inactive organizations received a total of \$9.3 million.

103494

New Strategy Can Improve Process for Recovering Certain Medical Care Costs. HRD-77-132; B-133142. September 13, 1977. 31 pp. plus 3 appendices (10 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Health Programs (1200); Health Programs: Compliance With Financing Laws and Regulations (1207).

Contact: Human Resources Division.

Organization Concerned: Department of Defense; Department of the Navy; Department of the Army; Department of the Air Force.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services; Congress.

Authority: Federal Medical Care Recovery Act. P.L. 87-693. 42 U.S.C. 2651. Dependents' Medical Care Act of 1956. P.L. 84-569.

Abstract: The Department of Defense (DOD) follows a complex and time-consuming process in recovering medical costs of military personnel injured because of another individual's negligence. **Findings/Conclusions:** Defense could simplify the recovery process, improve its timeliness, and possibly increase the amounts it recovers by first seeking reimbursement from an injured person's insurance company when possible. There types of insurance offer the opportunity to make the process easier: no-fault automobile insurance, medical expense coverage under automobile insurance policies, and health insurance. Where possible, recovery from these insurance companies should be sought as the first course of action, rather than as a last resort, since this is not as cumbersome or as time-consuming as recovery under the Federal Medical Care Recovery Act. **Recommendation To Agencies:** DOD should take advantage, where possible, of existing avenues of recovery before pursuing claims under the Federal Medical Care Recovery Act and standardize the administrative processes of the three services.

Congress could help simplify the recovery process and perhaps increase recoveries by: enacting legislation which would limit the ability of insurance companies to exclude reimbursement to the Government; clarifying whether mandatory no-fault automobile insurance can be classified as insurance provided by law; and changing the Civilian Health and Medical Program of the Uniformed Services to require that insurance provided by law or through employment pay for medical care given to all eligible beneficiaries in civilian hospitals.

103496

[Inappropriate Billing by the Veterans Administration for Electron Microscopy Services to Non-Veterans]. HRD-77-148; B-133044. September 16, 1977. 5 pp.

Report to Max Cleland, Administrator, Veterans Administration; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Health Programs: Direct Delivery Programs of the Federal Government (1216).

Contact: Human Resources Division.

Organization Concerned: Veterans Administration: VA Medical Center, Gainesville, FL; Veterans Administration: VA Domiciliary, Miami, FL; Veterans Administration: VA Medical Center, Tampa, FL; Veterans Administration.

Congressional Relevance: House Committee on Veterans' Affairs; Senate Committee on Veterans' Affairs.

Authority: VA Department of Medicine and Surgery Manual G-12, M-1, part I. 28 U.S.C. 5053.

Abstract: Three Veterans Administration (VA) hospitals in Florida were evaluated to determine how much of the electron microscopy services were performed on non-veteran patient specimens in calendar year 1976 and whether fees were collected for the services.

Findings/Conclusions: About 55 percent of the electron microscopy services performed in calendar year 1976 by the diagnostic units at the Miami, Tampa, and Gainesville VA hospitals were on specimens from non-VA patients in community hospitals. The VA hospitals had written agreements for sharing services with some of the non-VA hospitals, but were performing most of the electron microscopy services without benefit of a sharing agreement. The three VA hospitals lost about \$102,000 in revenue in 1976 because they either did not bill community hospitals or they billed at rates less than those required by VA regulations. In some instances, billings were not made even though sharing agreements establishing reimbursement procedures and rates had been negotiated. In addition, some community hospitals that had received free services from VA billed either Medicare or their patient's private insurance companies for the studies. **Recommendation To Agencies:** The Administrator of Veteran Affairs should reemphasize to all VA medical facilities the need to follow established statutory and regulatory requirements for recovering the cost of all medical services furnished to non-VA patients. He should also direct all VA medical facilities which furnished electron microscopy or any other services to or on behalf of non-VA patients in 1976 to establish the appropriate unit costs and to bill the patients or medical facilities for those services.

103497

[Treatment of Ineligible Veterans in VA Hospitals]. HRD-77-149; B-133044. September 19, 1977. 3 pp. plus 1 enclosure (3 pp.).

Report to Max Cleland, Administrator, Veterans Administration; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Health Programs (1200); Health Programs: Health Care Costs (1208).

Contact: Human Resources Division.

Organization Concerned: Veterans Administration: VA Medical Center, Houston, TX; Veterans Administration: VA Domiciliary,

Alexandria, LA; Veterans Administration.

Congressional Relevance: House Committee on Veterans' Affairs; Senate Committee on Veterans' Affairs.

Authority: Federal Claims Collection Act of 1966. 31 U.S.C. 951.

Abstract: Indebtedness referrals from two Veterans Administration (VA) hospitals were sent to GAO for collection of claims against persons who were ineligible for medical treatment.

Findings/Conclusions: Claims for 32 cases from the Houston, Texas, VA hospital and two cases from the Alexandria, Louisiana, VA hospital for the period from January 1970 to March 1977 totaled about \$137,609. In 26 of these cases, the same patients had been admitted to the hospital or the outpatient clinic more than once, and in two cases the same patient had been treated in excess of 100 times. Of the 8 persons who had only a single incidence of hospital admission before being found ineligible, the shortest length of stay was 20 days. Two of the persons were treated in the hospital for over 100 days. Additionally, the time it took to determine eligibility of patients was excessive. **Recommendation To Agencies:** The admitting procedures for VA hospitals should be reviewed and changed to preclude readmission of persons previously determined to be ineligible for hospital or outpatient care. An evaluation should be conducted to determine how to reduce the length of time required to determine patient eligibility.

103505

Department of Housing and Urban Development Unresponsive to Multifamily Housing Real Estate Tax Problems. CED-77-125; B-114860. September 27, 1977. 23 pp. plus 2 appendices (6 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Domestic Housing and Community Development: Minimizing Subsidized Housing Operating Costs and Improving Its Management (2107).

Contact: Community and Economic Development Division.

Organization Concerned: Department of Housing and Urban Development.

Congressional Relevance: House Committee on Banking, Currency and Housing; Senate Committee on Banking, Housing and Urban Affairs; Congress.

Authority: National Housing Act. 12 U.S.C. 1701 et seq. State of Michigan Public Act of 1966.

Abstract: Although the Department of Housing and Urban Development (HUD) has been able to reduce real estate taxes sporadically through local appeal actions, it has been unresponsive generally to real estate tax problems of multifamily housing projects. The lack of a program to verify that taxes assessed on HUD-insured projects are fair and equitable has resulted in payment of excessive taxes and approval of unnecessary rent increases.

Findings/Conclusions: A review of the Chicago, Detroit, and Dallas area office operations indicated that HUD has not effectively reviewed and appealed tax assessments on projects it owns, insured proper and timely payment of taxes on these projects, or concerned itself with real estate taxes in its review of financial operations of insured projects. These problems were caused, in part, by a lack of needed tax information at the local offices and the absence of a headquarters policy on servicing insured-project tax problems. In Detroit, HUD was overassessed in several cases, paid taxes on projects it did not own, and paid \$35,000 worth of late charges. In other cases, HUD paid unnecessary taxes by not taking advantage of State relief laws, and did not appeal a known overassessment. Although area offices are required to evaluate the fairness of tax assessments, they do not have the data available to them. HUD believes that tax assessment review for insured projects is the owners' responsibility. **Recommendation To Congress:** Real estate taxes should be included as one of the items to be dealt with in monitoring problems of insured projects. Procedures should be established to assure that real estate taxes assessed on both HUD-owned and

-insured multifamily projects are fair and equitable. A multifamily tax payment system should be developed which insures proper and timely payment of real estate taxes. States and other taxing authorities which have enacted tax relief legislation should be noted, and HUD-insured project owners should be instructed to take advantage of such programs.

103506

Technical Assistance: A Way To Promote Better Management of Guam's Resources and To Increase Its Self-Reliance. GGD-77-80; B-146742. September 13, 1977. 36 pp. plus 1 appendix (5 pp.). Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Intergovernmental Policies and Fiscal Relations: Intergovernmental Fiscal Interaction and Problems (0407).

Contact: General Government Division.

Organization Concerned: Department of the Interior; Office of Territorial Affairs; Guam.

Congressional Relevance: House Committee on Interior and Insular Affairs; Senate Committee on Energy and Natural Resources; Congress.

Authority: Organic Act of Guam. 48 U.S.C. 1421. Guam Elective Governor Act. 48 U.S.C. 1422.

Abstract: The Department of the Interior has not prepared the Government of Guam adequately for increased self-reliance, a necessary step in achieving the basic U.S. policy of Guam's self-determination. **Findings/Conclusions:** Guam's current fiscal crisis underscores the need for Interior's assistance in developing a strong financial management capability. Guam's inadequate budgeting process, inaccurate and untimely accounting system, inability to collect accounts receivable, over-expansion of Government operations, shortages of qualified middle managers, and ineffective Federal oversight have hindered Guam's progress toward self-reliance.

Recommendation To Agencies: The Secretary of the Interior should increase and broaden technical assistance to the Government of Guam. Specifically, the Secretary should use the capabilities of the Office of Territorial Affairs or other necessary resources to help the Government of Guam: establish a financial management system that includes improved budgeting and accounting methodology and controls; develop a master plan for capital improvement and economic development projects; expand vocational educational programs to produce a local labor force for construction projects; slow the trend toward increased reliance on the Government of Guam to provide employment; and provide training for Government of Guam employees in managerial positions. The Secretary should also assess the status of, and degree to which, recommendations in previous reports of the Government Comptroller have been put into operation and submit to Congress his analysis and comments to assist in congressional consideration of proposed financial assistance.

103583

The Department of Defense Should Increase Efforts To Implement Vertical Controls Over Military Stock Funds. LCD-77-437; B-159797. September 7, 1977. 42 pp. plus 1 enclosure (6 pp.).

Report to Sen. John L. McClellan, Chairman, Senate Committee on Appropriations; by Elmer B. Staats, Comptroller General.

Issue Area: Facilities and Material Management: Supply and Maintenance Operations Reporting Systems (0703).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of the Navy; Department of Defense; Department of the Army; Department of the Air Force; Defense Logistics Agency.

Congressional Relevance: Senate Committee on Appropriations; Sen. John L. McClellan.

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Abstract: The Senate Committee on Appropriations requested a followup review on actions taken by the Department of Defense (DOD) to implement centralized controls over Defense stock funds. DOD has five stock funds which are all under the policy guidance of the Secretary of Defense. Each military service operates a fund to provide for its own needs. **Findings/Conclusions:** The Air Force and the Navy have implemented vertical controls over important segments of their stock funds. Vertical controls have not been extended to all Air Force and Navy stock fund items primarily because DOD has not adequately coordinated service implementation of vertical management. The Army has not implemented vertical controls over any part of its stock fund which operates on a decentralized basis. Army inventory managers did not control their stocks as efficiently as their Air Force and Navy counterparts. The Air Force and Navy implementation demonstrated that the concept is feasible and effective, that it provides better supply responsiveness to stock fund customers, and that it makes more efficient use of stock fund assets. The delay in implementing vertical stock funds resulted in larger stock fund capital needs. **Recommendation To Agencies:** The Secretary of Defense should: develop an overall plan for improving logistics management and stock funding; establish a system to assure that ongoing or contemplated efforts by the military services and the Defense Logistics Agency are assessed for conformance with the coordinated long-range plan; and assure strong monitoring of the Defense Logistics Agency's assignment to develop the standardized computer systems model and timely implementation of the Retail Inventory Management Stockage Policy in order to facilitate interservice vertical management.

103585

Competition for Negotiated Government Procurement Can and Should Be Improved. PSAD-77-152; B-160725. September 15, 1977. 12 pp. plus 9 appendices (25 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: General Procurement (1900).

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: Department of Labor; Department of Health, Education, and Welfare; Department of Housing and Urban Development; Department of Transportation; Department of Commerce; Office of Federal Procurement Policy.

Congressional Relevance: Congress.

Authority: Property and Administrative Services Act. 41 U.S.C. 252(c).

Abstract: As part of its oversight activities, Congress should require all Federal agencies to provide annual statistics on supplies and services procured through noncompetitive contracts and information on actions taken to increase competitive procurements. **Findings/Conclusions:** The Department of Defense currently discloses such information. By law, all agencies should formally advertise for bids whenever possible. If a procurement office determines that competition is not feasible, purchases may be noncompetitively negotiated. An investigation of recent noncompetitively negotiated procurements showed that many were unjustified. **Recommendation To Agencies:** The Secretaries of Transportation, Commerce, Housing and Urban Development, Labor, and Health, Education, and Welfare should reduce noncompetitive procurements by: eliminating conditions which discourage competitive procurement; requiring that procurement offices be notified as soon as requirements become known to maximize the time available to obtain solicitations; permitting only authorized contracting officials to solicit proposals; and requiring the procurement offices to publicize all proposed procurements of \$5,000 or more in the Commerce Business Daily, prepare written justifications for all noncompetitive procurements over \$10,000, and preparing and submitting to

top management annual reports of all noncompetitive procurements over \$10,000. The Administrator, Office of Federal Procurement Policy, should take steps to insure that adequate and uniform regulations are developed to enable all Federal agencies to comply with the national policy to obtain competition whenever possible.

103586

Executive Agencies Can Do Much More in Using Government-Owned Space as an Alternative to Leasing or New Construction. LCD-77-314; B-95136. September 27, 1977. 24 pp. plus 7 appendices (16 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Facilities and Material Management: Building, Buying, or Leasing Federal Facilities and Equipment (0706).

Contact: Logistics and Communications Division.

Organization Concerned: General Services Administration.

Congressional Relevance: House Committee on Public Works and Transportation; Senate Committee on Environment and Public Works; Congress.

Authority: Public Buildings Amendments Act of 1972. P.L. 92-313. General Government Appropriations Bill, 1976. Property and Administrative Services Act. Executive Order 11724. Executive Order 11954.

Abstract: The amount of space leased by the General Services Administration (GSA) and the annual cost of leasing increased from 68 million square feet costing \$282 million in fiscal year 1973 to 88 million square feet costing \$473 million in 1977. This rise is expected to continue if action is not taken. **Findings/Conclusions:** Opportunities for substantial savings in meeting the space needs of the Federal Government are possible by using Government-owned facilities which are either vacant or only partly used instead of private leasing or new construction. Opportunities for cancelling 33 leases valued at \$6.2 million and eliminating proposed construction of \$40.8 million were possible by using more fully vacant or partially used Government-owned property in Los Angeles, San Francisco, Honolulu, and New Orleans. Officials of GSA indicated that insufficient funds to renovate Federal buildings and the reluctance of agencies to relocate has prevented more use of Government-owned property. GSA performed only a limited number of property surveys. Federal property-holding agencies were not reporting all available space to GSA, and GSA excess property screening activities were not effective. In July 1977, the Office of Management and Budget notified Congress that it was rescinding \$75 million of a \$125 million supplemental appropriation specifically for major repair and alteration by GSA. **Recommendation To Agencies:** The Administrator of GSA should: estimate repair and alteration costs for renovating available property, identify agencies leasing or planning to build space, and perform a cost-benefit analysis of using the property. The Administrator should: earmark funds required for a realistic number of property surveys on an annual basis, and plan implementation of those which seem economically justifiable, and amend Federal Property Management Regulations to both provide a more comprehensive property-screening system and to specify criteria for agencies to determine when available property must be reported to GSA. Regional offices should be required to include in their budget submittals documented cost-benefit analyses regarding opportunities for reducing lease costs through using available Government-owned property.

103588

The Navy Depot Level Aircraft Maintenance Program--Is There a Serious Backlog? LCD-77-432; B-133014. September 1, 1977. 46 pp. plus 4 appendices (9 pp.).

Report to Sen. John L. McClellan, Chairman, Senate Committee on Appropriations; by Elmer B. Staats, Comptroller General.

Issue Area: Facilities and Material Management: Supply and Maintenance Operations Reporting Systems (0703); Military Preparedness Plans: Logistic Support Planning for Major Items of Equipment (0801).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of the Navy; Department of the Air Force.

Congressional Relevance: *Senate Committee on Appropriations; Sen. John L. McClellan.*

Abstract: The Navy projected a backlog of depot level aircraft maintenance for the end of fiscal years 1976 and 1977 consisting mainly of airframes and repairable components. Essentially, the airframe requirement is not urgent. With improvements in the Navy's maintenance programs, some of which are in progress, this backlog is being reduced as the equipment is needed. The Air Force did not have a depot backlog. **Findings/Conclusions:** Factors contributing to the difference between the Navy's and the Air Force's aircraft maintenance backlogs are: (1) the Navy schedules airframes into the depots more frequently than the Air Force; and (2) the Navy has not fully funded the depot level aircraft maintenance workload since 1970. The Navy's interval between depot visits is chosen relatively arbitrarily and has remained fairly static. The services' criteria for computing the backlog figures also differ. **Recommendation To Agencies:** The Secretary of Defense should: require the Air Force and Navy to establish common criteria for determining when an aircraft should receive depot level maintenance; require that only aircraft actually in need of depot work be reported as an unfunded backlog requirement; require the Navy to resolve the problems contributing to the lengthy order-to-shipment times; and require the Air Force and Navy to eliminate, as much as possible, the differences in terms and acronyms used in their operational readiness reporting systems.

103601

[Protest Against Technical Evaluation of Awardee's Proposal]. B-188551. September 7, 1977. 4 pp.

Decision re: Tymshare, Inc.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Department of the Navy: Naval Regional Procurement Office, Long Beach, CA; United Computing Systems, Inc.; Tymshare, Inc.

Authority: B-186858 (1977). 55 Comp. Gen. 374. 4 C.F.R. 20.2(b)(1).

Abstract: The protester objected to the award of a contract charging that the awardee was unable to meet the core memory and software requirements of the solicitation and that the solicitation specifications were deficient. GAO did not review the agency's technical evaluation since there was no showing that the evaluation lacked a reasonable basis. The protest against the solicitation specifications was untimely since it was not filed prior to the date for receipt of initial proposals.

103606

[Alleged Restrictive Nature of Solicitation]. B-188990. September 9, 1977. 6 pp. plus 1 enclosure (1 p.).

Decision re: Compu-Serv; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Federal Trade Commission; General Services Administration; Compu-Serv.

Authority: F.P.R. 1-3.101(d). F.P.R. 1-3.805-1(b). 4 C.F.R.

20.2(b)(1). 55 Comp. Gen. 374. 53 Comp. Gen. 522. 53 Comp. Gen. 528-30. B-178600 (1973). B-187345 (1977). B-186983 (1976). **Abstract:** The protester objected to a request for proposals which specified that a mandatory database management software package would be furnished by the Government to the successful offeror, contending that this condition improperly restricted competition since only companies with International Business Machine equipment could use the package. The use of the package in this case was not found to be clearly lacking a reasonable basis and, since several offerors were competing for the award, competition was not unduly limited.

103652

[S. 1490, a Bill To Authorize the Administrator of General Services To Enter Into Multiyear Leases Through Use of the Automatic Data Processing Fund Without Obligating the Total Anticipated Payments To Be Made Under Such Leases]. FGMSD-77-48; B-151204. July 13, 1977. 2 pp.

Letter to Sen. Abraham A. Ribicoff, Chairman, Senate Committee on Governmental Affairs; by Elmer B. Staats, Comptroller General.

Contact: Financial and General Management Studies Division.

Organization Concerned: General Services Administration.

Congressional Relevance: *Senate Committee on Governmental Affairs; Sen. Abraham A. Ribicoff.*

103656

[Delay in Processing Contractor's Invoices and Claims for Reimbursement of Costs Was Caused by Technical Inadequacy of Contractor's Cost Accounting System]. PSAD-77-168, PSAD-77-169; B-133275. September 26, 1977. 2 pp.

Letter to Sen. John Sparkman; Sen. James B. Allen; by Richard W. Gutmann, Director, GAO Procurement and Systems Acquisition Division.

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: Department of the Army: Army Missile Research and Development Command, Huntsville, AL; John M. Cockerham and Associates, Inc.

Congressional Relevance: *Sen. John Sparkman; Sen. James B. Allen.*

103662

Supplement to Comptroller General's Report to the Congress, "The Food Stamp Program--Overissued Benefits Not Recovered and Fraud Not Punished" (CED-77-112 July 18, 1977). CED-77-112A; A-51604. August 31, 1977. 12 pp. plus 1 appendix (6 pp.). **Report to Congress; by Elmer B. Staats, Comptroller General.**

Issue Area: Income Security and Social Services: Program Monitoring and Administration (1303).

Contact: Community and Economic Development Division.

Organization Concerned: Department of Agriculture.

Congressional Relevance: *House Committee on Agriculture; Senate Committee on Agriculture, Nutrition, and Forestry; Congress.*

Abstract: The Department of Agriculture (USDA) did not dispute the basic thrust of an earlier GAO report on the food stamp program which indicated that proper actions are not being taken to recover overissuances and to punish recipient fraud. However, some USDA comments tend to obscure and minimize the report's message. **Findings/Conclusions:** USDA stated that the Administration's proposal for overhauling food stamp legislation included most of the legislative changes recommended in the GAO report. However, USDA strongly disagreed with the GAO recommendation that States should retain a portion of Federal dollars

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overissued due to the State's own errors. USDA also proposed that the legislation be revised to make it easier to collect from States the value of food stamp benefits overissued because of State negligence. There is some doubt whether it would be feasible to monitor the States closely enough to identify a significant proportion of all overissuances that occur so that it could be determined whether States were negligent. It may not be reasonable to expect the States to expend the extra effort and money necessary to effectively identify and report overissuances to USDA if they will be required to repay the value of the overissuances.

103677

Responsibilities, Actions, and Coordination of Federal Agencies in International Telecommunications Services. CED-77-132; B-168707. September 29, 1977. 63 pp. plus 9 appendices (18 pp.).

Report to Rep. Lionel Van Deerlin, Chairman, House Committee on Interstate and Foreign Commerce: Communications Subcommittee; Rep. Louis Frey, Jr., Ranking Minority Member, House Committee on Interstate and Foreign Commerce: Communications Subcommittee; by Robert F. Keller, Acting Comptroller General.

Issue Area: Alternative Methods of Achieving Program Objectives (3600).

Contact: Community and Economic Development Division.

Organization Concerned: Department of Commerce; Department of State; Federal Communications Commission; Office of Telecommunications Policy.

Congressional Relevance: House Committee on Interstate and Foreign Commerce: Communications Subcommittee; *Rep.* Lionel Van Deerlin; *Rep.* Louis Frey, Jr.

Authority: Communications Act of 1934. 47 U.S.C. 151 et seq. Communications Satellite Act of 1962. 47 U.S.C. 701 et seq. Administrative Procedure Act. 5 U.S.C. 551 et seq. Cable Landing License Act of 1921. Executive Order 10530. Executive Order 11191. Executive Order 11556.

Abstract: The use of international telecommunications is of vital importance to the United States. In addition to the commercial considerations, international diplomatic and economic activity, military preparedness, and cultural exchange all depend on an adequate network of international telecommunications facilities and services. **Findings/Conclusions:** The four Federal agencies involved in the development of plans and policies for international telecommunications services are the Federal Communications Commission (FCC), the Department of State, the Office of Telecommunications Policy (OTP), and the Department of Commerce. The FCC has a broad range of regulatory responsibilities in the area of international communications, including the authority to approve facility authorizations, service offerings, and tariffs filed by U.S. common carriers on the basis of agreements reached with foreign telecommunications entities. OTP advises the President on international telecommunications matters and coordinates executive branch policy. Commerce conducts technical research and analysis in international telecommunications to support OTP, and the Department of State is involved primarily through its concern with the conduct of U.S. foreign relations.

103679

[Planning Procedures for Computer Resources in the Department of the Interior]. FGMSD-77-68; B-115369. August 9, 1977. 3 pp. *Report* to Rep. Jack Brooks, Chairman, House Committee on Government Operations; by Richard W. Maycock (for Donald L. Scantlebury, Director), GAO Financial and General Management Studies Division.

Issue Area: Automatic Data Processing: Guidelines for ADP Management and Control (0110).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of the Interior; National Park Service.

Congressional Relevance: House Committee on Government Operations; House Committee on Interior and Insular Affairs; Senate Committee on Energy and Natural Resources; *Rep.* Jack Brooks.

Authority: Automatic Data Processing Equipment Act. P.L. 89-306. OMB Circular A-71. Federal Management Circular 74-5.

Abstract: A survey of planning procedures for computer resources in the Department of the Interior showed that the National Park Service had not complied with the plans and decisions of the central automatic data processing policy officer of the Department. **Findings/Conclusions:** The National Park Service continues to use a vendor as the major source of its computer services under extensions of a sole-source contract first awarded in September 1972. The Department has estimated that \$30,000 to \$40,000 a month could be saved through a competitive procurement of these services. **Recommendation To Agencies:** The Park Service should use any departmental computer centers with existing excess capacity for most of its current workload and execute a fully competitive procurement for its remaining requirements through the General Services Administration's multiple award schedule contract under the Teleprocessing Services Program. If a dedicated facility contract does have significant benefits for the Park Service, the proper studies and plans should be prepared. The Secretary of the Interior should direct the Park Service to proceed on this course of action and present a schedule for its timely implementation.

103680

Computer Auditing in the Executive Departments: Not Enough Is Being Done. FGMSD-77-82; B-115369. September 28, 1977. *Report* by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Use of Computer Systems for Agency Mission Requirements and Support Functions (0108); Internal Auditing Systems: Sufficiency of Federal Auditors and Coverage (0201).

Contact: Financial and General Management Studies Division.

Organization Concerned: Office of Management and Budget.

Abstract: Four major areas are of audit interest in automatic data processing, in addition to the usual task of verifying data. **Findings/Conclusions:** These are: systems design and development, equipment acquisition, specific applications, and installation management. Benefits to be accrued from better controlled computer-based information systems include: savings, improved efficiency, and cost avoidance. **Recommendation To Agencies:** The head of each Federal agency should require internal audit organizations to: (1) study the effect of automatic data processing on agency operations, expenditures, and program accomplishments; (2) determine the extent to which computer activities need to be audited (both ongoing systems reviews and audits of specific aspects); (3) determine whether enough audit resources are available and, if not, get needed resources by training existing audit staff or hiring people with the necessary skills; (4) develop and carry out audits that will provide enough coverage to determine that resources are used efficiently, economically, and effectively; and (5) periodically review the internal audit coverage of computer-based information systems and adjust resource allocations accordingly. The Office of Management and Budget should monitor the progress of the agencies in these matters.

103683

[Alternative to Project Seafarer]. LCD-77-360; B-184833. October 7, 1977. 5 pp. *Report* to Rep. Philip E. Ruppe; by Fred J. Shafer, Director, GAO Logistics and Communications Division.

Issue Area: Facilities and Material Management (0700).

Contact: Logistics and Communications Division.

Organization Concerned: Department of the Navy; Department of Defense.

Congressional Relevance: *Rep.* Philip E. Ruppe.

Authority: S. Rept. 95-129. S. Rept. 95-325.

Abstract: The Navy is considering as an alternative to the proposed Michigan Seafarer a combined system of the present Wisconsin Test Facility and the proposed test facility for the Michigan Seafarer. The full-scale Michigan Seafarer as presently planned would use 2,400 miles of cable in a 4,000 square-mile area and would include the proposed K. I. Sawyer test facility. The Wisconsin Test Facility, at Clam Lake in northern Wisconsin, consists of a control center, a transmission station, two 14-mile cables aboveground, and one 14-mile cable underground. In present operations, only the aboveground cables are used in transmissions. The test facility proposed for the Michigan Seafarer consists of a control center and a transmission station, with an antenna of one 54-mile east-west cable and two north-south underground cables. **Findings/Conclusions:** The alternative under consideration would not require expanding this facility, but the Navy would improve its quality and reliability by replacing the cables and operating with all three cables. All but about 5 miles of these cables would be located either on public lands or along existing rights-of-way. In comparison with the proposed full-scale Michigan Seafarer, the performance potential of the alternative is not as effective; however, the Navy considers it adequate for its basic needs. The estimated range of the alternative is less than the Michigan Seafarer's but would cover areas that the Navy considers vital. The Navy estimates the costs of the alternative to be between \$250-\$300 million, compared to about \$590 million for the Michigan Seafarer. Of this amount, about \$110 million is for further research and development required wherever an extremely low frequency system is located, about \$56 million for receivers, and the remainder is for building the system.

103685

[Implementation of Recommended Improvements by the Defense Logistics Agency]. LCD-77-111; B-133118. October 14, 1977. 9 pp.

Report to Secretary, Department of Defense; by Robert G. Rothwell (for Fred J. Shafer, Director), GAO Logistics and Communications Division.

Issue Area: Military Preparedness Plans: Military Communications and Information Processing Needs (0803).

Contact: Logistics and Communications Division.

Organization Concerned: Defense Logistics Agency; Department of Defense.

Congressional Relevance: *House* Committee on Armed Services; *Senate* Committee on Armed Services.

Abstract: A review of the actions taken by the Defense Logistics Agency (DLA) to implement the recommendations contained in the report entitled "Automated Support of Depot Operations Could Be Improved" showed that DLA has not fully implemented those recommendations that will provide the most substantial improvements in the automated depot system. **Findings/Conclusions:** DLA can realize substantial savings in materiel shipment costs when it improves consolidation of parcel post shipments with freight shipments. Additional controls and verification procedures are still needed before DLA should rely on its microfiche records for its shipping and transportation data. **Recommendation To Agencies:** The Secretary of Defense should direct the Director of the DLA to: revise the automated depot systems to identify those parcel post shipments that can be combined with freight shipments and sent at a reduced cost; and to incorporate additional procedures and controls to provide assurance that all shipping data related to its shipments is included in the microfiche

records. In addition, the Office of the Secretary of Defense should provide for evaluation of the process of establishing and maintaining materiel descriptions used by the military services. After the evaluation, the establishment of effective procedures should be assured by the Office so that the freight description of materiel will be consistent and uniform.

103717

[Improper Adjustments to Fiscal Year 1972 Other Procurement, Army Appropriation]. FGMSD-77-80; B-132900. September 28, 1977. 4 pp.

Report to Secretary, Department of Defense; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Accounting and Financial Reporting: Systems To Assure That Agencies Do Not Overobligate and/or Overexpend Their Appropriations (2804).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of the Army; Department of Defense.

Congressional Relevance: *House* Committee on Armed Services; *Senate* Committee on Armed Services.

Authority: Antideficiency Act. 31 U.S.C. 665.

Abstract: A review was conducted of financial management problems in the Department of the Army which have led to violations of the Antideficiency Act in several procurement appropriations. **Findings/Conclusions:** The Army made unsupported accounting adjustments to its fiscal year (FY) 1972 Other Procurement, Army account, improperly increasing fund resources to \$33 million. These entries involved \$16.7 million at the Electronic Command and \$16.3 million at the Finance and Accounting Center. The Army could not provide adequate support for recording the entries. **Recommendation To Agencies:** The Secretary of Defense should have the Secretary of the Army direct that the entries in the FY 1972 Other Procurement, Army account be reversed. Entries to reverse the improper adjustments should be made before the FY 1973 Other Procurement, Army account is merged into the M account. If the Army is unable to prepare properly supported adjustments to the 1972 Other Procurement, Army account, it should submit an amended formal report of the overobligation to the President and Congress.

103725

Ways the Department of Health, Education, and Welfare Can Increase Benefits From Auditing. HRD-77-11; B-164031(3). October 25, 1977. 56 pp. plus 1 appendix (5 pp.).

Report to Secretary, Department of Health, Education, and Welfare; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Internal Auditing Systems (0200); Internal Auditing Systems: Internal Audit Planning and Coordination (0202); Internal Auditing Systems: Audit Reports Quality and Followup (0203).

Contact: Human Resources Division.

Organization Concerned: Department of Health, Education, and Welfare: Office of the Inspector General; Department of Health, Education, and Welfare: Audit Agency.

Congressional Relevance: *House* Committee on Government Operations: Intergovernmental Relations and Human Resources Subcommittee.

Authority: Budget and Accounting Procedures Act of 1950. 31 U.S.C. 661. P.L. 94-505. P.L. 93-647. Federal Management Circular 73-2.

Abstract: The Office of the Inspector General in the Department of Health, Education, and Welfare (HEW) conducts and supervises audits and investigations of HEW programs and operations to

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promote economy and efficiency and to prevent and detect fraud and abuse. The HEW Audit Agency and is now a component of the Office. **Findings/Conclusions:** Because the Audit Agency's workload has exceeded its staff, subjects for audit should be selected that will produce the best results with available resources. A method developed by GAO for showing which reasons for beginning audits produced better results could be valuable in the planning and selection process. Audit Agency findings are often classified as resolved although information is incomplete or unverified. The need for reliable data on the status of corrective actions is particularly important because of new legal reporting requirements. **Recommendation To Agencies:** The Inspector General should consider: (1) modifying the automated audit information system to include the basis for selecting audits; (2) strengthening the monitoring of audits by non-Federal auditors with emphasis on identifying auditors doing quality work at the lowest cost; (3) developing automated audit information systems controls and unique identifiers for each entity; (4) establishing more specific guidance for HEW management officials' use in deciding whether sufficient corrective action has been taken and for Audit Agency officials' evaluation of reporting on the status of corrective action; and (5) requiring the Audit Agency to identify the scope of audits in terms of financial/compliance, economy/efficiency, or program results and to identify recommendations which are potentially eligible for quarterly reporting unless timely corrective action is taken.

103738

GAO's Views on the Military's Financial Management ADP Systems. October 18, 1977. 20 pp. plus 1 enclosure (3 pp.).

Speech before the Military Services Information Exchange Program Commanders Conference, Arlington, VA; by Earl M. Wysong, Jr., Assistant Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Defense; Department of the Navy; Department of the Army; Department of the Air Force.

Authority: Budget and Accounting Procedures Act of 1950.

Abstract: Recent progress by the Department of Defense in automated accounting systems has reduced problem areas from the 17 identified a year ago to two major areas. These two areas, pertaining to the lack of accrual accounting and the accounting for property are holding up approval of 16 systems for which evaluations have been completed. Standardized systems that are centrally developed and maintain provide many advantages for management. The Air Force and Army have design centers for automated systems, and the Navy whose present system lacks centralization, is in the process of developing its center. Improvements have been made in standardizing civilian and military pay systems, but there are still several military pay systems requiring modification. Proper documentation is essential for evaluation of systems, but in operational systems it is difficult to extract pertinent information. There is a need for more complete, current, and dynamic documentation.

103755

[Increased Reimbursement by Civilian Patients Receiving Care at the Army Burn Center]. HRD-77-156; B-161475. September 29, 1977. 4 pp.

Report to Secretary, Department of Defense; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Health Programs (1200); Health Programs: System for Providing Treatment (1205).

Contact: Human Resources Division.

Organization Concerned: Department of the Army; Department of Defense.

Congressional Relevance: House Committee on Armed Services;

Senate Committee on Armed Services.

Abstract: A survey of the cost of providing medical care to patients treated at the burn center of the U.S. Army Institute of Surgical Research at Brooke Army Medical Center, Fort Sam Houston, Texas, indicated that the reimbursement rate for the intensive medical care provided should receive immediate attention. Although the cost of care at the center is about \$370 per day, the Department of Defense (DOD) is obtaining reimbursement at the rate of only \$168 per day. **Findings/Conclusions:** In 1976, care was provided for 277 patients, of which 135 were civilians not customarily eligible for care in DOD facilities. The 135 civilians were provided a total of 4,668 days of care subject to reimbursement. This represented about 90 percent of the total civilian patient days and about one-half of the burn center's total workload. Full cost recovery for the burn center could have resulted in increased reimbursements of about \$990,000. **Recommendation To Agencies:** The Secretary of Defense should establish and implement a reimbursement rate for civilian patients treated at the Army's burn center which more closely approximates the full cost of care provided.

103845

What Needs To Be Done To Improve the Supply System of the District of Columbia. GGD-77-32; B-118638. September 29, 1977. 19 pp. plus 4 appendices (9 pp.).

Report to Mayor and City Council, District of Columbia; Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Facilities and Material Management: Consolidating or Sharing of Supply and Maintenance Systems (0701); Facilities and Material Management: Requirements for Equipment, Spare Parts and Supplies (0702); Facilities and Material Management: Supply and Maintenance Operations Reporting Systems (0703).

Contact: General Government Division.

Organization Concerned: District of Columbia: Department of General Services.

Congressional Relevance: House Committee on District of Columbia; Senate Committee on Governmental Affairs; Congress.

Abstract: Because the District of Columbia does not have an economical and effective supply system, vital city services such as health care and education sometimes were hindered. Simultaneously, the departments accumulated much unneeded stock. A central management group is needed to establish and direct a citywide supply management program if the District is to improve its supply system. **Findings/Conclusions:** Although the District has been told several times over the years to establish central management and controls over its supply activities, little or no progress has been made. Unneeded or overstocked items, valued at \$6.9 million in current inventories, could be sold, returned, or used to reduce the inventory to the necessary minimum level. City services should not be disrupted due to this reduction, and the city could possibly save \$7.1 million each year. **Recommendation To Agencies:** The Mayor should implement the City Council's resolution concerning the establishment of an effective supply system. In establishing such a system, the Mayor should give authority and responsibility for formulating and implementing the system to a central management group; include in the design for the city's new financial management system financial and other information needed to manage the system; and justify fully to the Congress the positions and operating funds used to implement the system.

103846

An Organized Approach to Improving Federal Procurement and Acquisition Practices. PSAD-77-128; B-160725. September 30, 1977. 30 pp. plus 6 appendices (18 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: General Procurement: Determination of Performance

Requirements in Relation to Need of the Procuring Agency (1902); Science and Technology: Satisfying the Nation's Need for Scientific and Engineering Manpower (2002); Science and Technology: Federal Laboratories and Federally Supported Organizations Performing Research and Development (2003).

Contact: Procurement and Systems Acquisition Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Office of Management and Budget; Federal Procurement Institute.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services; Congress.

Authority: S. 1264 (95th Cong.).

Abstract: During the past decade, Federal procurement and acquisition practices have been under extensive review by numerous congressional committees, the executive branch, and various study groups. Basic new directions in policies are beginning to take shape, and a new Government-wide modern statutory foundation is under active consideration by Congress. **Findings/Conclusions:** Large Government agencies depend on systems, products, and services obtained from private enterprise to do their jobs. These activities cost about \$70 billion a year and involve about 60,000 Federal workers. Over the past 30 years, procurement has expanded and become more complex. Efforts to solve problems have resulted in a complex patchwork of laws, methods, regulations, procedures, and administrative requirements. Currently, there are no procurement research programs in some agencies. In others there are a few relatively new ones. Civilian agencies generally are reluctant to undertake procurement research. Although some agencies expect the newly emerging Federal Procurement Institute to carry this burden, the Institute will take some time to become operationally effective, and even then it will not perform research roles for the individual agencies. **Recommendation To Agencies:** The Office of Management and Budget should establish a strong continuing research program to create better Federal procurement practices and to design and test the best ways to carry out new policies.

103955

[Handling of Bid Protests Involving Automatic Data Processing Equipment Procurements]. B-158766. September 26, 1977. 4 pp.

Letter to Terry G. Mahn, General Counsel, Computer & Communications Industry Association, Arlington, VA; by Milton J. Socolar (for Paul G. Dembling, General Counsel).

Contact: Office of the General Counsel.

Organization Concerned: Computer & Communications Industry Association, Arlington, VA.

103987

[Planning for the Bureau of Naval Personnel's Proposed Advanced Information System]. LCD-78-103; B-146864. November 21, 1977. 6 pp.

Report to Rep. Jack Brooks, Chairman, House Committee on Government Operations; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing (0100).

Contact: Logistics and Communications Division.

Organization Concerned: Department of the Navy: Bureau of Naval Personnel.

Congressional Relevance: House Committee on Government Operations; Rep. Jack Brooks.

Abstract: The Department of the Navy is committed to the development of a total force personnel management system which will enable it to more effectively control personnel resource from recruitment to retirement. The Bureau of Naval Personnel is developing an automated system called the Advanced Information

System to assist in this objective. This system is intended to provide a remote, interactive processing capability which is expected to be a substantial improvement over the current batch-processing-oriented system. **Findings/Conclusions:** As of September 30, 1977, the system was being developed and implemented without an adequate long-range plan. The proposed upgrading of computer equipment was found to be unwarranted at the present time; and, although consolidation of the Bureau's capabilities appeared sound, locating these capabilities in New Orleans would involve more managerial and technical risks and would be more costly. Bureau officials concurred in these observations and agreed to suspend development of new system modules until an adequate long-range plan is developed, to continue to operate on its current computers without interim upgrading until competitively procured equipment is available, and to consider consolidating computer facilities in Washington rather than New Orleans. Accordingly to Navy data, this revised development effort will cost about \$5.3 million less than the proposed interim upgrading and the consolidation of computer capabilities in New Orleans.

103988

[Capitalization and Use of the Automatic Data Processing Fund That Is Administered by the General Services Administration]. B-115369. May 6, 1977. 5 pp.

Letter to Sen. Abraham A. Ribicoff, Chairman, Senate Committee on Governmental Affairs; Sen. John L. McClellan, Chairman, Senate Committee on Appropriations; Rep. George H. Mahon, Chairman, House Committee on Appropriations; Rep. Jack Brooks, Chairman, House Committee on Government Operations; by Elmer B. Staats, Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: General Services Administration; Office of Management and Budget.

Congressional Relevance: House Committee on Government Operations; House Committee on Appropriations; Senate Committee on Governmental Affairs; Senate Committee on Appropriations; Rep. George H. Mahon; Rep. Jack Brooks; Sen. Abraham A. Ribicoff; Sen. John L. McClellan.

104002

[Need for Greater Program Overview of the Inservice Training Review Organization]. FPCD-78-7; B-175773. November 8, 1977. 2 pp. **Report** to Secretary, Department of Defense; by Hyman L. Krieger, Director, GAO Federal Personnel and Compensation Division.

Issue Area: Personnel Management and Compensation (0300); Personnel Management and Compensation: Training and Education Programs (0304).

Contact: Federal Personnel and Compensation Division.

Organization Concerned: Department of the Army; Department of the Navy; Department of the Air Force; United States Marine Corps; Interservice Training Review Organization; Department of Defense.

Abstract: The Interservice Training Review Organization was established in 1972 by mutual agreement among the services to identify opportunities to make their training more effective and efficient by eliminating duplication and standardizing instruction programs. The Army, Navy, and Air Force are concurrently developing computer-managed or computer-assisted instruction systems. The Army's computer-assisted system provides each student direct instruction normally provided by an instructor. The Navy's computer-managed system aids instructors in managing student interactions with course materials. The Air Force's instruction system combines the capabilities of both the Army and Navy systems. **Findings/Conclusions:** The Training Technology Committee did not

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evaluate these independently developed systems to determine whether a combined development effort would have been more efficient or economical. A second area where duplication of effort exists concerns simulation technology developments. Several laser rifle devices were listed as under development and of mutual Army/Marine Corps benefit because of the commonality of weapons and tactics. The Army contracted independently for its own marksmanship trainer although it is similar to the Marine Corps' laser marksmanship trainer. Evaluations are indicated to determine whether separate systems are needed in applying training technology for both computer instruction systems and laser rifle systems.

104019

New Methods Needed for Checking Payments Made by Computers. FGMSD-76-82; B-101081. November 7, 1977. 33 pp. plus 6 appendices (14 pp.).

Report to Congress; by Robert F. Keller, Acting Comptroller General.

Issue Area: Automatic Data Processing: Using Results of ADP Systems (0103); Internal Auditing Systems: Sufficiency of Federal Auditors and Coverage (0201); Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Organization Concerned: Office of Management and Budget.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services; Congress.

Authority: Budget and Accounting Procedures Act of 1950.

Abstract: The Federal Government disburses \$700 billion annually, largely through huge, decentralized, computerized, cashless systems. The law requires that those who approve individual payments assure that the payments are legal, proper, and correct. **Findings/Conclusions:** In its review, GAO found that millions could be saved if Federal agencies improved their guidelines for checking payments made by computers. Under the current system it is often impossible for the responsible persons to examine the basic documents previously used to determine that payments were proper. **Recommendation To Agencies:** The Director of the Office of Management and Budget should issue guidelines requiring department and agency heads to: designate an operating official at the assistant secretary or comparable level to review each automated payment system and the controls built into it to determine whether they are operating effectively and can be relied on to compute payments that are accurate and legal; direct that such reviews be made at least annually, supplemented by interim checks of major system changes; direct the certifying or disbursing officer to certify or disburse automated payments only when notified by the designated operating official that the automated system and the controls built into it are operating effectively; require a written statement from the designated operating official if the official determines that the system is not operating effectively and that corrective action could not be taken before the next voucher preparation; and provide that, when significant system deficiencies are identified, the designated operating official must assume responsibility for subsequent certification that the payments are otherwise proper.

104025

Staffing Shortages Within the Defense Audit Service. FGMSD-78-02; B-134192. October 31, 1977. 7 pp. plus 3 appendices (3 pp.).

Report to Rep. Jack Brooks, Chairman, House Committee on Government Operations: Legislation and National Security Subcommittee; by Robert F. Keller, Acting Comptroller General.

Issue Area: Internal Auditing Systems: Sufficiency of Federal Auditors and Coverage (0201).

Contact: Financial and General Management Studies Division.

Organization Concerned: Defense Audit Service; Department of

Defense.

Congressional Relevance: House Committee on Government Operations: Legislation and National Security Subcommittee; Rep. Jack Brooks.

Abstract: The authorized staffing level of the Defense Audit Service makes it incapable of conducting required audits. However, in July 1977, the Secretary of Defense ordered that the staff be reduced by 25 percent, from 357 to 268. **Findings/Conclusions:** According to documented workload estimates prepared by the Defense Audit Service, a staff of 762 is necessary to provide the required audit coverage. Although the workload estimates appear to be conservative, it is unlikely that additional staff will be provided to meet the projected workload requirements. Audit coverage for some of the major Defense agencies and programs has been inadequate over the last 6 years. The audit function has been cost effective in identifying over \$100 in potential savings for every dollar spent on audit. The 25 percent staff reduction ordered by the Secretary of Defense was not based on any type of detailed analysis, but instead was estimated by personnel officials from the Office of the Secretary of Defense based on their knowledge of audit operations and requirements. Although the staff reduction was rescinded, the Audit Service is still staffed at only half its required strength. Defense managers should be prepared to accept the increased risks and consequences that accompany reduced staffing and reduced audit coverage. **Recommendation To Agencies:** The Secretary of Defense should assess the risks involved when too few auditors are given too large an audit burden and should attempt to bring the staff capability into balance with the identified workload requirements.

104052

Analysis of Operating Expenses in New York City's Fiscal Year 1978 Capital Budget. GGD-78-13; B-185522. November 15, 1977. 9 pp. plus 2 appendices (14 pp.).

Report to Rep. William S. Moorhead, Chairman, House Committee on Banking, Finance and Urban Affairs: Economic Stabilization Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Intergovernmental Policies and Fiscal Relations: Intergovernmental Fiscal Interaction and Problems (0407).

Contact: General Government Division.

Organization Concerned: Department of the Treasury; New York, NY.

Congressional Relevance: House Committee on Banking, Finance and Urban Affairs: Economic Stabilization Subcommittee; Rep. William S. Moorhead.

Abstract: The operating expenses contained in New York City's fiscal year 1978 capital budget are understated but only by a relatively small amount. This amount was determined using a strict interpretation of the criteria, which are more strict than many municipalities might currently be following. However, in view of the current fiscal problems of the city and its need to restore investor confidence, it is in the city's best interest to apply strict criteria in determining whether budget items are valid capital outlays or operating expenses. **Findings/Conclusions:** New York State law requires New York City to eliminate operating expenses from its capital budget over a 10-year period. Using criteria established by the State Comptroller, the city classified \$643 million of its \$1.031 billion in planned capital outlays as operating in nature. Application of a strict interpretation of the State's criteria identified an additional \$18.9 million which should have been classified as operating expenses. For an additional \$8.3 million in planned expenditures, city officials did not have sufficient documentation to permit determination as to whether the items were valid capital charges. City officials agreed that \$5.5 million in expenditures should be classified as operating but disagreed with the determinations on the remaining \$13.4 million. Representatives of both the State and City Comptrollers' Offices agreed with the determinations in all cases.

104139

Uninformed Procurement Decisions for Commercial Products Are Costly. PSAD-77-170; B-178214. October 26, 1977. 26 pp. plus 9 appendices (18 pp.).

Report to Congress; by Robert F. Keller, Acting Comptroller General.

Issue Area: General Procurement (1900).

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: Department of Defense; General Services Administration; Veterans Administration; Office of Federal Procurement Policy; Defense Logistics Agency.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services; Congress.

Authority: Foreign Military Sales Act of 1968. P.L. 94-329. Defense Production Act. Strategic and Critical Materials Stockpiling Act of 1939. P.L. 91-129. P.L. 93-400.

Abstract: Federal Government expenditures for commercial products will command a sizable portion of the \$66 billion estimated for Federal procurement in fiscal year (FY) 1977. Although the Government is usually able to buy products at a lower unit price if purchased for stock in large volume, the use of commercial distribution channels is frequently more advantageous. The Commission on Government Procurement recommended in 1972 that, in making procurement and stockage decisions, the Defense Logistics Agency (DLA), General Services Administration (GSA), and the Veterans Administration (VA) should consider the full cost of any Government distribution system involved. These three agencies are the Government's primary supply agencies; during FY 1975, they spent about \$8.1 billion on commercial and commercial-type supplies and had an ending inventory valued at about 4.1 billion. **Findings/Conclusions:** Many items purchased, stocked, and distributed by these supply agencies are seldom, if ever, in demand. During 1975, 37 percent of the 1.4 million items stocked by DLA were not requested. For another 28 percent of the items, annual requisitions totaled less than \$17 each. Purchasing, stocking, and disposing of seldom-used items is costly. From FY 1971 to 1975, DLA scrapped \$658 million worth of new but obsolete goods at a loss of from 92 to 95 percent of the original purchase price. Money may have been saved if the items had been obtained through the commercial distribution system. However, the supply agencies, particularly GSA and DLA, have been reluctant to develop and/or use cost data necessary to evaluate which method of procurement and distribution would be more effective. The VA has developed and is using cost data, but some improvements are needed in its system to make sure all cost elements are considered. Policy of the Office of Procurement Policy requires agencies to use commercial distribution channels unless it is cost effective to do otherwise. **Recommendation To Agencies:** The Administrator of GSA should complete the development of full cost information and use this information to make cost effective procurement decisions. The Secretary of Defense should require the Director of DLA to do the same. The Administrator of Veterans Affairs should act to improve the agency's full cost information and increase its effectiveness in making procurement decisions.

104142

TRESTLE Electromagnetic Pulse Simulator Program Should Be Reevaluated. PSAD-77-159; B-165546. November 4, 1977.

Report to Congress; by Robert F. Keller, Acting Comptroller General.

Unclassified Digest of a Classified Report.

Issue Area: General Procurement (1900); Science and Technology: Management and Oversight of Programs (2004).

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: Department of Defense; Department of the Air Force.

Congressional Relevance: Congress.

Abstract: TRESTLE is a special Department of the Air Force facility now under construction originally designed to simulate threat-level, electromagnetic pulse stresses on large aircraft generated by a high-altitude detonation of a nuclear weapon. Program costs have increased by 130 percent, or \$34 million. **Findings/Conclusions:** Because of technical problems, TRESTLE will not meet its original objective of being a threat-level simulator and, if completed as currently planned, could not provide test results to confirm that an aircraft can survive threat conditions and still meet its mission. Its use is further questionable because it will not be available for timely testing of prime candidate aircraft. **Recommendation To Congress:** Due to the expected inadequate technical performance, the unreliability of extrapolation techniques to predict system survivability in the absence of threat-level testing, schedule delays, and the recent termination of the production portion of the B-1 strategic bomber program, the Secretary of Defense should withhold further expenditures of TRESTLE funds and make a cost and benefit study to determine how or if the program should continue. The Congress should require the Secretary of Defense to justify continuation of the program.

104236

Social Security Administration's Procedures for Allocating Administrative Costs to the Supplemental Security Income Program. HRD-78-12; B-164031(4). November 17, 1977. 17 pp. plus 5 appendices (7 pp.).

Report to Rep. Charles A. Vanik; by Elmer B. Staats, Comptroller General.

Issue Area: Income Security and Social Services: Program Monitoring and Administration (1303).

Contact: Human Resources Division.

Organization Concerned: Social Security Administration; Department of Health, Education, and Welfare.

Congressional Relevance: Rep. Charles A. Vanik.

Authority: Social Security Act. Social Security Amendments of 1956. Social Security Amendments of 1966.

Abstract: The Social Security Administration (SSA) has highly integrated units with common management and support duties which administer programs such as the Supplemental Security Income for the aged, blind, and disabled. Since the administrative costs of the various programs are paid from different sources, SSA distributes these costs through a cost allocation system. The SSA method of allocating administrative costs to the Supplemental Security Income program is reasonable, but could be improved. **Findings/Conclusions:** In fiscal year 1976, SSA administrative costs were \$2.3 billion. The Supplemental Security Income program was allocated \$484 million of this, about 21 percent. Social Security has over 1,300 field offices nationwide to carry out its responsibilities. In New York State, some field offices spent as much as 67 percent of their time on the Supplemental Security Income program while other offices spent very little time on the program. There are other large units within SSA which spent little or no time on the Supplemental Security Income program. SSA allocates its shared costs on the basis of benefits paid. **Recommendation To Agencies:** The Secretary of Health, Education, and Welfare should direct the Commissioner of Social Security to review and revise as appropriate the method for allocating shared costs between the trust funds and the Supplemental Security Income program to recognize the relative cost of doing a particular unit of work rather than allocating costs on the basis of benefits paid. The Commissioner should also review any changes in the various work measurement systems to insure that they continue to provide reliable data needed to allocate costs.

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104266

An Evaluation of the Use of the Transfer Income Model (TRIM) To Analyze Welfare Programs. PAD-78-14; B-115369. November 25, 1977. 95 pp. plus 3 appendices (12 pp.).
Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing (0100); Income Security and Social Services (1300); Evaluation Guidelines and Methodology: New Techniques and Standards (2602).

Contact: Program Analysis Division.

Organization Concerned: Department of Health, Education, and Welfare; Department of the Treasury; Department of Agriculture; Department of Housing and Urban Development.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Finance; Congress.

Abstract: Conceptual models, simplified representations of issues, are used within Government to perform program and policy analyses of complex issues in such areas as social welfare, food, energy, and transportation. The Transfer Income Model (TRIM) was designed to provide estimates of the costs, caseloads, and income distributional effects of existing income tax and means-tested transfer programs, modifications to these programs, and proposed means-tested programs. **Findings/Conclusions:** Since models are based on simplifications of assumptions, approximations, and judgments, the validity of results can be affected. The number of versions and modifications made it difficult to determine which TRIM version had been used for a particular policy analysis. Assumptions were made in the model to compensate for lack of accuracy, completeness, and currentness of data sources; other assumptions concerned transfer program characteristics that affect estimates. Documentation supporting the model lacked information on test results; there were some errors in the computer code; and the model was difficult to use. Since estimates made by TRIM are subject to uncertainty, the model should only be used to assess relative impacts of changes in welfare programs and as a research tool; it should not be used to provide absolute estimates. Its results should be used cautiously for long-term projections, and when developing absolute estimates, information indicating uncertainty of estimates should be provided. **Recommendation To Agencies:** The Secretary of Health, Education, and Welfare should reassess the adequacy of models being used to support welfare policy analysis including: identifying and obtaining additional data needed to analyze issues; identifying corrective measures needed to make analytical tools more effective and making necessary improvements; insuring that models are well documented, updated, and reassessed; and performing periodic studies of alternative types of analytical tools. The Secretary should also develop a plan for identifying and meeting future needs for analytical tools and data to support welfare policy analysis.

104268

Repetitive IRS Audits of Taxpayers Are Justified. GGD-77-74; B-137762. November 18, 1977. 33 pp. plus 5 appendices (22 pp.).
Report to Rep. Al Ullman, Chairman, Joint Committee on Taxation; Sen. Russell B. Long, Vice Chairman; by Elmer B. Staats, Comptroller General.

Issue Area: Tax Administration (2700).

Contact: General Government Division.

Organization Concerned: Internal Revenue Service.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Finance; Joint Committee on Taxation; Rep. Al Ullman; Sen. Russell B. Long.

Abstract: The Internal Revenue Service (IRS) audits a relatively small number of individual taxpayers each year. Overall, taxpayers who have been audited repetitively by the IRS were audited because their returns fit the usual selection criteria. However, IRS should reduce the number of repetitively audited taxpayers. **Findings/Conclusions:** All returns are selected for audit through the

same system, and the system generally protects against selection abuse. Repetitive audits are like all audits in terms of recommended tax increases, indicating that taxpayers were not repeatedly selected unless tax adjustments were probable. About 60 percent of repetitive audits resulted from: high scores under the computer-generated audit selection program, unallowable items on the return, or selection by an auditor as a result of auditing another year's return. **Recommendation To Agencies:** The Commissioner of Internal Revenue should include repetitive audits in the planned study of factors contributing to voluntary taxpayer compliance with the tax laws. When classifying returns for audit potential, the Commissioner should discontinue the practice of not selecting returns because earlier audits did not change the tax amount, unless information about the previous issues is available to make a more informed audit/no-audit decision. He should make changes in the taxpayer contact procedure to prevent unnecessary repetitive audits and require a written explanation and supervisory approval before auditing a return originally obtained for information or references purposes.

104269

Tax Treatment of Employees and Self-Employed Persons by the Internal Revenue Service: Problems and Solutions. GGD-77-88; B-137762. November 21, 1977. 59 pp. plus 7 appendices (35 pp.).
Report to Rep. Al Ullman, Chairman, Joint Committee on Internal Revenue Taxation; Sen. Russell B. Long, Vice Chairman, Joint Committee on Internal Revenue Taxation; by Elmer B. Staats, Comptroller General.

Issue Area: Tax Administration: Simplifying and Communicating Tax Law Requirements to Taxpayers (2704).

Contact: General Government Division.

Organization Concerned: Internal Revenue Service; Department of the Treasury.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Finance; Joint Committee on Internal Revenue Taxation; Rep. Al Ullman; Sen. Russell B. Long.

Authority: Federal Insurance Contribution Act. Federal Unemployment Tax Act. Tax Reform Act of 1976. 26 U.S.C. 3121(d). 26 U.S.C. 3401(a). 26 U.S.C. 1402(b).

Abstract: The definition of who is an employee and who is self-employed is not clear. The definition is generally based on common law in which the determining factor is the degree of control, or right of control, the employer has over the worker. If workers are employees, their employers must withhold and pay to the Government income and social security taxes, contribute to the social security fund, and, in most instances, pay an unemployment insurance tax. **Findings/Conclusions:** When the Internal Revenue Service (IRS) determines that persons have been misclassified as self-employed, the effects are that: employers can be retroactively assessed employment taxes for 3 current tax years, double taxation can occur when the employer and employee pay income and social security taxes on the same income, and self-employment retirement plans established by taxpayers can be declared invalid. Alternative proposals for Congress to develop statutory language to clarify definitions of employee and self-employed or to provide legislative relief from retroactive tax assessments were all found to be inadequate. A primary source of controversy has been the IRS interpretation of the common law definition of an employee in a way that considers persons operating separate businesses as employees of another business because one can exercise some control over the other. **Recommendation To Congress:** Congress should amend the Internal Revenue Code to exclude separate business entities from the common law definition of employee in instances where they: have a separate set of records which reflect items of income and expenses, have the risk of loss and the opportunity of profit, have a principal place of business other than that furnished by the persons for whom he or she performs services, and are self-employed in

their own home and/or make their services available to the public. If a worker cannot meet all of these criteria and there is evidence that he is self-employed, some type of common law criteria should be applied.

104270

Review of the Government Printing Office's Internal Audit Program. LCD-77-444; B-114829. November 23, 1977. 12 pp.
Report to John J. Boyle, Public Printer, Government Printing Office; by Robert G. Rothwell (for Fred J. Shafer, Director), GAO Logistics and Communications Division.

Issue Area: Internal Auditing Systems (0200).

Contact: Logistics and Communications Division.

Organization Concerned: Government Printing Office; Government Printing Office: Office of Audits; Government Printing Office: Data Systems Service Management Review Group.

Congressional Relevance: *House* Committee on House Administration; *Senate* Committee on Rules and Administration; *Joint* Committee on Printing.

Authority: 44 U.S.C. 309.

Abstract: The Government Printing Office's (GPO) internal audit program could be improved by: assuring that the audit planning process is performed with a minimum of influence from the GPO operational management, establishing criteria for accepting special projects, and coordinating plans with the Data Systems Service Management Review Group. **Findings/Conclusions:** The Director of Audits has recently developed a plan which matches resources with audit plans and uses a priority system. Although the Office of Audits (OA) had previously conducted report followups, no formal system had been established, and followups had not recently been performed. A formal followup system has been instituted, but special projects requested by various management officials have reduced OA ability to meet its responsibility for making full-scope audits. **Recommendation To Congress:** The Public Printer should: take action to assure that the selection of audits and coverage of auditable areas are determined in an independent manner, making the final decision on the plan after the Director of Audits has developed the proposed plan, and using suggestions from operating officials; direct OA to process all special management requests through him so that the requests can be placed in proper perspective in relation to the OA goals and limited resources; and direct the Director, Data Systems Service, to coordinate planned reviews with the Director of Audits and to provide OA with copies of final reports.

104284

[Review of the Postal Service's Consolidation of Mail Processing Operations in the Berkeley and Oakland, California, Post Offices]. GGD-78-18; B-114874. November 28, 1977. 7 pp. plus 1 enclosure (1 p.).

Report to Rep. Ronald V. Dellums; by Victor L. Lowe, Director, GAO General Government Division.

Issue Area: Facilities and Material Management: Building, Buying, or Leasing Federal Facilities and Equipment (0706).

Contact: General Government Division.

Organization Concerned: United States Postal Service.

Congressional Relevance: *Rep.* Ronald V. Dellums.

Abstract: The consolidation of mail processing operations in Berkeley and Oakland, California was planned in order to realize savings by machine processing mail which had been manually processed at the Berkeley office. Under the plan, Berkeley's mail will be machine sorted in the Oakland Sectional Center Facility, and the Berkeley office will continue to provide customer services and mail delivery. A six-position letter sorting machine no longer needed in Berkeley will be relocated and modified in Stockton, California, to

handle a larger mail volume. **Findings/Conclusions:** The Postal Service estimated potential savings of \$630,700 a year, including a savings of \$335,700 by transferring Berkeley's mail processing operations to Oakland, and a savings of \$295,000 by moving the Berkeley letter sorting machine to Stockton. GAO estimated that the savings would be about \$370,900 annually for processing Berkeley's mail in Oakland and \$334,700 annually for moving the letter sorting machine to Stockton. However, the savings could have resulted from separate actions; in which case, the Stockton savings would not be attributable to the consolidation. The consolidation will probably have little or no impact on mail services to Berkeley because of the commitment by officials to maintain the same level of service. The consolidation prompted officials to revise mail transportation schedules to make them more efficient.

104309

Overview of Activities Funded by the Law Enforcement Assistance Administration. GGD-78-21. November 29, 1977. 82 pp. plus 7 appendices (68 pp.).

Staff Study by Victor L. Lowe, Director, GAO General Government Division.

Contact: General Government Division.

Organization Concerned: Department of Justice; Law Enforcement Assistance Administration.

Authority: Omnibus Crime Control and Safe Streets Act of 1968. Juvenile Justice and Delinquency Prevention Act of 1974. Safe Streets Act. Crime Control Act of 1973. Crime Control Act of 1976.

Abstract: The Law Enforcement Assistance Administration (LEAA) was established to assist State and local governments in reducing crime and to increase the effectiveness, fairness, and coordination of law enforcement and criminal justice systems at all levels of Government. **Findings/Conclusions:** LEAA funds are made available to States for planning or for block action grants; the remaining funds, known as discretionary funds, are used by LEAA to provide direction, place emphasis in specific program areas, and test innovations. Legislation in 1974 extended LEAA responsibilities to include coordination of Federal juvenile delinquency prevention efforts, research on and implementation of juvenile delinquency prevention programs, and authorization of grants to combat delinquency and assist runaway youth. The Safe Streets Act provides for: technical assistance to State and local governments, public and private groups, and international agencies in matters relating to law enforcement and criminal justice; establishment of a program to provide financial assistance for higher education of these areas; research efforts under the National Institute of Law Enforcement and Criminal Justice; and a data service to provide assistance to States and to collect and disseminate statistical information. It is difficult to determine the administrative costs of Federal programs because of the lack of reporting systems to provide information on financial and staff resources used in administering individual assistance programs.

104319

Government Consultants: Standard Definition and Uniform Data Needed. FPCD-78-5; B-179810. November 29, 1977. 29 pp. plus 1 appendix (19 pp.).

Staff Study by Hyman L. Krieger, Director, GAO Federal Personnel and Compensation Division.

Contact: Federal Personnel and Compensation Division.

Organization Concerned: Office of Management and Budget; United States Civil Service Commission; Office of Federal Procurement Policy.

Congressional Relevance: *House* Committee on Post Office and Civil Service.

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Authority: Administrative Expenses Act of 1946. 5 U.S.C. 3109. F.P.M. ch. 304.

Abstract: It is not possible to determine the extent of the use of consultants by the Federal Government, at what costs, and for what purposes. Five sources of centralized information were identified: The Senate Committee on Appropriations; the Senate Subcommittee on Reports, Accounting, and Management; two divisions of the Office of Management and Budget (OMB); and the Civil Service Commission (CSC). **Findings/Conclusions:** Although data available at these sources vary considerably, two data systems being developed have the potential of improving the information. The Office of Federal Procurement Policy, OMB, is developing an automated system that will report much information on each Government consultant contract over \$10,000 and provide some information on contracts under this amount. CSC is developing a system to replace its personnel data file which will contain more data on Federal employees and on appointed consultants. Lack of agreement by agencies on definitions of consultants, with more than 20 different definitions noted has made it impossible to determine how many consultants are used by the Federal Government and at what cost. The Comptroller General has suggested that an information system rather than a reporting system be applied to agencies to identify consultant usage. He also recommended modification of the definition of consultant, use of uniform data elements in data systems, and that OMB should be the single authority for prescribing the standard definition to be applied, data and files to be maintained, and reports to be prepared.

104441

[Protest Against Solicitation for a Computer System]. B-189752, B-190222. November 29, 1977. 13 pp. plus 1 enclosure (1 p.). **Decision re:** Burroughs Corp.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Department of Agriculture; Burroughs Corp.

Authority: P.L. 89-306. F.P.R. 1-3.807-3(b). 52 Comp. Gen. 198. 52 Comp. Gen. 209. 54 Comp. Gen. 395. 54 Comp. Gen. 242. 56 Comp. Gen. 142. 56 Comp. Gen. 230. 56 Comp. Gen. 230. 56 Comp. Gen. 238. 49 Comp. Gen. 98. 50 Comp. Gen. 637. B-182558 (1975). B-186186 (1976). B-187521 (1977). B-184850 (1976). B-182294 (1975).

Abstract: A company protested the award of any contract under a solicitation for a computer system. In its protest, the company claimed that the solicitation used a contracting technique which could have an adverse impact on Federal competitive bidding and on computer hardware and software vendors. The solicitation requirement did not constitute an unreasonable restriction on competition because it contained no restriction on subcontracting. The contention that the evaluation criteria were misleading, ambiguous, and subjective was without merit. Competitive advantages of the incumbent contractor did not need to be equalized since they did not result from Government preference or unfair action. The failure to disclose the amount of ceiling price was not objectionable because Government estimates are not required to be disclosed.

104444

[Protest Against Award of a Cost-Plus-Incentive-Fee Contract]. B-188272. November 30, 1977. 52 pp. **Decision re:** GTE Sylvania, Inc.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Department of the Air Force; International Telephone and Telegraph Corp.; GTE Sylvania, Inc.

Authority: 10 U.S.C. 2304(g). 4 C.F.R. 20. B-184927 (1976).

B-188342 (1977). B-173677(2) (1972). B-169043 (1970). B-170855 (1970). B-164552 (1969). B-170297 (1971). B-188369 (1977). DOD Directive 4105.62. A.S.P.R. 3-805.3. 51 Comp. Gen. 621. 50 Comp. Gen. 117. 50 Comp. Gen. 123. 47 Comp. Gen. 279. 49 Comp. Gen. 625.

Abstract: A company protested the award of a cost-plus-incentive-fee contract. Documents in the four-step procurement established the goal of maximum use of tried and true computer equipment but did not rule out modified equipment based on preexisting technology or new equipment. The view that the procurement a required high order programming language was rejected. The Air Force complied with the competitive requirements of the Federal regulation, and the agency's evaluation of cost and technical differences between the proposals of the protester and the selected offeror was rational.

104536

[Deficiencies in HUD's Computer Tape Library]. November 30, 1977. 5 pp.

Report to William A. Medina, Department of Housing and Urban Development: Assistant Secretary for Administration; by Richard J. Woods, Associate Director, GAO Community and Economic Development Division.

Issue Area: Automatic Data Processing: Acquiring and Using Resources (0102).

Contact: Community and Economic Development Division.

Organization Concerned: Department of Housing and Urban Development: Assistant Secretary for Administration; Department of Housing and Urban Development.

Abstract: The Department of Housing and Urban Development (HUD) uses about 26,000 computer tapes which are stored and maintained in the HUD tape library. The internal controls over these tapes were reviewed to determine whether the tapes were adequately secured and used. **Findings/Conclusions:** HUD needs to strengthen its control over the library and tapes. A significant number of tapes were held in the library beyond the scheduled retention dates. This could have resulted in additional costs because those tapes were unavailable for reuse. Because of tape identification problems, librarians have difficulty finding thousands of tapes, limiting or negating the intended use of the tapes. About 4 percent of the tapes may have been lost or misplaced. During the times librarians are not on duty, other personnel can gain access to computer tapes if they possess a computerized security card. It is difficult for librarians to prevent other personnel from entering the library. **Recommendation To Agencies:** HUD should: make a physical inventory of the computer tapes to correct incorrect listings used as controls and continue the inventory on a periodic basis to retain a high degree of accuracy, establish procedures to assure that tapes are only retained for reasonable periods, and examine procedures relating to access to the library to reduce the potential for misplacement or loss of tapes.

104537

Cooperative Actions Result in More Economical Computer Acquisition and Improved Security at the New Orleans Computer Center. LCD-77-118; B-146864. December 23, 1977. 21 pp. plus 3 appendices (15 pp.).

Report to Rep. Jack Brooks, Chairman, House Committee on Government Operations; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: User Requirements and Systems Specifications for Software (0105); Federal Information Management (1400); General Procurement: Determination of Performance Requirements in Relation to Need of the Procuring Agency (1902).

Contact: Logistics and Communications Division.

Organization Concerned: General Services Administration; Department of Agriculture; Department of Agriculture: New Orleans Computer Center; Department of Agriculture: National Finance Center.

Congressional Relevance: House Committee on Government Operations; Senate Committee on Agriculture, Nutrition, and Forestry; Rep. Jack Brooks.

Authority: Privacy Act of 1974.

Abstract: The Department of Agriculture was remiss in not following prescribed procedures for acquiring a computer system which was needed at its New Orleans Computer Center. However, the agency's cooperation with GAO has enabled the acquisition to proceed with resultant savings to the Government of about \$7.5 million. The cooperation also helped to establish a new software conversion method which may achieve additional savings. **Findings/Conclusions:** The large volume of personnel records and the \$2 billion of financial transactions that flow through the New Orleans Computer Center and the National Finance Center annually were found to be vulnerable to manipulation, making strengthening of security at the centers the paramount consideration. Exposure of these records could result in violations of the Privacy Act of 1974 and financial losses to the Government. **Recommendation To Agencies:** The Secretary of Agriculture should: agree with the General Services Administration to purchase the new computer system through the Automatic Data Processing Revolving Fund; document the new computer system acquisition to facilitate monitoring and evaluating the proposed method for handling software conversion; report to the Chairman of the House Committee on Government Operations, the Administrator of General Services, and GAO on experience in using the proposed method of effecting program conversion and the results achieved; and reevaluate the security program of the New Orleans Computer Center and the National Finance Center to assure that all needed safeguards are implemented before the new computer system becomes fully operational.

104538

The Federal Software Exchange Program: A Small Step in Improving Program Sharing. FGMSD-78-11; B-115369. January 13, 1978. 17 pp. plus 1 appendix (3 pp.).

Report to Joel W. Solomon, Administrator, General Services Administration; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Automatic Data Processing (0100).

Contact: Financial and General Management Studies Division.

Organization Concerned: National Technical Information Service; General Services Administration.

Authority: Automatic Data Processing Equipment Act. P.L. 89-306. F.P.M.R. 101-32.16.

Abstract: The General Services Administration (GSA) created the Federal Software Exchange Program to identify and collect computer programs developed by Federal agencies that could be used by other Federal agencies. The sharing of such computer programs and related documentation among agencies with common needs is intended to avoid the time, effort, and expense involved in replicating software. Software, as defined by GSA, means all computer programs and routines used to extend the capabilities of computers, including single programs, independent subroutines, related groups of routines, and sets or systems of programs. **Findings/Conclusions:** Agencies submit abstracts of computer programs they believe useful to the National Technical Information Service which publishes abstracts of the computer programs in a catalog. The first catalog of software abstracts, published in January 1977, contained 100 abstracts. The October 1977 catalog contained 365 abstracts. No programs had been sold through October 1977. Generally, such operations related to sharing technology have had limited success. **Recommendation To Agencies:** GSA should: stimulate more

agencies to submit abstracts of computer programs for the catalog, adopt a policy to guarantee that the catalog will include abstracts only of programs that have been documented according to prescribed standards, and provide more technical assistance to purchasers so that they can overcome any problems in changing the programs to work in their environment.

104539

The Defense Integrated Data System: Is It Efficient and Effective? LCD-77-117; B-163074. December 20, 1977. 47 pp. plus 3 appendices (13 pp.).

Report to Sen. John C. Stennis, Acting Chairman, Senate Committee on Appropriations: Defense Subcommittee; Rep. George H. Mahon, Chairman, House Committee on Appropriations: Defense Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing (0100); Facilities and Material Management: Supply and Maintenance Operations Reporting Systems (0703).

Contact: Logistics and Communications Division.

Organization Concerned: Department of Defense; Defense Logistics Agency; Department of Defense: Assistant Secretary of Defense (Manpower, Reserve Affairs and Logistics).

Congressional Relevance: House Committee on Appropriations: Defense Subcommittee; Senate Committee on Appropriations: Defense Subcommittee; Rep. George H. Mahon; Sen. John C. Stennis.

Authority: Defense Cataloging and Standardization Act of 1952. H. Rept. 94-1475.

Abstract: In May 1965, the Defense Logistics Agency (DLA) began developing the Defense Integrated Data System which was expected to provide for future workload growth by consolidating various logistics subsystems into one integrated data bank. DLA has consolidated the various subsystems into one integrated data bank, centralized the processing and storage of catalog management data to provide uniform control over its accuracy, provided a limited capability for immediate and remote access, generally improved the quality and quantity of information available to customers, and eliminated some duplicative files and publications. **Findings/Conclusions:** Since the system was declared operational in March 1975, the agency has had problems achieving all its processing goals. Particular problems affected: the item identification function, ability to process current workload, elimination of local duplicative files, centralization of publications, and exchange of some data with other logistics systems. Stringent management controls might have headed off the agency's problems. Shortcomings in project management permitted the development of an inadequately sized system based on understated workload projections, the preparation of an overoptimistic economic analysis justifying development of the system, and permitted the premature operation of the system before all major functions were completely implemented and tested and before errors were corrected. To cope with these problems, new hardware was added, and software was refined to augment the original system. This augmentation did not provide the processing capability required to meet demands. There is a valid need for this system, but the processing problems have resulted from inadequate system sizing and premature operations. **Recommendation To Agencies:** The Secretary of Defense should require the Assistant Secretary (Manpower, Reserve Affairs and Logistics) to: establish project accountability for the operation and continued development of the Defense Integrated Data System; have a steering committee study the current and projected user requirements for the system; have the steering committee reevaluate the system's major alternatives and determine what modifications are necessary; require the steering committee to use an updated economic analysis as the basis for cost control purposes; require formal management agreements between DLA and the services

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and agencies to provide improved management control over operations, database integrity, and the exchange of data between systems; and have the steering committee take firm measures to eliminate all unnecessary duplicate databases and operations regardless of which service or agency develops, maintains, or uses them.

104601

Comparison of the Health Care Financing Administration's Medicare Bureau Claims Processing Costs for 1973 and Fiscal Year 1975. HRD-77-139; B-164031(4). December 22, 1977. 10 pp. plus 7 appendices (12 pp.).

Report to Rep. Al Ullman, Chairman, House Committee on Ways and Means; by Elmer B. Staats, Comptroller General.

Issue Area: Health Programs (1200).

Contact: Human Resources Division.

Organization Concerned: Department of Health, Education, and Welfare; Health Care Financing Administration.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Finance; Rep. Al Ullman.

Abstract: A comparison was made of Government costs for processing Medicare bills for fiscal years (FY) 1973 and 1975.

Findings/Conclusions: The average costs per bill processed by the Division of Direct Reimbursement decreased by about 35 percent since 1973; they were reduced from \$12.39 in 1973 to \$7.27 in FY 1975. The decrease was primarily caused by: (1) a change in the relative mix of the different types of bills processed; (2) a large increase in bill volume; and (3) improvements in the Division's bill-processing system which resulted in reduced processing times. The total savings exceeded the difference between the 1973 unit cost and the FY 1975 unit cost because salaries and other costs rose during that period. With one exception, the cost per bill processed of the private intermediaries was also reduced although generally to a lesser extent than the Division's reductions. In response to recommendations in a prior report, the Medicare Bureau has taken actions to: report cost data for its intermediary-type function, evaluate the performance of its intermediary function, and develop a methodology to help evaluate intermediaries' performance.

104618

FBI Taking Actions To Comply Fully With the Privacy Act. GGD-77-93; B-179296. December 26, 1977. 18 pp. plus 7 appendices (88 pp.).

Report to Rep. Richardson Preyer, Chairman, House Committee on Government Operations: Government Information and Individual Rights Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Federal Information Management (1400).

Contact: General Government Division.

Organization Concerned: Department of Justice; Federal Bureau of Investigation.

Congressional Relevance: House Committee on Government Operations: Government Information and Individual Rights Subcommittee; House Committee on the Judiciary; Senate Committee on the Judiciary; Rep. Richardson Preyer.

Authority: Privacy Act of 1974. 5 U.S.C. 552.

Abstract: Since the enactment of the Privacy Act of 1974, Federal agencies have been required to report in the Federal Register all of their systems of records on individuals. The Federal Bureau of Investigation (FBI) central records system is the main system under which all investigative, personnel, administrative, and other records are kept. Information maintained by field offices and foreign liaison offices is sent to FBI headquarters to be included in the central records system. The FBI maintains a general index containing names for future retrieval and other card indexes, photo albums, control files, and computer listings. **Findings/Conclusions:**

As of March 1977, the FBI had reported 12 systems of records. Until April 1977, descriptions of the categories of people in the central records system were general and thus inadequate for public access. Now the notices in the Federal Register are more specific and provide a better basis for determining what files the FBI maintains. Information in some of the indexes could not be retrieved through any published system. The FBI keeps 239 special indexes, exclusive of 28 classified indexes. Sixty-three of the indexes at headquarters and the field offices contained information that was not fully retrievable; all indexes kept by the foreign liaison offices contained retrievable information. **Recommendation To Agencies:** The Attorney General should require the FBI Director to take one of the following actions with respect to indexes having nonretrievable information: make nonretrievable information on special indexes retrievable as part of a system of records already published in the Federal Register; publish a separate notice in the Federal Register for each nonretrievable special index; or destroy, when permissible, the information in special indexes that is not retrievable through a published system of records. He should also require the FBI Director to issue standard policies and procedures for establishing and handling special indexes to insure compliance with the Privacy Act.

104621

[Review of Records Management Practices for Reports Required To Be Filed Under the Employee Retirement Income Security Act of 1974]. HRD-78-27; B-164292. December 29, 1977. 31 pp. plus 6 appendices (26 pp.).

Report to Sen. Charles H. Percy; Sen. Sam Nunn; by Elmer B. Staats, Comptroller General.

Issue Area: Federal Information Management (1400).

Contact: Human Resources Division.

Organization Concerned: Department of Labor.

Congressional Relevance: Sen. Charles H. Percy; Sen. Sam Nunn.

Authority: Employee Retirement Income Security Act of 1974. 29 U.S.C. 1001. Welfare Pension Plans Disclosure Act of 1958. 29 U.S.C. 301.

Abstract: At the request of the U.S. Senate, the records management practices of the Department of Labor were reviewed as they related to financial and other reports required to be filed by labor-management welfare and pension plans. The Employee Retirement Income Security Act of 1974 (ERISA) requires pension and welfare benefit plan administrators to report and disclose extensive information about pension and welfare benefit plans and their operations and financial condition to the Department of Labor, plan participants, and beneficiaries. Among the reports required are the plan description, summary plan description, and the annual report. The contents of these reports are then incorporated into the Department of Labor's records management system. **Findings/Conclusions:** The actions taken by the Department of Labor recognized the need for an efficient and effective records management system. The system implemented to manage reports filed under ERISA involves a combination of computerized information and microfiche reports. The most beneficial aspect of the microfiche is that it saves storage space and provides for selective and ready access to reports filed under ERISA. The computerized data allow for quick retrieval and statistical analysis of information from the reports. After the data are computerized and/or microfiched, the original reports can be shipped to the Federal records center, and complete records can be easily and promptly retrieved from microfiche files without delay. The number of misfiled or lost reports and errors which were found in a test of the effectiveness of the system was not significant considering the magnitude of the records management system being implemented. With refinement of the verification and reconciliation procedures, the records management system should efficiently and effectively meet the Department of Labor's enforcement and disclosure needs.

104686

Federal Agencies Should Be Given General Multiyear Contracting Authority for Supplies and Services. PSAD-78-54; B-160725. January 10, 1978. 20 pp. plus 3 appendices (5 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: General Procurement (1900); General Procurement: Reasonableness of Prices Under Negotiated Contracts and Subcontracts (1904).

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: Department of Defense; General Services Administration; Department of the Air Force; Department of Agriculture; Commission on Government Procurement; Office of Federal Procurement Policy.

Congressional Relevance: Congress.

Authority: Property and Administrative Services Act. 40 U.S.C. 481. Adequacy of Appropriations Act. 41 U.S.C. 11. Antideficiency Act. 31 U.S.C. 665. P.L. 90-378. 10 U.S.C. 2306(g). Small Business Act. 15 U.S.C. 631(a). 10 U.S.C. 712a. 20 Comp. Gen. 437. 33 Comp. Gen. 57. 33 Comp. Gen. 90. 42 Comp. Gen. 272. 43 Comp. Gen. 657. S. 2309 (94th Cong.). S. 3005 (94th Cong.). S. 1264 (95th Cong.).

Abstract: Federal agencies operating under annual appropriations generally are prohibited from entering into contracts for needs occurring beyond the year for which the appropriation is made. Multiyear contracts entitle the Government to purchase services or supplies from contractors for more than 1 year. The Commission on Government Procurement has recommended that Congress enact legislation to permit multiyear contracting of supplies and services using annual or multiple-year appropriations. **Findings/Conclusions:** Federal agencies with either funding or statutory authority for multiyear procurement benefit from reduced contract prices and other advantages. Annual savings of \$3 million resulting from multiyear procurement were identified on 26 contracts having an annual cost of \$14 million. The benefits of multiyear procurement include: contract prices may be reduced for agency service and supply needs, Federal agencies' administrative costs can be reduced, the quality of performance and service could increase, and competition could increase for the initial award of a Government contract. Generally, the advantages of multiyear procurement outweigh the disadvantages. **Recommendation To Congress:** Congress should enact legislation authorizing multiyear procurement for Federal agencies and provide for the Office of Federal Procurement Policy to: develop appropriate criteria for use of the procurement method, require responsible agency officials to determine when the criteria are met, and provide for the payment of cancellation costs.

104690

[Notification and Publication of Price Changes Made Under General Services Administration Schedule Contracts]. PSAD-78-63; B-114807. January 17, 1978. 6 pp.

Report to Rep. J. Kenneth Robinson; by Elmer B. Staats, Comptroller General.

Issue Area: General Procurement: Reasonableness of Prices Under Negotiated Contracts and Subcontracts (1904).

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: General Services Administration.

Congressional Relevance: Rep. J. Kenneth Robinson.

Abstract: There are two types of Federal Supply Schedules, both of which are competitive to some degree. Multiple-award schedule contracts are designed to use industry distribution facilities and provide users with a selection of products from comparable suppliers. Single-award schedules cover contracts made with one supplier at a

stated price for delivery to a geographical area and are either formally advertised or noncompetitively negotiated. The multiple-award Federal Supply Schedule system is the method by which the General Services Administration (GSA) awards contracts to more than one supplier for comparable supplies or services. These suppliers are awarded contracts annually and are listed on schedules which are distributed to agencies for use in ordering directly from the contractors. GSA selects contractors from the schedules on the basis of discounts from established commercial pricelists. **Findings/Conclusions:** Federal property management regulations require that agencies not solicit bids, proposals, and quotations to test the market solely for the purpose of seeking alternative sources to Federal Supply Schedules. Contractors are required to notify GSA when price changes are made under schedule contracts. An examination of 9 office equipment contractor files indicated that, of 23 price reduction notifications, 18 had been made in the required 10 days or less. There are two types of Federal Supply Schedules, both of which are competitive to some degree. Multiple-award schedule contracts are designed to use industry distribution facilities and provide users with a selection of products from comparable suppliers. Single-award schedules cover contracts made with one supplier at a stated price for delivery to a geographical area and are either formally advertised or noncompetitively negotiated.

104769

[Internal Controls of the Transportation Computer Center and Pollution Incident Reporting System]. January 31, 1978. 2 pp.

Report to Edward W. Scott, Jr., Assistant Secretary of Administration, Department of Transportation; by Hugh J. Wessinger, Associate Director, GAO Community and Economic Development Division.

Contact: Community and Economic Development Division.

Organization Concerned: United States Coast Guard; Department of Transportation; Department of Transportation: Office of Audits.

Abstract: The Department of Transportation's (DOT) Office of Audits has not participated in the design and development of controls for the Coast Guard's computer-based Pollution Incident Reporting System (PIRS) and is not involved in efforts to improve PIRS. **Findings/Conclusions:** Auditor participation is important to ensure managers and users that time the PIRS network of controls is adequate and effective. The internal audit staff should review automated information systems such as PIRS to provide assurance that the systems are properly designed, operating effectively and economically, and producing reliable results. As part of its review, the audit staff should test the adequacy of controls and point out control weaknesses to management for corrective action. Officials from the Office of Audits indicated that their involvement in PIRS was doubtful because PIRS was not a major DOT system, and their present capability to perform computer-type audits was limited. The Office of Audits should assign a high priority to a review of the DOT computer center's controls and include in that review appropriate test checks of PIRS.

104770

[Improvements Needed in Coast Guard's Computer-Based Pollution Incident Reporting System]. January 31, 1978. 9 pp.

Report to Owen W. Siler, Commandant, United States Coast Guard; by Lloyd L. Gregory, Assistant Director, GAO Community and Economic Development Division.

Contact: Community and Economic Development Division.

Organization Concerned: United States Coast Guard.

Authority: Federal Water Pollution Control Act. Executive Order 11735.

Abstract: The Pollution Incident Reporting System (PIRS) is a

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computer-based system which was started in December 1971 to collect information on discharges of oil or hazardous substances reported to or detected by the Coast Guard and was later expanded to collect information on cleanup activities and penalty actions. **Findings/Conclusions:** In a May 1977 memorandum, the Acting Chief of the Office of Marine Environment and Systems stated that, in many cases, the PIRS database did not contain current and accurate data. A major cause for the erroneous data is lack of adequate controls. Weaknesses were identified in controls involving: maintaining adequate documentation of system controls, counting and controlling records processed by the system, developing arithmetic totals to compare data input with data processed, using the computer to check the validity of data, maintaining an error log or computerized suspense file, operating a central control group to ensure separation of duties and to review input and output, and auditing of system development and maintenance by the agency's internal audit staff. The PIRS staff at headquarters should be directed to take action to correct these weaknesses.

104771

Accounting for Automatic Data Processing Costs Needs Improvement. FGMSD-78-14; B-115369. February 7, 1978. 27 pp. plus 2 appendices (30 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Guidelines for ADP Management and Control (0110).

Contact: Financial and General Management Studies Division.

Organization Concerned: Office of Management and Budget; General Services Administration.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services; Congress.

Authority: Automatic Data Processing Equipment Act. P.L. 89-306. Budget and Accounting Procedures Act of 1950. OMB Circular A-83. OMB Circular A-76.

Abstract: Automatic data processing is used extensively throughout the Government, but many problems have been encountered in accounting for related costs. **Findings/Conclusions:** Of 26 Federal data processing organizations reviewed, none had adequate cost information on their automatic data processing assets and operations. Major cost elements such as utilities, space rental, data transmission costs, and military salaries were frequently omitted from reports of total costs. Only about half of the organizations spread the costs of long-lived hardware over its useful life and only a few did so for software. Earlier GAO reviews noted examples of savings that could have resulted if proper cost data were available. GAO and the Office of Management and Budget offered guidance in this area, but it was not effectively followed. Some factors accounting for this were: changes in computer systems which can now serve many users, financing of data processing operation by several different appropriations in some cases, and the fact that data processing costs are only a portion of program costs and thus have not been separately identified. It is essential to have reliable cost data in order to make sound decisions on needs for procurement, to distribute costs properly when multiple users are involved, and to make proper charges for services. **Recommendation To Agencies:** Federal agencies should: establish automatic data processing activities as cost centers, control such activities through operating budgets, keep cost accounts for these centers in such detail that charges can be made to major end users, and render reports that show actual costs compared with operating budget estimates and provide full disclosure of all significant data processing-related expenses.

104773

Summaries of Conclusions and Recommendations on Department of Defense Operations. PSAD-78-46; B-106190. January 24, 1978. 106 pp.

Report to Sen. John L. McClellan, Chairman, Senate Committee on Appropriations; Rep. George H. Mahon, Chairman, House Committee on Appropriations; by Elmer B. Staats, Comptroller General.

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: Department of the Navy; Department of Defense; Department of the Army; Department of the Air Force.

Congressional Relevance: House Committee on Appropriations; Senate Committee on Appropriations; Rep. George H. Mahon; Sen. John L. McClellan.

Authority: Accounting and Auditing Act of 1950. 31 U.S.C. 66a. Sikes Act of 1960. P.L. 94-454. P.L. 91-441. B-146896 (1972). B-163074 (1971). H.R. 7769 (95th Cong.).

Abstract: The annual report summarizes GAO conclusions and recommendations resulting from audits and other review work in the Department of Defense. The report was compiled to assist congressional committees in their review of budget requests for fiscal year 1979. Previous GAO reports brought these matters to the attention of congressional and departmental officials. **Findings/Conclusions:** The report is divided into three major categories: national defense; natural resources, environment, and energy; and commerce and transportation. National defense subdivisions are: Department of Defense military, military assistance, defense-related activities, weapon systems, and Department of Defense procurement and contracts. The major subdivisions under natural resources, environment, and energy are water resources and power, conservation and land management, and pollution control and abatement. The subdivision under commerce and transportation is water transportation.

104775

A Critique of the Performance of the Defense Systems Acquisition Review Council: Billions in Public Funds Involved. PSAD-78-14; B-163058. January 30, 1978. 27 pp. plus 1 appendix (5 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: General Procurement (1900).

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: Department of Defense; Department of the Army; Department of the Air Force; Department of the Navy; Department of Defense: Defense Systems Acquisition Review Council.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services; Congress.

Authority: DOD Directive 5000.1. DOD Directive 5000.2.

Abstract: The Defense Systems Acquisition Review Council (DSARC) advises the Secretary of Defense on the acquisition of major defense systems, reviews the status of individual programs, and formulates recommendations to the Secretary of Defense. It has conducted over 178 reviews since it began in 1969, and some programs have required successive reviews. **Findings/Conclusions:** Major changes in the management of weapon systems were recently introduced following criticism by the services of excessive program direction and micromanagement by the Office of the Secretary of Defense (OSD). These changes mean that future reviews of program progress for many weapon systems will be conducted by the military services and that OSD staffs will have a more limited role. Many claims of interference in program management stem from efforts of OSD to obtain the needed information for making meaningful reviews and recommendations. Program managers are responsible for expenditures involving billions of dollars, and a review of their actions is essential. Overall needs of DOD require coordination and control. There have been some problems in implementing the DSARC process, some aggravated by rapid turnover of key personnel. Delegation of reviews to the services could

be effective if the OSD maintained its capability of acquiring data, continued its participation in programs, and had final authority for major decisions. **Recommendation To Agencies:** The Secretary of Defense should: expedite identification and description of all mission areas and define each service's responsibility for each mission; require the services to justify each new, planned major weapon system; reevaluate the new service review procedures instituted in January 1977 to insure OSD staff adequate participation; retain the requirement for his staff to prepare independent program evaluations and cost estimates before each decision point; and undertake a review of administrative practices in weapon system acquisition management.

104797

Federal Efforts in Forecasting Snow Depth and Run-Off Information. CED-78-43; B-114885. January 27, 1978. 5 pp.
Report to Sen. James A. McClure; Sen. Frank Church; by Henry Eschwege, Director, GAO Community and Economic Development Division.

Issue Area: Water and Water Related Programs: Effectiveness of Existing Plans, Policies, and Programs for Water Resources Problems (2503).

Contact: Community and Economic Development Division.

Organization Concerned: Department of the Interior; Department of Agriculture; Department of Commerce; National Oceanic and Atmospheric Administration: National Weather Service; Soil Conservation Service; Department of the Army: Corps of Engineers; Bonneville Power Administration; Bureau of Reclamation.

Congressional Relevance: *Sen. James A. McClure; Sen. Frank Church.*

Abstract: The hydrometeorological data used in making water supply forecasts, including measurements of the snow water equivalent, precipitation, stream flow, and temperature are collected by several Federal agencies. **Findings/Conclusions:** In only one instance were agencies duplicating data collection efforts. However, the Soil Conservation Service and the National Weather Service have been preparing duplicate water supply forecasts in the Western United States for 30 years. Several other agencies prepare water supply forecasts to meet their own operational requirements, including the Bonneville Power Administration, the Bureau of Reclamation, and the Corps of Engineers. The Soil Conservation Service is responsible for gathering snow data and providing it to the public and to other Government agencies. The Service planned to automate its snow survey program using SNOTEL, telemetered snowpack and related hydrometeorological data from mountainous regions of the West. The proposed SNOTEL system was not completed on time because of: late deliveries from suppliers, interference from nearby power lines at one station, insufficient air conditioning installed at base stations, and the inability of batteries at remote sites to supply sufficient power when temperatures were very low.

104802

Uniform Accounting and Workload Measurement Systems Needed for Department of Defense Medical Facilities. FGMSD-77-8; B-133142. January 17, 1978. 20 pp. plus 2 appendices (5 pp.).
Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting (2800); National Productivity: Use of Productivity Data in the Budget Process (2905).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Defense.

Congressional Relevance: Congress.

Abstract: The Military Departments do not have uniform procedures for preparing budget estimates, accounting for costs,

measuring workload, and staffing medical facilities. Lacking comparable accounting and workload information, the Department of Defense (DOD) has been unable to make cost comparisons and evaluations of the management of military medical resources. **Findings/Conclusions:** Following an interim report, DOD officials developed and are testing a system based on a uniform chart of accounts for hospitals. DOD plans to develop uniform budgeting and staffing procedures for military medical facilities. **Recommendation To Agencies:** The Secretary of Defense should initiate uniform procedures for the accumulation and reporting of the military services' medical facility costs which are to be included in their operations and maintenance budget submissions; develop and issue uniform staffing criteria for military health care facilities; require that responsible Defense managers analyze uniform financial and workload information when it is developed and reported and take the necessary actions to allocate medical resources effectively and efficiently; and require that internal auditors participate in the development of uniform cost and workload systems for military medical facilities in order to assure that sufficient internal controls are included in the systems.

104804

Financial Status of Major Federal Acquisitions, September 30, 1977. PSAD-78-60; B-182956. January 20, 1978. 4 pp. plus 7 appendices (96 pp.).
Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: General Procurement (1900); General Procurement: Notifying the Congress of Status of Important Procurement Programs (1905); Science and Technology (2000).

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: Department of Defense; Department of Transportation; Department of Energy.

Congressional Relevance: *House Committee on Armed Services; Senate Committee on Armed Services; Congress.*

Abstract: Information was included on acquisitions which are past the planning stage and are in the development, test, production, or construction phases. The Department of Defense defined major programs as those with an estimated research, development, test, and evaluation cost exceeding \$75 million or an estimated production cost exceeding \$300 million. Civil agencies are establishing criteria to define major acquisitions since definitions vary in each agency. **Findings/Conclusions:** Cost increases of \$201 billion, or 72 percent, over baseline estimates were shown for 808 civil and military acquisitions. The acquisitions were expected to cost \$281 billion at their early or developmental stages; present agency estimates are \$482 billion. For 200 projects, costs increased by \$166 billion. Of this amount, \$66 billion, or 40 percent, was attributed to inflation. The other increases were attributed to changes in quantities ordered, system characteristics, spare parts or similar types of support needs, delivery dates, and inadequate original cost estimates.

104805

[Department of the Interior System of Recording, Billing, and Collecting Accounts Receivable]. FGMSD-77-66; B-159687. February 3, 1978. 2 pp. plus 1 enclosure (9 pp.).
Report to Secretary, Department of the Interior; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Accounting and Financial Reporting: Systems To Insure That Amounts Owed the Federal Government Are Fully and Promptly Collected (2803).

Contact: Financial and General Management Studies Division.

Organization Concerned: Bureau of Land Management; Bureau of Reclamation; Geological Survey; Department of the Interior.

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Congressional Relevance: *Senate* Committee on Energy and Natural Resources.

Abstract: At September 30, 1976, the Bureau of Land Management, Bureau of Reclamation, and U.S. Geological Survey reported accounts receivable from the public of \$45,026,000.

Findings/Conclusions: There is a need for more accurate recording and reporting of accounts receivable and better followup of delinquent accounts. At one or more of the agencies reviewed, recorded receivables were not accurate, allowances were not established for uncollectible accounts receivable, and delinquent accounts were not promptly identified for followup actions. **Recommendation To Agencies:** The Secretary of the Interior should: stress to agencies the need for more accurate recording and reporting of accounts receivable, require agencies to establish appropriate allowances for uncollectible accounts receivable, assure that the Bureau of Land Management and Geological Survey age all accounts receivable periodically and take aggressive action to collect delinquent accounts, advise all Interior agencies of the need to follow established procedures to insure timely collection action, and require the Geological Survey to revise its manual to specify time periods for collection actions to be taken on oil and gas leases.

104806

Opportunities for Improving Internal Auditing in the Department of Agriculture. CED-78-28; B-160759. February 9, 1978. 46 pp. plus 5 appendices (8 pp.).

Report to Secretary, Department of Agriculture; by Henry Eschwege, Director, GAO Community and Economic Development Division.

Issue Area: Internal Auditing Systems (0200).

Contact: Community and Economic Development Division.

Organization Concerned: Department of Agriculture; Department of Agriculture: Office of Audit.

Congressional Relevance: *House* Committee on Agriculture; *Senate* Committee on Agriculture, Nutrition, and Forestry.

Authority: Federal Management Circular 73-2.

Abstract: The Department of Agriculture's (USDA) audit requirements have increased sharply in recent years without a corresponding increase in the internal audit staff. To provide increased audit coverage and to make more effective use of available resources, the Office of Audit (OA) has: emphasized the use of advanced audit techniques such as statistical sampling and computer packages; increased the use of coordinated and program-type audits; attempted to increase the quantity and quality of State audits of USDA programs; and undertaken various management improvement projects intended to increase the efficiency and effectiveness of OA audit operations. **Findings/Conclusions:** The number of staff-years initially programmed for internal audit in 1977 was about the same as in 1962 when the audit function was first centralized. OA has been able to provide improved audit coverage, but the size and complexity of the USDA programs have increased so greatly that a number of areas do not receive enough audit coverage. The main shortfall in coverage is in USDA programs administered by State and local governments and educational institutions. Overall, OA audit reports are accurate, fair, and objective; they include all significant deficiencies detected during the audit; and they give adequate consideration to auditor comments. However, management of audits and the timeliness and clarity of reports on major audits could be improved. OA has recognized the need to improve work-paper techniques, cross-referencing of reports to supporting work-papers, and the timeliness and clarity of reports. **Recommendation To Agencies:** The Secretary of Agriculture should require the Director of OA to: further increase the use of program audits while continuing to perform a reasonable level of cycle coordinated audits and maintain adequate staff to perform and implement management improvement projects promptly and work with other agencies

to increase the number and quality of audits of Department programs by external audit groups. In addition, the Director of the OA should: complete the audit universe by adding requirements for contract audits and complete arrangements to coordinate requirements and plans for audits of the State welfare department indirect expense account reimbursements. He should also: take appropriate actions to insure that regional officers' report followup and closeout procedures are consistent and adequate, establish a system for periodic reports to OA on the status of open recommendations, and consider establishing an office-wide system to identify the more important recommendations for priority consideration.

104809

Cash and Investment Management of Department of Defense Nonappropriated Funds Need To Be Improved. FPCD-78-15; B-148581. January 19, 1978. 19 pp. plus 3 appendices (4 pp.).

Report to Rep. Jack Brooks, Chairman, House Committee on Government Operations: Legislation and National Security Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Personnel Management and Compensation (0300).

Contact: Federal Personnel and Compensation Division.

Organization Concerned: Department of Defense; Department of the Air Force; Department of the Navy; Department of the Army; Department of the Treasury.

Congressional Relevance: *House* Committee on Government Operations: Legislation and National Security Subcommittee; *Rep.* Jack Brooks.

Abstract: The Department of Defense (DOD) supplements the cost of morale, welfare, and recreation (MWR) programs with nonappropriated funds. These programs generate approximately \$5 billion in receipts each year which are managed by central offices in each military department. As of June 30, 1977, central funds had investments totaling approximately \$813 million. **Findings/Conclusions:** Several options were considered for involving the Treasury in holding and investing the cash, the most logical option being to transfer banking functions to the Treasury and to limit investments to Treasury obligations. This practice would be consistent with Federal fiscal and accounting policies and would have the most safeguards, but it would reduce interest income and investment flexibility. Management of MWR activities did not maximize the effectiveness of cash and investment functions, thus reducing interest earnings. While many central activities used some centralized banking, the Army and Marine Corps did not. In central banking, receipts from many activities are pooled into one or a few banks, enabling central management to invest larger amounts of funds. Deficiencies noted in investment management practices were: defense collateral requirements were not being followed in all cases; the Army, Navy, and Navy Resale System Office had large percentages of their central investments concentrated in single banks or geographic areas; the Army borrowed approximately \$14 million to invest at a higher rate of interest than allowed by DOD instructions; the Army lacked specific investment objectives and policies; and the Marine Corps lacked central control over revenues. **Recommendation To Agencies:** The Secretary of Defense should: direct the Army to adopt a centralized banking and accounting system to establish formalized objectives, goals, and procedures for cash flow management and to monitor its investment program; direct the Army, Navy, and Marine Corps to comply with DOD requirements for collateral; and direct the Marine Corps to adopt a centralized banking and accounting system and consider incorporating these functions with the Navy's.

104815

Automated Voucher Review and Payment System for Paying Private Sponsors of Child Nutrition Programs. B-178564. January 27, 1978. 5 pp.

Letter to Secretary, Department of Agriculture; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Food and Nutrition Service; Department of Agriculture.

104821

Summaries of Conclusions and Recommendations on the Operations of Civil Departments and Agencies. HRD-78-23; B-106190. January 26, 1978. 390 pp.

Report to Rep. George H. Mahon, Chairman, House Committee on Appropriations; Sen. John L. McClellan, Chairman, Senate Committee on Appropriations; by Elmer B. Staats, Comptroller General.

Contact: Human Resources Division.

Congressional Relevance: *House* Committee on Appropriations; *Senate* Committee on Appropriations; *Rep.* George H. Mahon; *Sen.* John L. McClellan.

Authority: Accounting and Auditing Act of 1950. 31 U.S.C. 66. Federal Food, Drug, and Cosmetic Act. Medical Device Amendments of 1976. P.L. 94-295. Antideficiency Act. 31 U.S.C. 665. Federal Land Policy and Management Act of 1976. P.L. 94-579. Public Works and Economic Development Act of 1966. Merchant Marine Act of 1936. Radiation Control for Health and Safety Act of 1968. Indian Education Act of 1972. Water Resources Development Act. Mining and Minerals Policy Act of 1970. Federal Coal Mine Health and Safety Act of 1969. P.L. 92-500.

Abstract: An annual report of summaries of GAO conclusions and recommendations resulting from audits and other review work in Federal civil departments and agencies is presented to assist congressional appropriations committees in their reviews of budget requests for fiscal year 1979. **Findings/Conclusions:** In its summary, matters affecting appropriations of all or most Federal departments and agencies are described. Additionally, the following topics were addressed: an organized approach to improve procurement practices, computer auditing in the executive departments, a new budgeting concept, federally assisted areawide planning, accounting systems not approved by the Comptroller General, programs to assist employees with alcohol-related problems, Federal white-collar job classifications, Federal assistance programs, and office copier costs in multiagency departments and agencies within the Government.

104831

Review of Widespread Errors in the Listing of Medicare Payments Over \$100,000 Released by HEW. HRD-78-32; B-164031(4). February 7, 1978. 8 pp.

Report to Rep. L. H. Fountain, Chairman, House Committee on Government Operations; Intergovernmental Relations and Human Resources Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Health Programs (1200).

Contact: Human Resources Division.

Organization Concerned: Department of Health, Education, and Welfare; Health Care Financing Administration; Medicare Bureau.

Congressional Relevance: *House* Committee on Government Operations; Intergovernmental Relations and Human Resources Subcommittee; *Rep.* L. H. Fountain.

Abstract: A review was undertaken of the Health Care Financing Administration's Medicare Bureau's listing of physicians and group practices receiving over \$100,000 in Medicare payments. **Findings/Conclusions:** In its review, GAO found that errors in the listing were caused primarily by the inaccurate and incomplete data

that the Bureau used in preparing the list. The list was prepared within an unnecessarily tight time limit. To develop the data, the Bureau relied on an information base, the Payment Review Project, with source data coming from two separate but related computer files, the Payment Record File and the Payment Record Reference File. Bureau officials knew that the files contained inaccuracies and incomplete information so a cover sheet was prepared to caution users that the list contained errors. Apparently, there was little or no proofreading of the listing prior to publication. Over 470 physicians complained about errors in the listing. Approximately 300 of the complaints concerned the use of an individual physician's name to identify a group practice, and there were about 100 complaints that physicians in group practices were listed as solo practitioners. A list of corrections was released to clarify the situations in which physicians complained that there were mistakes or misunderstandings.

104849

Veterans Administration Benefits Programs in the Philippines Need Reassessment. HRD-78-26; B-133044. January 18, 1978. 34 pp. plus 1 appendix (1 p.).

Report to Sen. William Proxmire, Chairman, Senate Committee on Appropriations; HUD-Independent Agencies Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Income Security and Social Services: Programs To Protect the Income of Working Americans (1306); Federally Sponsored or Assisted Employment and Training Programs: Trade Act of 1974 (3208).

Contact: Human Resources Division.

Organization Concerned: Department of Labor; Veterans Administration.

Congressional Relevance: *House* Committee on Ways and Means; *Senate* Committee on Finance; *Senate* Committee on Appropriations; HUD-Independent Agencies Subcommittee; *Sen.* William Proxmire.

Authority: P.L. 89-641. 38 U.S.C. 107. Armed Forces Voluntary Recruitment Act of 1945. National Service Life Insurance Act of 1940. P.L. 79-301. P.L. 94-432. P.L. 95-117. P.L. 94-502. P.L. 95-202.

Abstract: Filipino veterans, primarily of World War II, are entitled by law to pensions, educational benefits, and other compensation as American veterans. A review was undertaken to ascertain whether the Veterans Administration's benefits program should be reassessed. **Findings/Conclusions:** In its review, GAO found that Filipino veterans receive much higher benefits because the level of income in the Philippines is lower than in the United States. The situation causes many abuses of the programs in the Philippines and payments to American veterans in the United States that are disproportionate to their Filipino counterparts. **Recommendation To Congress:** The Subcommittee on HUD and Independent Agencies of the Senate Committee on Appropriations should: reassess the benefits programs and study the alternatives to curtail program abuses and to better equate benefit payments with the prevailing level of income in the Philippines; retain the present level of benefits but do not increase them in the future; move Veterans Administration functions to the United States; change the basis used to compute benefits; and set up a trust fund or negotiate a lump-sum settlement with the Republic of the Philippines to cover costs of all remaining benefits. The subcommittee should also consider rescission of the authority which permits Filipinos to enlist in the U.S. armed forces so that they will no longer be eligible to receive benefits. Since a reassessment of the program will probably take considerable time, the Administrator of Veterans Affairs should take the necessary actions in the interim to insure that payments are being made only to eligible beneficiaries.

Citation Section

104853

Handgun Control: Effectiveness and Costs. PAD-78-4; B-171019. February 6, 1978. 79 pp. plus 3 appendices (11 pp.). Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Law Enforcement and Crime Prevention (0500); Law Enforcement and Crime Prevention: Controlled Items (0502); Evaluation Guidelines and Methodology: New Techniques and Standards (2602).

Contact: Program Analysis Division.

Organization Concerned: Department of Justice; Department of the Treasury.

Congressional Relevance: House Committee on the Judiciary; Senate Committee on the Judiciary; Congress.

Authority: National Firearms Act of 1934. Federal Firearms Act of 1938. Gun Control Act of 1968.

Abstract: In 1976, 63.8 percent of murders, 23.6 percent of aggravated assaults, and 42.7 percent of robberies in the United States were committed with guns. Over the past 10 years the use of guns in crime has increased greatly. Three major Federal laws have controlled the sale and possession of firearms: the National Firearms Act of 1934, the Federal Firearms Act of 1938, and the Gun Control Act of 1968. **Findings/Conclusions:** There has been a direct relationship between increased handgun availability and increased gun-related crimes in America since the mid-sixties. The Gun Control Act was an attempt to remove inexpensive handguns from the market by restricting imports; it also attempted to aid State and local law enforcement by requiring gun purchasers to be State residents and prohibiting some people from buying guns. However, since it does not require verification of a purchaser's identity, it is not effective in deterring people with criminal records from acquiring guns. State and local laws affecting handguns consist of a patchwork of statutes and requirements, with State laws effective only within State lines and a lack of uniformity among States. Other attempts to curb gun-related crimes have been the enactment by some States of mandatory sentencing for crimes committed with guns and a Federal enforcement project. The effectiveness of these and other approaches has not been clearly established. It is difficult to estimate the cost of a national gun control system because there is no definitive design for such a system. Costs would depend on requirements and needs for personnel. Savings would result from integrating some State gun control systems into a national system. **Recommendation To Congress:** Congress should consider a national gun control system from a range of system designs and select a system which is most cost effective. Alternatives should include use of existing State systems. Consideration should also be given to: verifying an individual's identity and lack of criminal background in order to purchase or possess a handgun, examination of mandatory sentencing, and provisions for periodic evaluations.

104928

Economies Available Through Improved Inventory Management. LCD-78-212; B-114807. January 18, 1978. 20 pp.

Report to Joel W. Solomon, Administrator, General Services Administration; by Fred J. Shafer, Director, GAO Logistics and Communications Division.

Issue Area: Facilities and Material Management: Requirements for Equipment, Spare Parts and Supplies (0702).

Contact: Logistics and Communications Division.

Organization Concerned: General Services Administration.

Abstract: GAO reviewed the General Services Administration's (GSA) procedures and practices for managing its inventory. **Findings/Conclusions:** GSA can save millions of dollars annually through improved procedures and practices for procuring, managing, and supplying inventories. **Recommendation To Agencies:** The

Administrator of GSA should: stress the importance of making shipments direct from vendors to customers and establish a more realistic criterion for screening and selecting requisitions from user agencies that should be filled through diversion of quantities due in from vendors; establish a management information system that will require supervisors to determine that item managers use the criteria and arrange direct shipments when they are more economical; place greater emphasis on the need for timely cancellation or deferral of procurements; improve the usefulness of the overstock with due-in report; increase the units of issue quantities in the supply catalog for low-value items to quantities either consistent with the minimum commercial standard pack or to quantities repetitively ordered by customers over a short timespan; reevaluate current item authorizations for larger than economic order quantity buys to replenish depot stocks; and restrict future item authorizations for larger than economic order quantity buys to those instances justified by realistic projections of cost savings or other measurable benefits.

104931

Need for Improvements in the Federal Supply Service's Priority Requisitioning System. PSAD-78-47; B-114807. January 25, 1978. 20 pp. plus 3 appendices (7 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Facilities and Material Management (0700); General Procurement (1900); General Procurement: Determination of Performance Requirements in Relation to Need of the Procuring Agency (1902).

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: Federal Supply Service.

Congressional Relevance: Congress.

Abstract: The Federal Supply Service (FSS) is responsible for the procurement and supply of goods and services to Federal agencies. It maintains a priority requisitioning system in which customers assign a priority designator to each requisition indicating the urgency of their need, and requests are handled according to these priorities. **Findings/Conclusions:** There was extensive misuse of high priority codes. In a sample of civil and military requisitions in three FSS regions, 79 percent of high priority requisitions sampled had been assigned invalid designators. In March 1976, FSS started using a new computer system, the Central Requisition Router, to determine the most economical depot to handle customer requests. During fiscal year 1977, the system referred 95% of high priority requisitions, which could not be filled by primary depots, to secondary depots at an increase in transportation costs of about \$1.06 million. High costs are also incurred by emergency purchases of relatively small quantities of items needed to fill priority requisitions. Delays in processing routine requisitions are caused by the large volume of high priority requisitions being handled. FSS believes that the responsibility for correcting the misuse of high priorities belongs with the requisitioning activities. While GAO acknowledged that the agencies are responsible for assigning priorities, FSS should do what it can to see that agencies comply with the intent of the priority system. **Recommendation To Agencies:** The Commissioner of FSS should be required to: establish control procedures for monitoring the use of priority codes by customers; initiate programs to assist Federal agencies in developing management programs and procedures to promote the proper use of the priority code system; reevaluate the controls in the Central Requisition Router decision processes; and study the feasibility of implementing a program in which a premium would be paid by customers for priority treatment of orders.

104934

A Range of Cost Measuring Risk and Uncertainty in Major Programs: An Aid to Decisionmaking. PSAD-78-12; B-163058. February 2, 1978. 17 pp. plus 2 appendices (5 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: General Procurement (1900).

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: Department of Defense; Department of the Army; Department of the Air Force; Department of the Navy.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services; Congress.

Authority: OMB Circular A-109.

Abstract: Historically, major Federal programs and projects have experienced substantial cost growth. Overly optimistic estimates, problems encountered during the life of the program, inflation, and uncertainty associated with the estimating process itself contribute to the cost increases. **Findings/Conclusions:** Uncertainty is the keynote in decisions involving Federal programs which span many years. Agencies continue to present early cost projections to Congress as single-point estimates despite the fact that they are highly misleading. A range of probable cost should be presented in addition to the single, most likely, point estimate which would remain as program and budget cost estimates. **Recommendation To Congress:** Congress should require that each agency submit to the pertinent oversight and appropriation committees an analysis of the uncertainties affecting each program including: an identification of significant uncertainties that could cause deviations in estimated program cost, a range of potential cost around the point estimate reflecting the potential cost changes, and a statement of the likelihood of the actual cost exceeding certain predetermined levels.

105026

[Improvements Needed in Processing Civil Service Retirement Claims]. FPCD-78-10; B-179810. January 30, 1978. 3 pp. plus 3 appendices (15 pp.).

Report to Rep. John E. Moss; by Elmer B. Staats, Comptroller General.

Issue Area: Personnel Management and Compensation: Administration of Retirement Programs (0308); Income Security and Social Services: Payment Processes (1309).

Contact: Federal Personnel and Compensation Division.

Organization Concerned: United States Civil Service Commission; United States Civil Service Commission: Bureau of Retirement, Insurance, and Occupational Health.

Congressional Relevance: Rep. John E. Moss.

Authority: 5 U.S.C. 83.

Abstract: The processing function for civil service retirement and refund claims includes employing-agency processing of individual retirement records and adjudication of claims by the Civil Service Commission's (CSC) Bureau of Retirement, Insurance, and Occupational Health. An estimated 160,000 retirement and survivor annuitant claims and 132,000 refund claims were processed in fiscal year 1977. **Findings/Conclusions:** Employing agencies have not met established standards in submitting individual retirement records to the Bureau. Delays occur because of poor coordination, low priority assignment, erroneous data, and personnel shortages. The Bureau has not been effective in speeding up the process or in assisting agencies in identifying causes of delays and following up on corrective actions. It does not have established claims processing standards and, after receiving retirement records from agencies, does not process claims promptly. Financial hardship to retiring employees and survivor claimants has resulted from delays and the fact that survivor claimants did not receive special payments while

claims were being processed. Also, the Bureau has not carried out the CSC policy of requiring complete and timely replies to correspondence. CSC recently instituted several new policies and procedures which should speed up payments, but additional steps are needed. **Recommendation To Agencies:** The Chairman of CSC should: assign a higher priority to the Bureau's monitoring of employing-agency performance in submitting timely, complete, and accurate retirement records and files; have Bureau officials work with agency officials to identify problems and take corrective action; establish a time standard for the timeliness of claims processing; determine why replies to correspondence have not been made more quickly; assess whether established time standards are realistic; and place greater emphasis on promptness in providing requested survivor claim application forms.

105027

Conrail's Attempts To Improve Its Use of Freight Cars. CED-78-23; B-164497(5). January 24, 1978. 27 pp. plus 2 appendices (4 pp.). Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Transportation Systems and Policies: Railroad Freight Transportation System (2407).

Contact: Community and Economic Development Division.

Organization Concerned: Consolidated Rail Corp.; United States Railway Association.

Congressional Relevance: House Committee on Interstate and Foreign Commerce; Senate Committee on Commerce, Science, and Transportation; Congress.

Authority: Regional Rail Reorganization Act of 1973. 45 U.S.C. 701.

Abstract: The Consolidated Rail Corporation (Conrail) began operating important sections of six railroads in the Northeast in April 1976 under a reorganization plan known as the Final System Plan. This plan was developed by the U.S. Railway Association and approved by Congress in November 1975. It provided for Government investment in Conrail of up to \$2.1 billion through the end of 1979 by the purchase of stock and debentures. The plan included financial projections through 1985 that Conrail would begin to make a profit by 1979 and would remain profitable through 1985. The plan shows that, to make a profit by 1979 and remain profitable thereafter, Conrail would need to greatly improve its rate of use of freight cars over its predecessors' 1973 rate. A projected 28 percent improvement would save Conrail \$1 billion in capital expenditures through 1985 because 26,000 new freight cars would not be needed. **Findings/Conclusions:** Although Conrail's use rate for the first 7 months of 1977 was about 13 percent less than the 1973 rate, the Final System Plan did not anticipate significant improvement in car use during Conrail's first 3 years of operations. The plan estimated that a major part of the improvement would come in 1979 when a new operating control system was to be installed and operating. The control system will not be fully operational before at least 1982 or 1983, thus delaying the benefits anticipated in the plan. Conrail is meeting most of the other recommended improvements called for in the plan. It appears that certain improvements, such as rehabilitating the freight car fleet, may cost more than estimated. Track rehabilitation during 1976 slightly exceeded the goals of the plan. Whether the improvements Conrail is making will be sufficient to provide for a 28 percent improvement in freight car utilization by 1981 cannot be determined with certainty at this stage. Conrail has stated that it will need additional funding to become self-sustaining and that its financial position does not allow it to proceed with the new control system until additional funding is available.

Citation Section

105041

[Review of Selected Office of Minority Business Enterprise Activities]. CED-78-51; B-149685. February 16, 1978. 4 pp. plus 2 enclosures (7 pp.).

Report to Sen. Charles H. Percy; by Henry Eschwege, Director, GAO Community and Economic Development Division.

Issue Area: Domestic Housing and Community Development: Assisting Community Development Through Loans and Grants to Businesses (2110).

Contact: Community and Economic Development Division.

Organization Concerned: Small Business Administration; Office of Minority Business Enterprise.

Congressional Relevance: Sen. Charles H. Percy.

Abstract: A preliminary inquiry into the operations and efficiency of the Office of Minority Business Enterprise (OMBE) was conducted to determine whether the following information could be obtained: the number and percentage of minority group members employed by OMBE, a State-by-State breakdown of the number and amount of Small Business Administration (SBA) loans obtained by OMBE-funded organizations for minority-owned businesses, the average cost to the taxpayer for each business established due to OMBE efforts, and the number of OMBE-assisted companies that have become profitable and the number sustaining losses. **Findings/Conclusions:** During fiscal years (FY) 1972 through 1977, the number of minority members employed by OMBE ranged from 152 to 206, representing percentages from 64.7 to 80.2. The State-by-State breakdown was available only for FY's 1976 and 1977, and data for other years were incomplete. The average cost to OMBE for servicing each client totaled \$1,701 per year. OMBE does not collect data on profitability, and there was not enough data to determine the payment status of SBA loans made to OMBE-assisted companies.

105048

The General Services Administration's Consumer Information Center. LCD-78-412; B-139310. February 23, 1978. 29 pp.

Report to Rep. Edward P. Boland, Chairman, House Committee on Appropriations: HUD-Independent Agencies Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Facilities and Material Management (0700).

Contact: Logistics and Communications Division.

Organization Concerned: General Services Administration; Government Printing Office.

Congressional Relevance: House Committee on Appropriations: HUD-Independent Agencies Subcommittee; Rep. Edward P. Boland.

Authority: Executive Order 11566. 35 Fed. Reg. 16675.

Abstract: The Consumer Information Center was established in 1970 as an independent office within the General Services Administration (GSA) to make available to the public a wide variety of consumer-related product information accumulated by the Federal Government as a result of its procurement and use of the products. The Center: determines what publications interest the public, obtains publications from Federal agencies to meet consumer interest, prints and distributes a list of these publications in its Consumer Information Catalog, and informs the public that the information is available. **Findings/Conclusions:** The Center appears to have effectively promoted the development and dissemination of information of interest to a broad audience of consumers. Although the Center locates and reviews a large number of publications, its efforts could be supplemented to avoid developing new publications that may duplicate existing ones. Costs for the Center are estimated at over \$6.9 million a year; the largest single portion,

is for distribution of free publications. These distribution costs are primarily postage or order-filling labor costs. **Recommendation To Agencies:** The Administrator of General Services should direct that the Center Director investigate alternative ways to increase the Center's effectiveness in informing the public of available information. The Center should consider using the Government Printing Office's select list catalog, the Department of Agriculture's catalogs and lists, and other Government catalogs to further publicize consumer information at the least cost to the Government.

105049

An Analysis of IRS' Proposed Tax Administration System: Lessons for the Future. GGD-78-43; B-137762. March 1, 1978. 49 pp. plus 3 appendices (15 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Social and Economic Impacts of Computer-Based Systems (0109); Tax Administration (2700).

Contact: General Government Division.

Organization Concerned: Internal Revenue Service; Department of the Treasury.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Finance; Congress.

Authority: Privacy Act of 1974. 5 U.S.C. 552a. Tax Reform Act of 1976. 26 U.S.C. 6103. Internal Revenue Code (IRC).

Abstract: The Tax Administration System (TAS) was proposed to meet the Internal Revenue Service's (IRS) information needs through extensive use of interactive on-line processing and decentralization of the tax account master files. Because of uncertainties relating to costs and benefits of the system and concerns about privacy, plans for TAS were discontinued and, instead, funds are being sought to upgrade the current system. Observations developed during a review of TAS may be useful in evaluating requests for future computer systems. **Findings/Conclusions:** In seeking approval for TAS, IRS noted that its current computer systems would be overtaken by increasing workload, obsolescence, and decreased manufacturer spare parts and maintenance support by the mid-1980's. The IRS current equipment, with planned enhancements, had substantial workload growth capacity, and there did not seem to be a basis for concerns that manufacturers would withdraw support. The 1975, IRS cost-benefit analysis, used as support for its fiscal year 1977 budget request, overstated expected benefits by about \$607 million, and an additional \$458 million lacked sufficient documentation for verification. In a revised analysis prepared in May 1977, 50 percent of expected benefits were again overstated or undocumented. It was difficult to evaluate the adequacy of the system's privacy provisions, but instances were observed in the areas of linkage, consolidation, and derivation of data which may require tightening of laws protecting the confidentiality of tax returns. A long-range equipment replacement plan is needed for the IRS computer system which will require a critical, well-documented analysis of problems and alternatives. **Recommendation To Congress:** Congress could amend section 6103 of the Internal Revenue Code to expressly prohibit IRS from linking or consolidating tax returns or return information for non-tax administration purposes.

105064

Further Actions Needed To Resolve VA's Education Assistance Overpayment Problem. HRD-78-45; B-133044. February 17, 1978. 48 pp. plus 1 appendix (1 p.).

Report to Sen. William Proxmire, Chairman, Senate Committee on Appropriations: HUD-Independent Agencies Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Education (3300); Education: Programs To Foster Educational Opportunities (3302).

Contact: Human Resources Division.

Organization Concerned: Veterans Administration.

Congressional Relevance: House Committee on Veterans' Affairs; Senate Committee on Veterans' Affairs; Senate Committee on Appropriations: HUD-Independent Agencies Subcommittee; Sen. William Proxmire.

Authority: HUD-Independent Agencies Appropriation Act of 1977. P.L. 94-378. 38 U.S.C. 1780. 38 U.S.C. 31. 38 U.S.C. 34. P.L. 92-540.

Abstract: The Veterans Administration's (VA) educational assistance programs provide funds for tuition and living expenses to veterans and eligible dependents while in training. Since 1973, overpayments of these benefits have become a serious problem. During the 3.5 years ended December 31, 1975, overpayments totaled almost \$1.3 billion, of which \$298.2 million remained uncollected on December 31, 1975. **Findings/Conclusions:** At the VA Los Angeles Office, overpayments were caused by delays in reporting training changes, issuance of special payments, poor processing practices, and the prepayment and advance payment provisions of the VA educational assistance law. The VA has taken some actions on recommendations in the March 1976 GAO report, but it still needs to: acquire additional compliance survey specialists; change its listing of overpayments to show accurate current balances; identify schools which may be liable for overpayments so that prompt collection action can be taken if the courts uphold the authority of VA to do so; conduct an additional test program which considers costs and benefits for automating the processing of status changes; further reduce special payments; make better determinations of the use of teletype notices to stop overpayments; implement improvements in collection letters; and set a date for completion of a data system on overpayment collection costs. If VA concentrated on minimizing causes of overpayments, its need for an elaborate collection system would be lessened. **Recommendation To Agencies:** VA should: increase the use of its on-campus resources in identifying and correcting overpayments and improve the timeliness of collection actions on special payments resulting in overpayments.

105082

Improved Management Needed Over the Agency for International Development's Operating Costs. ID-78-15; B-133220. February 14, 1978. 25 pp. plus 2 appendices (6 pp.).

Report to John J. Gilligan, Administrator, Agency for International Development; by J. Kenneth Fasick, Director, GAO International Division.

Issue Area: International Affairs (0600).

Contact: International Division.

Organization Concerned: Department of State; Agency for International Development.

Congressional Relevance: House Committee on International Relations; Senate Committee on Foreign Relations.

Authority: Foreign Assistance Act of 1961. 22 U.S.C. 2396.

Abstract: The Agency for International Development's (AID) operating expenses for administrative and overhead costs have been of increasing concern to Congress in recent years. AID fiscal year 1978 operating expense budget totaled \$233.8 million. **Findings/Conclusions:** AID operating expense budgets are formulated without adequate reviews of overseas missions' budget requests. Washington offices responsible for reviewing overseas operating expenses lack sufficient personnel and information to make effective evaluations. Operating expense funds are

sometimes used for questionable or, in some cases, unauthorized purposes, often because of the failure of AID officials to follow applicable policies. Deficiencies found in property management in Washington were: incomplete property records, failure to conduct physical inventories since June 30, 1974, and inadequate guidance to personnel. Deficiencies found overseas were: incomplete records, failure to establish authorized type and quantities of property items, and failure to conduct utilization reviews to ascertain equipment needs. These weaknesses could waste public funds through unnecessary procurement and misuse or loss of Government property. **Recommendation To Agencies:** The AID Administrator should make certain that: headquarters thoroughly and critically reviews and analyzes operating expense budgets of AID missions overseas before they are submitted to Congress, the regulations and procedures governing the expenditure of operating expense funds are fully complied with, and an effective management and control system is established and maintained over AID property and equipment.

105084

More Effective Controls Over Bureau of Indian Affairs Administrative Costs Are Needed. FGMSD-78-17; B-114868. February 15, 1978. 35 pp.

Report to Sen. Robert C. Byrd, Chairman, Senate Committee on Appropriations: Interior Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Organization Concerned: Bureau of Indian Affairs; Department of the Interior.

Congressional Relevance: Senate Committee on Appropriations: Interior Subcommittee; Sen. Robert C. Byrd.

Authority: Budget and Accounting Procedures Act of 1950.

Abstract: The Bureau of Indian Affairs (BIA) was asked by congressional committees to reduce costs of administering Indian programs for fiscal years 1977 and 1978 by about \$8.5 million because evidence suggested that costs were excessive. **Findings/Conclusions:** BIA reduced costs by about \$900,000 and then, rather than reduce the remaining administrative costs as directed, it reduced funds for Indian programs. It also avoided reductions in administrative costs by such actions as: netting the reduction against other program costs and allocating them to the many BIA offices without identifying the amount of reduction; reducing funds for computer operations and recovering funds by receiving reimbursement from Indian programs for services; and failing to reduce personnel, claiming that reductions would have prevented it from providing essential services. BIA arguments for maintaining its administrative costs level are inconsistent with audit report disclosures that shortcomings in personnel organizations' operating budgets to management and other adverse conditions have resulted in unnecessarily high costs. Weaknesses in the BIA financial management system prevented it from controlling costs effectively and contributed to its high administrative costs. **Recommendation To Congress:** Congress should: exercise better controls over BIA administrative costs by changing its method of appropriating funds for this purpose, using separate appropriations or a dollar limitation; and specify amounts for personnel costs. **Recommendation To Agencies:** The Secretary of the Interior should require BIA to change its budgets and related justifications to show total administrative costs and personnel by specific offices and program category. He should also direct BIA to: revise its accounting system to use its organizations' operating budgets to control costs and prevent unauthorized deviations from operating budgets, establish fund controls that will keep area offices within amounts budgeted, and require prior approval for significant deviations, act immediately to reduce its administrative costs for fiscal year 1978 by the \$4

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million requested by the committees, discontinue plans to show reimbursement for computer operations as reductions in administrative costs, and identify and eliminate overlapping positions and unqualified personnel.

105090

The Federal Government's Bill Payment Performance Is Good but Should Be Better. FGMSD-78-16; B-160725. February 24, 1978. 30 pp. plus 3 appendices (29 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Defense; General Services Administration; Office of Management and Budget; Department of the Treasury.

Congressional Relevance: House Committee on Armed Services; Congress.

Authority: 10 U.S.C. 2307. 31 U.S.C. 529. 41 U.S.C. 255.

Abstract: Many companies doing business with the Federal Government have complained that its agencies are slow in paying their bills. To determine how well the Government does as a bill payer, a sample of 3,263 contractor invoices totaling \$34.1 million was analyzed as were responses from 590 contractors concerning the payment performance of Federal agencies. **Findings/Conclusions:** About 61 percent of the Government's bills and 81 percent of the dollar total are paid within 30 days, the accepted period in commercial practice. Nearly 85 percent of the bills and 98 percent of the dollar total are paid within 60 days. When adjusted for delays caused by contractors and other causes not attributable to Federal agencies, 70 percent of the bills and 83 percent of the dollar amount were paid on time. Delays in making payments harm the contractors' cashflow and reduce the Government's opportunity to benefit from cash discounts. Delayed payments may also cause contractors to stop doing business with Federal agencies, although only 16 percent of the companies questioned indicated that they were dissatisfied with the Government's payments. Invoices involving recurring payments, such as utilities and telephone and data processing services were twice as likely to be late as invoices for one-time procurements, and invoices for large amounts were generally paid faster than small-dollar invoices. **Recommendation To Agencies:** The Director of the Office of Management and Budget together with the Departments of the Treasury and Defense and the General Services Administration, should: require Federal agencies, when practical, to include payment terms in each contract and purchase order; develop due date standards for major types of goods and services; explore the extended use by both civil and military agencies of procedures for paying bills without a receiving report; authorize the use of imprest funds to pay small bills on delivery; decide how close to the due date agencies should schedule bills for payment; and continue to monitor payment performance, making sure that agencies are adopting procedures to pay bills on time and evaluating the need for further improvements.

105097

Review of the Office Equipment Service, House of Representatives, for the Year Ended June 30, 1977. GGD-78-4; B-114865. February 21, 1978. 4 pp. plus 1 enclosure (1 p.).

Report to Edmund L. Henshaw, Jr., House of Representatives: Clerk of the House; by Elmer B. Staats, Comptroller General.

Contact: General Government Division.

Organization Concerned: House of Representatives: Clerk of the House; Office Supply Service.

Congressional Relevance: House Committee on House Administration.

Authority: 2 U.S.C. 112e.

Abstract: The Clerk of the House of Representatives is responsible for furnishing electrical and mechanical office equipment to Members, officers, and committees of the House of Representatives. The Clerk's responsibilities for furnishing office equipment are carried out by the Office of Equipment Service's accounting, messenger, and typewriter repair service units. The Service maintains a computerized system of accounts which provides for each type of equipment: information on inventories, acquisitions and disposals during the year, items furnished to and accountable by each Member or officer; and a summary listing of disposed equipment. **Findings/Conclusions:** As of June 30, 1977, the inventory of office equipment consisted of 11,425 items with an acquisition cost of about \$7.2 million and a net book value of about \$3.6 million. The purchase and disposal transactions were properly documented and recorded, and Service records adequately account for owned equipment and provide adequate control over the dollar amount of equipment chargeable to Members. The Service also maintains manual records of leased office equipment which adequately account for Member's leased equipment and provide adequate control of the dollar amount of leasing allowances.

105100

[Major GSA Issues Identified in Audit Reports]. November 7, 1977. 2 pp. plus 4 enclosures (48 pp.).

Letter to Joseph Malaga, Executive Director, General Services Administration; by Robert G. Rothwell, Deputy Director, GAO Logistics and Communications Division.

Contact: Logistics and Communications Division.

Organization Concerned: Federal Supply Service; National Archives and Records Service; Federal Preparedness Agency; General Services Administration.

105114

Problems in Carrying Out the National Blood Policy. HRD-77-150; B-164031(2). March 7, 1978. 25 pp. plus 4 appendices (15 pp.). Report to Secretary, Department of Health, Education, and Welfare; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Health Programs: Quality Care and Its Assurance (1213).

Contact: Human Resources Division.

Organization Concerned: American Blood Commission; Department of Health, Education, and Welfare; Health Care Financing Administration.

Congressional Relevance: House Committee on Interstate and Foreign Commerce; Senate Committee on Human Resources.

Abstract: The American Blood Commission was organized to carry out the National Blood Policy, a plan developed by the Department of Health, Education, and Welfare (HEW) for developing a safe, fast, and efficient blood collection and distribution system. The policy prescribed improvements in blood banking to include regionalized blood collection and distribution, transition to an all-voluntary blood donation system, and the rational alignment of charges and costs for blood services. **Findings/Conclusions:** The Commission primarily develops and tests standards, guidelines, and procedures pertaining to blood banking. Factors which will make it difficult for the Commission to carry out its policy are: difficulties in obtaining funds to support its operations; disagreement between the two largest blood suppliers; possible opposition, especially from areas in which there are multiple suppliers of blood, to regionalized blood collecting and distributing; possible problems in obtaining data from blood banks by the National Blood Data Center; and lay members' lack of sufficient knowledge of blood banking. The Health Care Financing Administration (HCFA) has not yet developed a system to relate costs and charges for blood services.

Recommendation To Agencies: The Secretary of HEW should: monitor closely the progress of the Commission toward carrying out the National Blood Policy and, if necessary, consider a legislative or regulatory approach; and instruct the Administrator, HCFA, to report on attempts to relate the costs of and charges for blood services.

105126

The District of Columbia Needs a Program To Identify Vacant Houses and Get Them Back on the Market. GGD-78-35; B-118638. February 22, 1978. 22 pp. plus 2 appendices (12 pp.).
Report to Walter E. Washington, Mayor, District of Columbia; by Victor L. Lowe, Director, GAO General Government Division.

Issue Area: Domestic Housing and Community Development: Assisting Urban Communities to Prevent and Eliminate Blight and Deterioration (2102).

Contact: General Government Division.

Organization Concerned: District of Columbia: Department of Environmental Services; District of Columbia: Department of Housing and Community Development.

Congressional Relevance: *House* Committee on District of Columbia; *Senate* Committee on Governmental Affairs.

Authority: 87 Stat. 774. District of Columbia Self Government and Governmental Reorganization Act. P.L. 93-198. D.C. Revenue Act of 1975. P.L. 93-407. D.C. Code 5-622.

Abstract: Vacant houses represent a serious problem in the midst of a housing shortage in the District of Columbia. Although the District has been talking about vacant housing for a long time, it has done little to return such housing to the real estate market. The principal reasons are that the District had neither: complete and accurate data on the number, location, and physical condition of vacant houses; a system to develop such information; nor a specific program to return such vacant houses to use. **Findings/Conclusions:** A program to deal with vacant housing in the District must establish a vacant house inventory system to ascertain, on a continuing basis, the number, location, and condition of such housing. The Department of Environmental Services (DES) can identify vacant houses through its water meter records and meter reading staff. There is no limit on how long a house can remain vacant and off the market, and the District can take no action against the owner of a vacant house as long as the owner pays property taxes and complies with housing ordinances. Returning vacant houses to use is a complex and difficult problem to resolve. The District is pursuing several approaches, including providing lists of vacant housing to prospective buyers, using Community Development Block Grant funds to rehabilitate vacant houses, and selling tax delinquent property to encourage home ownership. **Recommendation To Agencies:** The District should develop a specific program to identify and return vacant housing to use. This program should include: initiating procedures to identify vacant housing as part of DES proposed meter reading and billing system, providing updated lists of locations and owners of vacant houses to prospective buyers, contacting vacant houses' owners to find out their plans for the housing, increasing the use of grant funds to rehabilitate vacant housing whenever possible, and completing and implementing tax delinquent property program regulations.

105129

The Federal Government Should but Doesn't Know the Cost of Administering Its Assistance Programs. GGD-77-87; B-146285. February 14, 1978. 28 pp. plus 7 appendices (20 pp.).
Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Intergovernmental Policies and Fiscal Relations: Reforming the Federal Assistance System (0405); Accounting and Financial Reporting: Reporting Systems' Adequacy To Disclose

the Results of Government Operations and To Provide Useful Information (2811).

Contact: General Government Division.

Organization Concerned: Office of Management and Budget; Executive Office of the President.

Congressional Relevance: Congress.

Abstract: Federal programs of assistance to State and local governments have grown in number during the past two decades, and costs have increased from an estimated \$6.7 billion in fiscal year 1959 to an estimated \$70 billion in 1977. Because of the growth and complexity of Federal assistance, legislative and executive officials have expressed a need for a better understanding of the program administration. **Findings/Conclusions:** The Federal Government lacks a systematic method of determining what it costs to administer its numerous domestic assistance programs. Attempts to analyze and compare the efficiency of the various administrative methods used have had limited success, largely because of the lack of systems for reporting information on financial and staff resources used in administering individual programs. The percentage of available funds spent for administration under 72 programs studied ranged from 0.3 percent to 28.5 percent. Use of dollar and staff resources varied considerably for programs of similar size, distribution method, administrative network, services provided, and even within the same program from State to State. These variances reflect differences in methods and efficiency of program administration and demonstrate the need for systematic information collection and analysis. This information could be used to identify programs in which the following administrative improvements could be made: consolidation of small, inefficient programs; reduction of the number of levels involved in administering some programs; elimination of inefficient practices; and application of proven practices to new and existing programs. **Recommendation To Agencies:** The Director, Office of Management and Budget, in cooperation with Federal, State, and local agencies administering assistance programs, should take the leadership role in an effort to implement a Government-wide approach for accumulating, analyzing, and disseminating data on the financial and staff resources used in administering Federal Assistance Programs.

105142

The FBI's System for Managing Investigative Resources and Measuring Results: Improvements Are Being Made. GGD-78-1; B-179296. February 15, 1978. 48 pp. plus 6 appendices (20 pp.).
Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Evaluation Guidelines and Methodology: Agency Evaluation (2601); Evaluation Guidelines and Methodology: New Techniques and Standards (2602); Accounting and Financial Reporting (2800).

Contact: General Government Division.

Organization Concerned: Department of Justice; Federal Bureau of Investigation; Department of Justice: Office of the Attorney General.

Congressional Relevance: *House* Committee on the Judiciary; *Senate* Committee on the Judiciary; Congress.

Abstract: In 1975, the Federal Bureau of Investigation (FBI) initiated a new approach to investigations, replacing caseload management with a quality over quantity approach. **Findings/Conclusions:** Limitations in using this approach resulted from the lack of a clear definition of a quality case or priority area and inadequate coordination with U.S. attorneys. Accomplishment statistics (consisting of convictions, fines, savings, recoveries, and fugitive locations) are the only systematically recorded information of the FBI on investigative results. These statistics were misleading because the format did not explain what the statistics meant and how dollar values had been determined, also the FBI had not established specific criteria on how accomplishments were to be claimed by field officers.

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Because of problems in the new approach, the FBI developed a new information system, the Resource Management Information System, to manage and allocate resources more effectively. It is expected to provide: a better basis for determining quality and allocating resources, more comprehensive and integrated data, and better criteria for determining and controlling the validity of investigative results. **Recommendation To Agencies:** The Attorney General should make sure that: the Resource Management Information System is monitored closely so that it adequately addresses the problems cited, U.S. attorneys and FBI field office personnel establish and pursue mutual priorities and develop prospective guidelines to identify complaints that will not be prosecuted and thus should not be fully investigated, and the Department of Justice and FBI headquarters officials meet regularly to discuss ways to make Federal law enforcement more effective.

105151

Management and Use of Army Enlisted Personnel: What Needs To Be Done. FPCD-78-6; B-146890. February 16, 1978. 37 pp. plus 5 appendices (17 pp.).

Report to Secretary, Department of Defense; by Hyman L. Krieger, Director, GAO Federal Personnel and Compensation Division.

Issue Area: Personnel Management and Compensation (0300).

Contact: Federal Personnel and Compensation Division.

Organization Concerned: Department of the Army; Department of Defense.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services.

Authority: 88 Stat. 119. Armed Forces Enlisted Personnel Bonus Revision Act of 1974. 37 U.S.C. 308. P.L. 93-277. A.R. 600-200. A.R. 614-200. A.R. 614-6. DOD Directive 1304.21. DOD Directive 1315.7. 10 U.S.C. 3062.

Abstract: For many years, the Army relied on the draft to acquire a large, continuing supply of new personnel. Since the draft ended, it has pursued an aggressive program to recruit volunteers, paying bonuses to enlistees for critically needed skills. Although the Army has shortages of enlisted personnel in critically needed skills, it has substantial numbers of individuals qualified in those skills. It has had problems in maintaining an inventory of personnel with skills to match its needs. The Army needs a workable system for distributing, assigning, using, and accounting for its personnel. **Findings/Conclusions:** Army personnel management policies, regulations, and instructions need to be made more specific to guide officials at headquarters and field installations in attaining the most effective distribution, assignment, and use of enlisted personnel practicable. The Army's combat mission capability has priority, but its peacetime role and demands on personnel are important. Headquarters has not officially recognized that its personnel management policies and instructions must also serve peacetime needs. There is little or no peacetime need for some authorized positions in garrison, but some garrison needs that do exist are not always met. The personnel distribution and assignment system often does not get the right people to the right place at the right time. In the absence of standard procedures, each installation manager must, to some extent, apply his own techniques and judgment to the allocation of skilled personnel. **Recommendation To Agencies:** The Secretary of Defense, with the cooperation of the Secretary of the Army should: designate a single authority to prescribe and enforce poli-

cies and regulations; issue specific instructions to guide officials at all levels; develop techniques for managing enlisted personnel by skill to provide more effective control over the acquisition, distribution, assignment, and use of personnel; determine whether the policy for the payment of enlistment bonuses is administered prudently; clarify criteria to be used in measuring personnel readiness; modify the personnel reporting system to provide realistic data for each individual; and direct the audit, inspection, and other evaluation organizations to intensify their examination of and reporting on the effectiveness of personnel management.

105156

An Evaluation of Department of Defense Comments on a Critical Report. FPCD-78-20; B-146890. March 13, 1978. 2 pp.

Report to Rep. Melvin Price, Chairman, House Committee on Armed Services; by Elmer B. Staats, Comptroller General.

Issue Area: Personnel Management and Compensation: Work Force Planning (0313).

Contact: Federal Personnel and Compensation Division.

Organization Concerned: Department of the Navy; Department of Defense.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services; Rep. Melvin Price.

Abstract: A September 1977 report on enlisted career force management pointed out many management improvements that have been made in the military services and the Department of Defense (DOD) to correct enlisted career force imbalances and prevent them from recurring. However, action needs to be taken to bring the career force into balance with enlisted force objectives earlier than the 7- to 10-year timeframe planned by DOD. The report recommended developing ways to measure the effectiveness of enlisted career force objectives on a cost-benefit basis and discussed the use of such measurements. **Findings/Conclusions:** DOD did not concur with the recommendation that management policies be established to expedite bringing the enlisted career inventory into agreement with the objective force profile. The agency pointed out that each individual has a valid job commensurate with his or her grade and skill level, and none is surplus to the total requirements of the service. DOD also did not agree that the Navy utility model should be used on an interim basis. The utility measures developed by the Navy are not transferable to other services, are only approximate measures of benefits, and possess other shortcomings. The recommendation separately promotes the utility concept, its application, and the costing methodology developed by the Navy. DOD deferred comment on the recommendation that Congress enact legislation authorizing readjustment pay for enlisted personnel who are involuntarily separated until the President's Commission on Military Compensation makes its final report.

105315

More Federal Efforts Needed To Improve Indians' Standard of Living Through Business Development. CED-78-50; B-114868. February 15, 1978. 58 pp. plus 2 appendices (4 pp.).

Report to Sen. Robert C. Byrd, Chairman, Senate Committee on Appropriations: Interior Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Evaluation Guidelines and Methodology (2600).

Contact: Community and Economic Development Division.

Organization Concerned: Bureau of Indian Affairs; Department of

the Interior; Economic Development Administration.

Congressional Relevance: *House* Committee on Interior and Insular Affairs; *Senate* Committee on Appropriations: Interior Subcommittee; *Senate* Select Committee on Indian Affairs; *Sen.* Robert C. Byrd.

Authority: Indian Financing Act of 1974.

Abstract: The Indian Financing Act of 1974 was enacted to stimulate economic development on Indian reservations by increasing the availability of funds for starting and expanding business enterprises. **Findings/Conclusions:** Eight Federal agencies administering 25 grant, loan, and technical assistance programs have not been very successful because the Indian reservations are not generally well suited for business development. Some of the reservations have little potential for success without long-term Federal assistance. From fiscal years 1975 through 1977, the Economic Development Administration (EDA) and the Bureau of Indian Affairs (BIA) have provided \$294 million through loans and grants to help establish businesses on Indian reservations. In 45 industrial parks financed by EDA, the number of businesses decreased since 1973. Deficiencies in BIA administration has caused the loan and grant programs to suffer from delinquencies, inadequate accounting systems, poor analysis of loan and grant applications, missing documents in loan and grant files, inadequate loan servicing, short repayment terms, and limited provision of technical assistance. About 300,000 Indians are not eligible for loans because of certain prohibitions in the Act. **Recommendation To Congress:** Congress should: determine whether restrictive provisions in the Act should continue and, if not, amend the Act; and consolidate Federal Indian economic development programs and place them in a single agency. **Recommendation To Agencies:** The Administrator of EDA and the Assistant Secretary for Indian Affairs should be directed cooperatively to: (1) conduct an economic feasibility study that identifies reservations most likely to support self-sustaining economic development and carry out a comprehensive business development program; and (2) decide whether long-term Federal alternative strategies are needed. If so, new strategies should be developed and proposed to Congress.

105317

The Social Security Administration Needs To Improve Its Disability Claims Process. HRD-78-40; B-164031(4). February 16, 1978. 18 pp. plus 3 appendices (4 pp.).
Report to Rep. Elizabeth Holtzman; by Elmer B. Staats, Comptroller General.

Issue Area: Income Security and Social Services: Eligibility Determination (1301); Income Security and Social Services: Programs To Protect the Income of Working Americans (1306).

Contact: Human Resources Division.

Organization Concerned: Department of Health, Education, and Welfare; Social Security Administration; Social Security Administration: Bureau of Health Insurance.

Congressional Relevance: *Rep.* Elizabeth Holtzman.

Authority: H.R. 8076 (95th Cong.). Disability Insurance Amendments of 1977. Social Security Act. 42 U.S.C. 1382.

Abstract: The Social Security Administration's (SSA) procedures for processing approved disability insurance claims were reviewed to determine if the process could be improved. The review covered claims processing steps at the Bureau of Disability Insurance and at district offices and included an analysis of a sample of 498 approved disability insurance claims processed by 15 SSA district offices. **Findings/Conclusions:** The disability claims processing function in district offices has not been effectively managed by the SSA. Forty-six percent of the sample claims reviewed were delayed unnecessarily; the number of claims delayed unnecessarily varied from 10 percent to 78 percent at the 15 district offices. Controls designed to assure prompt processing and timely payment of

disability claims in district offices and to guard against loss or misplaced files are inadequate and, in some cases, nonexistent. SSA has failed to provide district offices with claims processing standards, to monitor the computer-generated alerts to determine adequacy and usefulness, and to assure that adequate and accurate management information is provided to operating managers. The need for review by SSA headquarters of claims containing conspicuous characteristics is questionable. **Recommendation To Agencies:** The Secretary of Health, Education, and Welfare should direct the Commissioner of Social Security to: establish district office processing time goals, develop and implement an alert system using meaningful timeframes to monitor claims, and develop a management information system using the above controls. The Commission should also: realign the Supplemental Security Income and disability insurance payment input to eliminate undeserved payments, develop and implement special procedures to expedite processing those claims that cannot now be completed by district offices, and determine the feasibility of relocating the conspicuous characteristics review in the district offices.

105319

Actions Needed To Improve the Nutrition Program for the Elderly. HRD-78-58; B-165430. February 23, 1978. 34 pp. plus 1 appendix (1 p.).

Report to Secretary, Department of Health, Education, and Welfare; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Income Security and Social Services: Programs for the Elderly (1311); Food: Federal Domestic Food Assistance Programs (1710).

Contact: Human Resources Division.

Budget Function: Education, Training, Employment and Social Services: Social Services (0506).

Organization Concerned: Department of Agriculture; Department of Health, Education, and Welfare: Administration on Aging; Department of Health, Education, and Welfare.

Congressional Relevance: *House* Committee on Education and Labor; *Senate* Committee on Human Resources.

Authority: Older Americans Act of 1965 (42 U.S.C. 3045).

Abstract: Through provisions of title VII of the Older Americans Act, inexpensive, nutritionally sound meals, supportive services, and opportunities for socialization and recreation are provided to the Nation's elderly. To fulfill its oversight responsibilities, the Administration on Aging (AOA) has an information system which requires States to submit quarterly program performance reports and financial status reports. **Findings/Conclusions:** The information system was not designed to support program management, and its usefulness is limited because of low priorities placed on reporting procedures, system changes, inconsistent data, and unreliable feedback to State agencies. Better data on program performance would help the States in managing the program and the AOA in identifying problems. Other problems noted were: inadequate controls over contributions received, a need for improvements in protecting confidentiality of recipients, income from meal contributions was not used in some instances, audits were not always performed and did not always include reviews of meal contributions, some States provided incorrect information on the number of meals served to the Department of Agriculture for its use in making commodity allocations, commodities in excess of needs were provided by the States to some projects, some caterers experienced difficulty in using commodities, and in some instances the quality and form of packaging limited commodity usage. **Recommendation To Agencies:** The Secretary of Health, Education, and Welfare should require AOA to: develop a model management information system as a suggested guide for the States and provide technical assistance for the development of adequate State systems; develop instructions

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for completing program performance reports; provide meaningful reports to State agencies on national program performance; emphasize to the States the need to collect basic information on amounts of meal contributions; emphasize to the States the need to improve internal controls over meal contributions; emphasize the importance of independent audits; encourage grantees to use the proper means of protecting confidentiality; revise program regulations to encourage prompt use of program income; emphasize to the States the need to collect the necessary data on Department of Agriculture commodities; work with the Secretary of Agriculture to establish procedures to maximize the use of commodities in caterer-prepared meals and to identify problems with State commodity distribution systems; and establish procedures to insure that nutrition projects' views on commodity preferences are included in information provided to the Department of Agriculture.

105337

Review of the Small Business Administration's Management Assistance Program. CED-78-64; B-114835. March 15, 1978. 6 pp. plus 2 enclosures (2 pp.).

Report to A. Vernon Weaver, Administrator, Small Business Administration; by Henry Eschwege, Director, GAO Community and Economic Development Division.

Issue Area: Domestic Housing and Community Development: Assisting Community Development Through Loans and Grants to Businesses (2110).

Contact: Community and Economic Development Division.

Organization Concerned: Small Business Administration.

Congressional Relevance: House Committee on Small Business; Senate Select Committee on Small Business.

Abstract: The Small Business Administration's (SBA) management assistance program was surveyed at the San Francisco District Office to evaluate the quality of the assistance rendered in helping persons to succeed as business owners. **Findings/Conclusions:** The survey was terminated because sufficient financial data on management assistance clients were not on file although borrowers' financial statements are required under the loan agreements signed by the business owners. Because it has not obtained financial information from its management assistance clients, SBA lacks the means to evaluate its management assistance efforts and the needs of its clients for follow-on assistance. Until more financial information is obtained and analyzed in a systematic manner, the management assistance program cannot achieve its full potential. SBA should pursue the collection and analysis of the business data necessary to identify management needs of clients and to measure the effectiveness of assistance provided.

105343

Farmers Home Administration Needs To Better Plan, Direct, Develop, and Control Its Computer-Based Unified Management Information System. CED-78-68; B-146864. February 27, 1978. 2 pp. plus 8 appendices (35 pp.).

Report to Rep. Jamie L. Whitten, Chairman, House Committee on Appropriations: Agriculture and Related Agencies Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Design, Development, and Installation of Software (0106).

Contact: Community and Economic Development Division.

Organization Concerned: Farmers Home Administration; Department of Agriculture.

Congressional Relevance: House Committee on Appropriations: Agriculture and Related Agencies Subcommittee; House Committee on Agriculture; Senate Committee on Agriculture, Nutrition, and Forestry; Rep. Jamie L. Whitten.

Authority: Consolidated Farm and Rural Development Act (7 U.S.C. 1921). Housing Act of 1949 (42 U.S.C. 1471).

Abstract: The Farmers Home Administration (FmHA) provides financial assistance to rural Americans who are unable to obtain credit from other sources at reasonable rates and terms. In 1974, FmHA decided that the deficiencies of its management information system warranted replacement rather than modification and began developing a computer-based system, the Unified Management Information System (UMIS), to provide better management information at all levels. The objectives of UMIS were: to provide an accounting system that meets GAO requirements; to provide responsive, timely management information to managers at county, district, State, finance, and national office levels; to minimize office workloads required to provide basic input data; and to improve capabilities to service loan applicants and borrowers in rural America. **Findings/Conclusions:** The development of UMIS began in 1975 and has continued without the benefit of a formal project control mechanism to track the progress of UMIS development and its associated costs. Schedule slippages have occurred as a result of FmHA inadequacies in the planning of, and control over, UMIS. FmHA cost-benefit analysis was not adequate because total development costs had not been determined, and the methodology used in the analysis was not sound. The initial decision to develop UMIS Full Field Service (FFS) was not based on a study of agency needs, and the test period of 6 months for FFS was insufficient to eliminate design and start-up problems. FmHA has not performed an analysis to determine the possible impact of various reorganization proposals on UMIS. There is no steering committee of top managers representing user organizations, management, and designers to assure that UMIS is being effectively developed. **Recommendation To Agencies:** The Secretary of Agriculture should direct FmHA to: intensify its effort in installing the computerized project control mechanism; establish a budget to cover the development and operation phases of UMIS; note UMIS as a separate line item in FmHA budget justification; install a cost accounting system to account for all costs incurred during the system design, development, and operational life cycle; redefine agency needs in terms which are more specific and quantifiable to provide criteria for evaluating UMIS alternatives; test the FFS version of UMIS for a period of 1 year rather than 6 months; defer expanding FFS to other offices until the test is completed and the results evaluated; and complete a formal, analytical study to evaluate the impact on UMIS of recent and proposed organizational changes.

105345

The Auditor's First Steps in Applying Computer Analysis. 1978. 5 pp. by Nicholas W. Horsky, GAO Field Operations Division: Regional Office (Los Angeles), Fredrick Gallegos, GAO Field Operations Division: Regional Office (Los Angeles).

In the GAO Review, Winter 1978, Volume 13, Issue 1, pp. 13-17.

Contact: Field Operations Division: Regional Office (Los Angeles).

105348

Naval Shipyards: Better Definition of Mobilization Requirements and Improved Peacetime Operations Are Needed. LCD-77-450; B-133170. March 31, 1978. 53 pp. plus 4 appendices (14 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Military Preparedness Plans: Mobilization-Oriented Industrial Maintenance Base (0802); National Productivity (2900).

Contact: Logistics and Communications Division.

Organization Concerned: Department of the Navy; Department of Defense.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services; Congress.

Abstract: For the past several years, Congress has expressed concern over the rate at which maintenance costs for naval vessels have

increased while the size of the fleet has decreased. In fiscal year 1972, the Navy spent about \$1.4 billion to overhaul, modernize, convert, and repair a fleet of 654 ships. By 1976, the fleet had decreased to 476 while the cost of maintaining it increased to about \$2 billion. When the ships' forces and the Navy's intermediate level maintenance activities cannot do the work, it is performed in naval or private shipyards. **Findings/Conclusions:** Naval shipyards are to provide quick response industrial work in peacetime to support fleet needs and to provide sufficient capacity and capability to meet workload surges in a war or other emergency. Although the Navy has made broad wartime planning assumptions, it has not quantified its mobilization requirements. The Navy has no basis for knowing: the amount of work that shipyards could accomplish during mobilization, the number of skilled personnel required, how much of the work private shipyards could absorb, and at which shipyards modernization dollars could be optimally spent. The Navy has invested substantially in shipyard facilities and equipment without having developed a master plan to meet specific mobilization needs. Consequently, the Navy has no way of knowing if modernization funds are being directed to the shipyards that can best use them. Good estimating techniques are not used at several facilities, and a vital methods and standards program that once reported millions of dollars saved is not fully used. **Recommendation To Agencies:** The Secretary of Defense, with the Secretary of the Navy, should routinely determine shipyard mobilization needs and prepare emergency plans for staffing such needs and insure that modernization funds are optimally spent. The Secretary of the Navy should: provide greater management support and reinforcement of work measurement concepts at shipyards, critically examine the workloads at each shipyard to determine the work on which development should be concentrated, require system discipline and integrity to overcome existing inadequacies and errors in management information systems, establish procedures to insure that material use experience is adequately considered, and insure that excess material on hand is identified and the ordering system is adjusted to allow full use of excess material.

105357

[The Nuclear Regulatory Commission's Practice of Submitting Information to the Atomic Safety and Licensing Board]. EMD-78-42; B-127945. March 6, 1978. 12 pp.

Report to Sen. Gary Hart, Chairman, Senate Committee on Environment and Public Works: Nuclear Regulation Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Energy: Making Nuclear Fission a Substantial Energy Source (1608).

Contact: Energy and Minerals Division.

Organization Concerned: Nuclear Regulatory Commission.

Congressional Relevance: *Senate* Committee on Environment and Public Works: Nuclear Regulation Subcommittee; *Sen.* Gary Hart.

Authority: Atomic Energy Act of 1954.

Abstract: The Atomic Energy Act of 1954 requires that a public hearing be held by the Nuclear Regulatory Commission (NRC) before a license to construct a nuclear powerplant can be issued. The hearing is conducted by an Atomic Safety and Licensing Board, and reviews are conducted by the Atomic Safety and Licensing Appeal Board and NRC. **Findings/Conclusions:** In response to criticism of procedures used to provide information to the licensing board, the NRC staff changed its procedures for notifying the boards of new and important information. These changes have improved the staff reporting practices, but there were still instances where the boards were not notified of important information. These instances appeared to have been caused by the officials' handling of information rather than by deficiencies in procedures. New procedures are being developed for improving the staff practice of submitting information to the boards. No efforts seem to

have been made by NRC to evaluate the board members' performance, establish minimum qualifications for personnel, and determine if more formalized training is needed. **Recommendation To Agencies:** The Chairman of NRC should: require training of NRC technical staff members on the role and activities of the licensing board and their responsibilities for keeping the board informed, establish minimum qualifications for persons appointed to the board and determine if a more formalized training program is needed, and develop an open and competitive selection system for filling vacancies to the board.

105359

[Improvements Needed in Data Management by the Department of Energy]. EMD-78-51; B-178205. March 24, 1978. 9 pp.

Report to Secretary, Department of Energy; by Monte Canfield, Jr., Director, GAO Energy and Minerals Division.

Issue Area: Energy: Role of Fossil Fuels in Meeting Future Energy Needs (1609).

Contact: Energy and Minerals Division.

Organization Concerned: Federal Power Commission; Federal Energy Administration; Federal Energy Regulatory Commission; Department of Energy.

Congressional Relevance: *House* Committee on Interstate and Foreign Commerce; *Senate* Committee on Energy and Natural Resources.

Abstract: Shortcomings were found in certain data systems used by the Federal Power Commission (FPC) and the Federal Energy Administration (FEA) in managing natural gas and propane supplies during times of shortages. Although the responsibilities of these agencies have been consolidated in the Department of Energy (DOE), their data systems and processing methodology continue to be used by DOE. **Findings/Conclusions:** If DOE continues to rely on essentially the same system used by FPC and FEA, DOE personnel will continue to have incomplete and dated information as the basis for their fuel supply projections and decisions. DOE managers could draw erroneous conclusions as to the severity of the fuel situation by using such information. This could lead to either costly fuel inventory buildups and the installation of unneeded alternate fuel capability or an unpreparedness for shortages that could result in plant closures and unemployment. To more effectively manage the natural gas and alternate fuel programs and enhance short-term decisionmaking, the data collection system should be improved to provide adequate and timely data on: natural gas deliveries, emergency gas supplies, and underground gas storage on a pipeline or distribution system; the potential economic impact and the volume of gas by end-use priority that is being served in each State; the location of the supplies; the ability of a transportation system to deliver the supplies; and the economic impact of propane shortages.

105368

Management of Farmers Home Administration's Water and Waste Disposal Program Needs To Be Strengthened. CED-78-61; B-114873. March 13, 1978. 18 pp.

Report to Secretary, Department of Agriculture; by Henry Eschwege, Director, GAO Community and Economic Development Division.

Issue Area: Domestic Housing and Community Development (2100); Domestic Housing and Community Development: Economic Development in Rural Areas (2103); Environmental Protection Programs (2200).

Contact: Community and Economic Development Division.

Organization Concerned: Farmers Home Administration; Department of Agriculture.

Citation Section

Authority: Consolidated Farm and Rural Development Act (7 U.S.C. 1926). 7 U.S.C. 1981(d).

Abstract: During 1977, the Farmers Home Administration (FmHA) was authorized \$750 million in grants to finance the construction and/or improvement of water and waste disposal systems in rural areas. FmHA allocates these funds to States on the basis of population and per capita income which necessitates many adjustments. **Findings/Conclusions:** The present FmHA method of allocating the funds does not consider each State's individual needs. Some projects cannot be funded until the agency reallocates its moneys at the end of the fiscal year; moneys reserved for other States remain idle throughout the year until they are subsequently transferred to more needy States. There has not been enough information readily available for FmHA to effectively manage and evaluate its water and waste disposal program. Although certain priorities have been established for selecting projects, it is not known whether these priorities have been met. Also, there are no followup procedures to insure the timely receipt and review of borrowers' management reports. From the program's inception through June 30, 1976, FmHA reamortized 186 loans, of which 77 extended beyond the maximum 40-year period stipulated. The agency contends that these actions are authorized under the Consolidated Farm and Rural Development Act. The scope and relationship of the Act needs clarification. **Recommendation To Agencies:** The Secretary of Agriculture should direct the Administrator of FmHA to: determine the need for water and waste disposal systems in rural areas on a State-by-State basis, modify the formula for allocating water and waste disposal funds to require that the need for funds in the various States be considered, develop followup procedures to insure the timely receipt of borrowers' management reports, and establish procedures requiring the timely review of borrowers' management reports. The Secretary should ask Congress to clarify the agency's policy of extending the repayment period of reamortized loans for periods exceeding 40 years and, if necessary, to amend the Consolidated Farm and Rural Development Act.

105377

IRS Can Improve Its Programs To Collect Taxes Withheld by Employers. GGD-78-14; B-137762. February 21, 1978. 20 pp. plus 3 appendices (4 pp.).

Report to Rep. Al Ullman, Chairman, Joint Committee on Internal Revenue Taxation; Sen. Russell B. Long, Vice Chairman, Joint Committee on Internal Revenue Taxation; by Elmer B. Staats, Comptroller General.

Issue Area: Tax Administration (2700).

Contact: General Government Division.

Organization Concerned: Internal Revenue Service.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Finance; Joint Committee on Internal Revenue Taxation; *Rep. Al Ullman; Sen. Russell B. Long.*

Authority: Social Security Act.

Abstract: In fiscal year 1976, employment trust fund taxes (income tax withheld and social security tax) accounted for \$191 billion of Federal gross receipts; these trust fund taxes accounted for 63 percent of Federal gross receipts over the past 3 years. Collection of these tax funds is the foremost delinquency problem facing the Internal Revenue Service (IRS). During fiscal year 1976, the IRS initiated collection action against employers for nonpayment of \$2.4 billion in trust fund taxes. **Findings/Conclusions:** If a business with a tax liability over a certain dollar amount fails to make a deposit by a specified date, a tax deposit alert is generated by a computer, and a revenue officer gets in touch with the taxpayer. However, IRS revenue officers are not always given enough information to determine the extent of action needed to bring taxpayers into compliance. In 18 percent of alerts reviewed, additional information on prior delinquencies could have made revenue officers more

effective in their investigations. The review showed that, despite the issuance of alerts, 43 percent of the involved taxpayers subsequently became delinquent. Confusion exists over who is responsible for computing failure-to-deposit penalties. Over 20 percent of delinquent taxpayers reviewed claimed at least one fictitious deposit which delayed collection action. Employers filing tax returns each month are required to pay employment taxes monthly instead of more frequently as required under the Federal Tax Deposit System. **Recommendation To Congress:** Congress should enact a civil penalty to be used as a deterrent to filers who claim false deposits on their tax returns. **Recommendation To Agencies:** The Commissioner of IRS should: provide district offices with taxpayer delinquency histories, establish procedures to use information to make periodic effectiveness evaluations of the alert program, provide information on taxpayer delinquent accounts to show whether penalties were considered, and require monthly filers to deposit taxes under the Federal Tax Deposit System.

105393

The Need for More and Better Computer Auditing. 1978. 8 pp.

by Ellsworth H. Morse, Jr., Assistant Comptroller General.

In *The GAO Review*, Winter 1978, Volume 13, Issue 1, pp. 29-37.

Contact: Office of the Comptroller General.

105396

Privacy Implications of IRS' Proposed Tax Administration System. GGD-78-46; B-137762. March 22, 1978. 15 pp.

Report to Sen. Abraham A. Ribicoff, Chairman, Senate Committee on Governmental Affairs; by Robert F. Keller, Acting Comptroller General.

Issue Area: Automatic Data Processing; Social and Economic Impacts of Computer-Based Systems (0109); Tax Administration (2700).

Contact: General Government Division.

Organization Concerned: Department of the Treasury; Internal Revenue Service.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Governmental Affairs; *Sen. Abraham A. Ribicoff.*

Authority: Privacy Act of 1974. Tax Reform Act of 1976. Internal Revenue Code (IRC).

Abstract: Concerns were expressed about the collection of, access to, and use of information in the Internal Revenue Service's (IRS) proposed computerized Tax Administration System. **Findings/Conclusions:** IRS does not plan to collect and retain significant additional information not already in its files. The information would: meet relevancy requirements of the Privacy Act; not include individuals' religious, political, or other affiliations; be collected to the greatest extent practicable directly from the subject individual; and not be disclosed without notice to the individual. The system would improve the efficiency of performing necessary cross-references between related accounts. IRS plans to continue current security measures for control of access to data and to add an additional feature, the use of a coded identification badge. There are legislative restrictions on the use of taxpayer information both by IRS and for nontax purposes.

105404

The GAO Review, Winter, 1978, Volume 13, Issue 1. 1978. 104 pp.

Edited by Ellsworth H. Morse, Jr.; Individual articles contained in this document appear elsewhere in this issue as separate citations.

Contact: Office of the Comptroller General.

105406

The 1977 Congressional Sourcebook: Federal Program Evaluations. 1978. 6 pp.

by Harry Weintrob, GAO Program Analysis Division, Wallace Cohen, GAO Program Analysis Division.
In *The GAO Review*, Winter 1978, Volume 13, Issue 1, pp. 55-61.

Contact: Program Analysis Division.

105417

Selection Process Used for First Round of Local Public Works Program: Adequate but Some Problems Experienced. CED-78-36; B-126652. March 20, 1978. 43 pp. plus 1 appendix (2 pp.).

Report to Sen. Jennings Randolph, Chairman, Senate Committee on Environment and Public Works; Rep. Harold T. Johnson, Chairman, House Committee on Public Works and Transportation; by Elmer B. Staats, Comptroller General.

Issue Area: Domestic Housing and Community Development: Economic Development in Rural Areas (2103).

Contact: Community and Economic Development Division.

Organization Concerned: Department of Commerce; Economic Development Administration; Bureau of Labor Statistics.

Congressional Relevance: House Committee on Public Works and Transportation; Senate Committee on Environment and Public Works; Rep. Harold T. Johnson; Sen. Jennings Randolph.

Authority: Public Works Employment Act of 1977. P.L. 95-28. Emergency Jobs Programs Extension Act of 1976. P.L. 94-444. Public Works Employment Act of 1976. Local Public Works Capital Development and Investment Act of 1976. Comprehensive Employment and Training Act of 1973. OMB Circular A-46.

Abstract: The Economic Development Administration's (EDA) rules and regulations governing the allocation of funds and selection of projects for the first round of funding under the Local Public Works Capital Development and Investment Act of 1976 (LPW) were reviewed. The purpose of the review was to determine whether: regulations and procedures followed by EDA were in accordance with congressional intent, overall policies and procedures followed in selecting projects were adequate, computer methodology used in processing and scoring project applications was adequate, and unemployment data used in allocating funds to the States and in scoring and ranking the projects were reliable. **Findings/Conclusions:** EDA rules and regulations governing the allocation of funds and selection of projects generally reflected the intent of Congress in passing the LPW Act. However, the lack of adequate data for unemployment and underemployment in the construction and construction-related industries prevented EDA from complying fully. The LPW Act imposed strict timeframes on EDA to develop and implement the program in order to generate employment opportunities quickly. In light of the time constraints, the selection process developed by EDA was reasonable, but problems were experienced in implementation, and selection errors were made. Data received from applicants were accepted with little more than a cursory review, errors were made in the data used in ranking and selecting projects, and inconsistent policies and procedures were followed in selecting projects. The reliability of some unemployment estimates was questionable, but the Bureau of Labor Statistics has taken and is proposing action to increase the reliability of unemployment data.

105419

HUD Needs To Better Assess Financial Soundness of Multifamily Residential Projects Before Insuring Them. CED-78-70; B-114860. March 29, 1978. 38 pp. plus 4 appendices (10 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Domestic Housing and Community Development: Efforts To Minimize Foreclosures and Improve the Disposition of

Acquired Properties (2108).

Contact: Community and Economic Development Division.

Organization Concerned: Department of Housing and Urban Development.

Congressional Relevance: House Committee on Banking, Currency and Housing; Senate Committee on Banking, Housing and Urban Affairs; Congress.

Authority: National Housing Act of 1934. 12 U.S.C. 1701. Housing and Urban Development Act of 1968.

Abstract: The Department of Housing and Urban Development (HUD) began insuring multifamily housing projects in 1938 and, in 1954, began implementing subsidized multifamily housing programs to enable low- and moderate-income families to improve their housing conditions. **Findings/Conclusions:** Recently HUD has incurred many financial losses due to mortgage defaults, foreclosures, and assignments on its multifamily loan insurance programs. Among the problems causing failures were that the underwriters frequently overestimated revenues, underestimated expenses, and did not have supporting documentation. Actual annual revenues for 13 of the 30 projects examined were from 1 percent to 46 percent less than HUD estimates, and actual annual expenses for 27 of the projects exceeded estimates by from 5 percent to 110 percent. HUD's major effort to improve its underwriting process through computerized information on the incomes and expenses of operating multifamily projects was inaccurate, incomplete, and outdated. Contrary to HUD procedures, underwriters at times used property assessment methods and tax rates not applicable to the areas where proposed projects would be located, resulting in unrealistically low estimates of property tax costs. Accurate estimates would help in identifying alternatives to improve financial viability, but once a project is approved, essentially the only options available are to increase rents or provide a moratorium on the interest and principal payments for a short-term period. **Recommendation To Agencies:** The Secretary of HUD should: insist that field offices maintain accurate, complete, and up-to-date information in the computer base used to evaluate proposed projects; insist on underwriters' strict adherence to procedures for preparing real estate tax estimates; require that uniform methodologies be devised and used in projecting the impact of inflationary trends; clarify procedures regarding estimating occupancy levels; examine the possibility of establishing a safety margin which would increase cash flow to cover contingencies during the first few years of project operation; and reemphasize the importance of the underwriting function in objectively and accurately evaluating elements of mortgage risk.

105434

Unemployment Insurance: Need To Reduce Unequal Treatment of Claimants and Improve Benefit Payment Controls and Tax Collections. HRD-78-1; B-133182. April 5, 1978. 69 pp. plus 4 appendices (18 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Federally Sponsored or Assisted Employment and Training Programs (3200).

Contact: Human Resources Division.

Organization Concerned: Department of Labor.

Congressional Relevance: House Committee on Education and Labor; Senate Committee on Human Resources; Congress.

Authority: Social Security Act. 42 U.S.C. 501. Wagner-Peyser Act. 29 U.S.C. 49. Federal-State Extended Unemployment Compensation Act of 1970. P.L. 91-373. 26 U.S.C. 3304. Emergency Unemployment Compensation Act of 1974. P.L. 93-572. 26 U.S.C. 3304. Tax Reduction Act of 1975.

Abstract: Unemployment insurance provides temporary protection for qualified workers who lose their jobs until they can either be rehired or find new employment. Although Federal involvement has increased, program administration varies among jurisdictions,

Citation Section

resulting in unequal treatment of claimants and in substantial costs to the unemployment insurance program. **Findings/Conclusions:** There are no uniform standards to determine who is eligible for unemployment insurance benefits and what amounts can be received. Greater effort is needed to assure that claimants look for work. Control of overpayments is weak, and improvements are needed to recover overpayments. Improvements are also needed in measuring payment timeliness and in tax collection efforts. **Recommendation To Congress:** Congress should establish uniform eligibility standards and methods for determining benefit amounts so that all claimants are treated equally. **Recommendation To Agencies:** The Secretary of Labor should: disseminate results of new work test procedures which have been successful; encourage jurisdictions to establish special work test units; encourage jurisdictions to implement wage reporting to assure that data are available in all jurisdictions to identify overpayments through crossmatching; take appropriate steps to encourage jurisdictions to adopt the model crossmatch system; encourage jurisdictions to establish programs to detect overpayments to various groups of individuals, such as full-time students; encourage jurisdictions to develop and implement more aggressive techniques for recovering overpayments; revise regulations so that all jurisdictions measure timeliness and are evaluated in the same way; develop timeliness standards for payments made to ex-service personnel and Federal employees; encourage jurisdictions to adopt laws that provide agency officials with adequate authority to collect taxes; and require jurisdictions to develop and use more aggressive tax collection techniques.

105511

Navy Facilities Not Identified and Reported for Possible Use or Disposal. LCD-78-318; B-101646. March 21, 1978. 12 pp.
Report to Secretary, Department of the Navy; by Robert G. Rothwell (for Fred J. Shafer, Director), GAO Logistics and Communications Division.

Issue Area: Facilities and Material Management: Operation and Maintenance of Facilities (0708).

Contact: Logistics and Communications Division.

Organization Concerned: Department of the Navy: Naval Facilities Engineering Command.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services.

Authority: Property and Administrative Services Act. 40 U.S.C. 487. F.P.M.R. 101-47.8. DOD Directive 4165.2. DOD Directive 4165.6.

Abstract: The utilization and maintenance of real property assets were reviewed at selected naval shore activities in the United States to determine whether any real property was not utilized, underutilized, or not put to optimum use and whether the property had been adequately maintained. The Naval Facilities Engineering Command has a Shore Facilities Planning System to: determine real property requirements, evaluate existing real property assets, compare requirements with usable assets, and determine the best way to correct deficiencies and dispose of excesses. **Findings/Conclusions:** Preparation and submission of data have not always been timely, and the data have not always been accurate. About 11 percent of 1,144 shore activities did not have real property requirements data in the system, and about 22 percent of the 618 activities required to report current functional use, physical condition, or proposed use of facilities did not do so. The Navy has limited its opportunity to use vacant and underutilized real property by excluding buildings and structures from its annual real property review. As a result, available real property has been overlooked in programming construction projects. The Navy has also limited the potential use of vacant real property by not making it available to other agencies. Limited use has been made of the Shore Facilities Planning System in managing real property. **Recommendation To**

Agencies: The Secretary of the Navy should require Navy activities to: include all land, buildings, and structures in their annual utilization reviews, promptly report to appropriate Navy levels all vacant and underutilized facilities, provide the required data for the facilities planning system, and use the data provided by the system in their property management activities.

105517

[Sole Source Award to Hughes Aircraft Company To Repair Equipment Aboard USS Kitty Hawk]. PSAD-78-87; B-146889. April 7, 1978. 4 pp.

Report to Secretary, Department of Defense; by Richard W. Gutmann, Director, GAO Procurement and Systems Acquisition Division.

Issue Area: General Procurement (1900).

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: Department of the Navy; Hughes Aircraft Co.; Department of Defense.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services.

Abstract: In response to congressional requests, the award of a Department of the Navy sole-source contract to the Hughes Aircraft Company to repair tactical data system equipment aboard the U.S.S. Kitty Hawk was reviewed. **Findings/Conclusions:** As a result, it was recommended that the Navy solicit competition to the maximum practicable extent from all potential Government and commercial sources for repair projects in excess of the Navy's need for in-house maintenance capability. The Navy determined that Hughes should be retained as the sole commercial source of the repair work for the following reasons: Hughes is the developer, sole manufacturer, and major source of supply of the equipment; only the developer-manufacturer can accommodate the continually changing nature of the equipment; it is not economically practicable to update the technical data packages; fair and reasonable prices can be negotiated with Hughes; stocked repair and replacement parts will be standardized; and approximately 3 years would be required before any commercial source, other than Hughes, could begin work. Still unresolved is the question of whether it is in the best interest of the Government to have the repair work performed on a noncompetitive basis. **Recommendation To Agencies:** The Secretary of the Navy should: prepare a technical data package sufficient to define the scope of work necessary for solicitation of bids; solicit bids from all potential commercial and Government sources; and, after appropriate negotiations with all offerors, award the work to the low responsive and responsible offeror.

105595

[Erroneous Interpretations of Request for Proposals]. B-190968. April 5, 1978. 8 pp. plus 1 enclosure (1 p.).

Decision re: Whitlow Computer Systems, Inc.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: United States Marine Corps; Whitlow Computer Systems, Inc.

Abstract: The protester contended that the awardee's proposal should have been rejected as technically unacceptable. The protest was timely since the protester had no basis of protest at the time of the agency's advice that the awardee's proposal was satisfactory. Erroneous interpretations of the request for proposals by the offerors did not increase the cost to the Government. The contentions that the awardee's proposal failed to satisfy mandatory technical requirements were without merit.

105607

The Congress Should Clearly Define the National Weather Service's Role To Provide Specialized Weather Services. CED-78-77; B-133202. March 29, 1978. 12 pp. plus 6 appendices (29 pp.). Report to Rep. Olin E. Teague, Chairman, House Committee on Science and Technology; by Elmer B. Staats, Comptroller General.

Contact: Community and Economic Development Division.

Organization Concerned: Department of Commerce; National Oceanic and Atmospheric Administration, Department of Transportation; Department of Agriculture; National Oceanic and Atmospheric Administration; National Weather Service.

Congressional Relevance: House Committee on Science and Technology; Congress; Rep. Olin E. Teague.

Authority: OMB Circular A-62. H.R. 8763 (95th Cong.).

Abstract: The National Weather Service's basic mission is to provide meteorological services to meet public needs or the common needs of Federal agencies. It also provides special services for specialized users including: agricultural, aviation, marine, and forestry weather; environmental air quality; and weather conditions affecting such activities as space flight operations and energy development. The Service's total fiscal year 1978 budget is about \$185 million, with about \$32 million allotted for specialized weather services. **Findings/Conclusions:** The most recent statement of policies affecting specialized weather service is contained in the Office of Management and Budget Circular A-62 which provides for the Department of Commerce to keep a current plan, including specialized weather services. However, plans have been developed only for forestry and agriculture weather, and even these are out of date. Effective weather services for aviation, air pollution, and marine activities have been hampered by lack of specific formal plans between the Service and the agencies. Although there is now cooperation in developing plans, the Service believes that the demands of the basic mission and budgetary limitations will limit its ability to effectively provide additional services. Increasing demands for basic services have resulted in reduction of the specialized services. **Recommendation To Congress:** Congress should clearly define the Service's role and responsibilities for providing specialized weather services to user agencies and assure that resources available to the Service are adequate to carry out the responsibilities. **Recommendation To Agencies:** The Secretary of Commerce should assure that specific operational plans for specialized weather services are formally agreed to by it and the user agencies. The Secretary, together with user agencies and in consideration of other program priorities, should provide such services through reallocation of existing resources.

105608

Crop Forecasting by Satellite: Progress and Problems. PSAD-78-52; B-183134. April 7, 1978. 21 pp. plus 2 appendices (7 pp.). Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Food: Federal Efforts in U.S. Agricultural Commercial Export Sales (1714); Science and Technology: Management and Oversight of Programs (2004).

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: Department of Agriculture; National Aeronautics and Space Administration; National Oceanic and Atmospheric Administration.

Congressional Relevance: House Committee on Science and Technology; Senate Committee on Commerce, Science, and Transportation; Congress.

Abstract: The Department of Agriculture (USDA), the National Oceanic and Atmospheric Administration (NOAA), and the National Aeronautics and Space Administration (NASA) are trying to improve forecasts of foreign wheat production by using Landsat satellite imagery and weather data. The Large Area Crop Inventory Experiment (LACIE) is designed to determine the usefulness and cost-effectiveness of using Landsat data in conjunction

with weather and climate data for forecasts of foreign wheat production. **Findings/Conclusions:** To date, LACIE has had mixed success in achieving its performance goals. The Phase II forecast accuracy was high for winter wheat in the Great Plains and low for spring wheat. Production forecast accuracy was low for Canadian wheat, and although the LACIE estimate for the Soviet Union was close to actual production, there were offsetting errors in the area and yield components. Current Landsat technology cannot adequately distinguish spring wheat from other grains. LACIE yield estimates have been less accurate where wheat yields are extremely high or low. To improve the estimates, models are being developed which will use daily rather than aggregated monthly weather data. The lack of reliable historical yield data for some LACIE countries also presents a problem. New research efforts are deemphasizing wheat forecasts and expanding LACIE techniques to other crops and applications. **Recommendation To Agencies:** The Secretary of Agriculture should provide cognizant congressional committees with periodic assessments of the LACIE project, the experimentation with other crops, and the experiments with early warning of crop damage and crop condition assessment.

105613

[Followup on Recommendations Concerning Erroneous Aid to Families With Dependent Children Payments]. HRD-78-87; B-164031(3). March 22, 1978. 2 pp. plus 2 enclosures (9 pp.).

Report to Secretary, Department of Health, Education, and Welfare; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Income Security and Social Services: Payment Processes (1309).

Contact: Human Resources Division.

Organization Concerned: Social Security Administration; Social and Rehabilitation Service; Department of Health, Education, and Welfare.

Abstract: A March 1977 followup indicated that some action was in progress, but none had been completed, and there were no results reported at that time. The following were reported in a November 1977 followup: HEW had not determined whether there are other States that have similar problems and, because of staffing problems and higher priority work, it had no plans to do so; HEW had reviewed Ohio's payment system and determined that appropriate corrective action had been taken; and HEW had not closely examined the situation in New York City because of staffing problems and had received no feedback on the progress being made by the city. There is still a need for action by HEW to determine whether other States have similar problems and whether New York City has corrected its problems. **Findings/Conclusions:** A March 1977 followup indicated that some action was in progress, but none had been completed, and there were no results reported at that time. The following were reported in a November 1977 followup: HEW had not determined whether there are other States that have similar problems and, because of staffing problems and higher priority work, it had no plans to do so; HEW had reviewed Ohio's payment system and determined that appropriate corrective action had been taken; and HEW had not closely examined the situation in New York City because of staffing problems and had received no feedback on the progress being made by the city. There is still a need for action by HEW to determine whether other States have similar problems and whether New York City has corrected its problems.

105623

Greater Coordination and a More Effective Policy Needed for International Telecommunications Facilities. CED-78-87; B-168707. March 31, 1978. 60 pp. plus 5 appendices (15 pp.).

Report to Rep. Lionel Van Deerlin, Chairman, House Committee

Citation Section

on Interstate and Foreign Commerce: Communications Subcommittee; Rep. Louis Frey, Jr., Ranking Minority Member; by Elmer B. Staats, Comptroller General.

Issue Area: Alternative Methods of Achieving Program Objectives (3600).

Contact: Community and Economic Development Division.

Organization Concerned: Department of Commerce: Office of Telecommunications; Department of State; Federal Communications Commission; Office of Telecommunications Policy; Communications Satellite Corp.

Congressional Relevance: House Committee on Interstate and Foreign Commerce; House Committee on Interstate and Foreign Commerce: Communications Subcommittee; Senate Committee on Commerce, Science, and Transportation; Rep. Lionel Van Deerlin; Rep. Louis Frey, Jr.

Authority: Communications Act of 1934. 47 U.S.C. 151. Communications Satellite Act of 1962. 47 U.S.C. 701. Cable Landing License Act of 1921. 47 U.S.C. 34. Administrative Procedures Act. 5 U.S.C. 551. Executive Order 11556. Executive Order 10530. Home Box Office, Inc. v. FCC, 567 F.2d 9 (D.C. Cir. 1977).

Abstract: Although the organization of entities providing international telecommunications services varies from nation to nation, the United States and foreign entities jointly provide international telecommunications services and jointly own the cable and satellite facilities over which the services are provided. Development and implementation of a U.S. policy governing the construction and use of international telecommunications facilities involves primarily the responsibilities of the Federal Communications Commission (FCC) but can also involve the responsibilities of the State Department, the Office of Telecommunications Policy, and the Office of Telecommunications in the Department of Commerce. **Findings/Conclusions:** A more effective international telecommunications facilities policy can be developed and carried out by developing specific procedures for coordinating the decisionmaking responsibilities of the agencies involved; establishing and maintaining policy guidelines for facilities which will allow U.S. international carriers and foreign entities to plan their own actions; clarifying the process of providing instructions to the Communications Satellite Corporation in its role as U.S. representative in the International Telecommunications Satellite Organization; amending the statute through which FCC implements an international facilities policy; and repealing the Cable Landing License Act of 1921. **Recommendation To Agencies:** The Chairman of FCC should: initiate a rulemaking in which procedures will be established for FCC to coordinate with other agencies in the development and implementation of policy or international telecommunications; evaluate future international facilities within a regulatory policy framework; and establish policy guidelines for international telecommunications facilities in other parts of the world.

105636

[*Security of Social Security Administration's Computer Facility*]. HRD-78-73; B-164031(4). February 21, 1978. 6 pp.

Report to Donald I. Wortman, Acting Commissioner, Social Security Administration; by Franklin A. Curtis, Associate Director, GAO Human Resources Division.

Contact: Human Resources Division.

Organization Concerned: Department of Health, Education, and Welfare; Social Security Administration.

Abstract: Although the Social Security Administration recently spent about \$500,000 to install a new security system for its computer operation, the central computer facility is still not secure. Unauthorized personnel have access to the computer room and tape vault. Magnetic tapes, disc packs, and other property can be removed without proper authorization. In addition, blank and valid social security and medicare cards can be taken without question.

Findings/Conclusions: Adequate security procedures have not been established, and Social Security has not made an in-depth study of its security needs for the central computer facility. An additional potential problem must be addressed: preventing the fraudulent and malicious acts of people who work inside the central computer facility. To avoid unauthorized access to and exits from the central computer facility, security guards should be positioned in full view of the turnstiles and should be required to verify pictures on authorization badges; the security system should be modified to allow only one temporary authorization badge to be valid for a person at any given time; and emergency exit wiring and connectors should be secured to prevent unauthorized entrances and exits. To improve controls over magnetic tapes and disc packs, the use of the tape dispatch pass should be discontinued and a transmittal sheet should be established to show authorization for removal of tapes and discs, and security guards should be reminded of the need to search notebooks, lunch containers, and briefcases. Supplies of blank social security and medicare cards should be secured; effective procedures should be established to ensure that nonissuable cards are destroyed; and all identification cards should be controlled and accountable.

105637

[*Multilevel Computer Security Requirements of the World Wide Military Command and Control System (WWMCCS)*]. LCD-78-106; B-163074. April 5, 1978. 10 pp.

Report to Secretary, Department of Defense; by Fred J. Shafer, Director, GAO Logistics and Communications Division.

Issue Area: Automatic Data Processing (0100); Military Preparedness Plans: Military Communications and Information Processing Needs (0803); General Procurement: Determination of Performance Requirements in Relation to Need of the Procuring Agency (1902).

Contact: Logistics and Communications Division.

Organization Concerned: Department of the Army; Department of the Air Force; Department of the Navy; Department of Defense.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services.

Abstract: The World Wide Military Command and Control System (WWMCCS) is a composite of military command facilities, communications, warning systems, and computers located throughout the world to support military command and control activities. A followup review was conducted to determine whether the multilevel computer security requirements of WWMCCS were being properly provided for by the Department of Defense (DOD) and if Air Force efforts to solve this problem had been properly considered by DOD. **Findings/Conclusions:** At the time of the review, WWMCCS officials had not endorsed or supported Air Force efforts on multilevel computer security even though the Air Force had demonstrated a potential for resolving the shortcomings of WWMCCS software. However, the Air Force terminated its efforts to develop multilevel computer security because of insufficient financing. The Departments of the Army and Navy also have a need for multilevel security in their computerized systems and had been waiting for the developed capability by the Air Force. The apparent need for a multilevel security system and the lack of a concentrated effort to meet it, as well as cancellation of the Air Force program which showed promise of meeting this need, resulted from a lack of centralized responsibility and authority for development of a multilevel system. An office within the Office of the Secretary of Defense should be given budget authority and responsibility for: control of all computer security research and development in DOD; review and approval of computer security requirements for all three services; review and approval of all computer security specifications, methodologies, and procurements; and review and approval of all long-range plans for WWMCCS and the services.

105638

Shifting the Government's Automatic Data Processing Requirements to the Private Sector: Further Study and Better Guidance Needed. FGMSD-78-22; B-115369. April 11, 1978. 19 pp. plus 2 appendices (12 pp.).

Report to James T. McIntyre, Director, Office of Management and Budget; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Automatic Data Processing: Acquisition of ADP Resources Under the Brooks Act (0111); General Procurement: OMB Guidelines for Relying on the Private Sector To Supply Federal Needs (1906).

Contact: Financial and General Management Studies Division.

Organization Concerned: Office of Federal Procurement Policy; Office of Management and Budget.

Authority: Automatic Data Processing Equipment Act. OMB Circular A-76.

Abstract: Office of Management and Budget (OMB) Circular A-76 states that, as national policy, the Government should rely on private enterprise to provide commercial or industrial products and services with specific exceptions. The Office of Federal Procurement Policy (OFPP), is concerned over the limited extent to which agencies have implemented the policy as it relates to their automatic data processing (ADP) requirements. The capabilities of the data processing services industry were studied to determine whether obtaining such services from this source is both feasible and in the best interest of Government and industry. **Findings/Conclusions:** A nationwide survey of 348 data processing services companies indicated that lack of qualified personnel and investment capital difficulties limited many firms' ability to expand enough within 12 months to meet Federal agencies' large-scale data processing requirements. However, given adequate leadtime and a reduction in the administrative burden of responding to Government proposals, many firms could develop the capacity to accommodate more of the Federal Government's data processing needs. According to management officials of 31 firms, the net benefit of in-house operations generally outweighs the net benefit of relying on commercial ADP firms. OFPP has undertaken a comprehensive study of OMB Circular A-76 which has delayed the issuance of proposed supplemental guidance for the ADP area. **Recommendation To Agencies:** Once the basic OMB Circular A-76 is revised, OFPP should study the situation in the ADP area and consider the industry's capabilities to meet Federal data processing needs. OFPP should then develop and issue policy guidance for Federal agencies to follow in decisions to acquire data processing services from commercial sources or by in-house performance.

105639

The Federal Information Processing Standards Program: Many Potential Benefits, Little Progress, and Many Problems. FGMSD-78-23; B-115369. April 19, 1978. 39 pp. plus 5 appendices (28 pp.). Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Agencies' Efforts To Convert Software (0107).

Contact: Financial and General Management Studies Division.

Organization Concerned: Office of Management and Budget; General Services Administration; Department of Commerce.

Congressional Relevance: House Committee on Science and Technology; Senate Committee on Commerce, Science, and Transportation; Congress.

Authority: Automatic Data Processing Equipment Act. P.L. 89-306.

Abstract: The Brooks Act called for a Federal automatic data processing (ADP) standards program that would permit the interchange

of computer equipment, software, and data. It was also intended to stimulate competition by permitting Federal agencies to procure their ADP requirements from numerous vendors offering low-cost compatible products. **Findings/Conclusions:** Some standards have been developed, but agencies are not fully using them; and some standards do not yet exist. As a result, many Federal agencies have become locked into suppliers of computers and related services. Government has depended too much on the commercial sector to develop standards, and manufacturers sometimes delay the development of commercial standards. The Department of Commerce's budget requests do not provide meaningful information on the scope and direction of the program. Standards development has suffered from a lack of funds allocated for this purpose, inadequate resource management, and the lack of an effective staff devoted to the program. Weaknesses in the program also result from vague enforcement policies and the lack of procedures to verify compliance. **Recommendation To Agencies:** The President should give one agency the central authority for insuring compliance with ADP standards. The Director of the Office of Management and Budget (OMB) should issue policy guidance to this and other agencies citing the importance and relative priority of standards, requiring establishment of policies and procedures for implementing standards, insuring Federal participation in developing standards, and citing circumstances in which the agency should develop standards independently. Guidance to the single agency should give direction on approving requests to waive compliance, providing information on compliance, determining if Federal standards are met by vendors, and insuring that agencies acquire products which comply with standards. Using OMB guidance, the Secretary of Commerce should establish procedures for justifying, setting priorities, and monitoring the development of standards; commit more resources to their development; coordinate agency participation; and unilaterally develop and issue standards when the commercial process is not timely. He should also establish a budget and cost-reporting system that gives information on its efforts in the program and submit to GAO for approval an updated design of an accounting system which identifies funds spent on these efforts.

105640

Challenges of Protecting Personal Information in an Expanding Federal Computer Network Environment. LCD-76-102; B-146864. April 28, 1978. 42 pp. plus 2 appendices (6 pp.). Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing (0100); Federal Information Management: Automated Systems Security (1403).

Contact: Logistics and Communications Division.

Organization Concerned: Office of Management and Budget.

Congressional Relevance: House Committee on Post Office and Civil Service; Senate Committee on the Judiciary; Congress.

Authority: Automatic Data Processing Equipment Act. P.L. 89-306. Privacy Act of 1974.

Abstract: The concept of a Federal computer network and the attendant benefits of economy and efficiency was recognized when the Brooks Act was enacted in 1965. Since the enactment of this legislation, public and private concern has grown over the ability of computer systems and networks to provide adequate protection for personal information maintained about U.S. citizens. **Findings/Conclusions:** The concept of a Government-wide computer network presents a dilemma: should the Government take advantage of the economies that may be possible from using multiuser teleprocessing systems rather than individual agency owned and operated data processing systems or protect the individual's right to privacy by prohibiting such networks? This dilemma could be solved and economies realized if adequate controls could be defined and established to ensure confidentiality of data. The

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major threat to privacy invasion stems from misuse of personnel information by individuals having authorized access, and a secondary threat stems from individuals not allowed access to the information who have the technical ability to circumvent security measures. The risk to personal information varies with the type of data involved, the effectiveness of the controls exercised, and the configuration of the computer network. While absolute security cannot be assured, a high level of protection can be provided in a multiuser computer network. **Recommendation To Agencies:** The Director of the Office of Management and Budget should take action to provide Federal agencies with comprehensive guidelines that: contain the definitions and criteria necessary to permit an assessment of their security requirements; provide the methodology to be used in conducting the assessment; identify the physical, administrative, and technical safeguards that should be applied in satisfying their security requirements; and specify the means to justify the associated cost.

105641

Inadequacies in Data Processing Planning in the Department of Commerce. FGMSD-78-27; B-115369. May 1, 1978. 4 pp. plus 1 appendix (21 pp.).

Report to Secretary, Department of Commerce; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Automatic Data Processing: Guidelines for ADP Management and Control (0110).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Commerce.

Congressional Relevance: House Committee on Post Office and Civil Service; Senate Committee on Commerce, Science, and Transportation.

Authority: Automatic Data Processing Equipment Act. P.L. 89-306. OMB Circular A-71. Federal Management Circular 74-5.

Abstract: The Department of Commerce uses more than 300 computer systems for its various programs. In 1977, it spent over \$100 million on such systems. The Department could achieve significant savings by improving the management of its planning processes for acquiring and using automated data processing (ADP) resources. **Findings/Conclusions:** Savings could be attained through consolidation of existing facilities which perform similar functions, by standardization of comparable systems, and by modernizing the systems so that competitive procurements could be made. In 1974, an attempt was made to develop long-range data processing plans, increase compatibility of software and hardware, and provide better arrangements for managing and operating computer facilities. These procedures have not eliminated many of the problems because: the central management office did not have sufficient resources or authority, top management was not sufficiently involved, and there was no formal Department-wide plan for coordinating data processing activities. **Recommendation To Agencies:** The Secretary of Commerce should: establish a formal planning process that will provide management involvement and accountability at all levels for the direction, coordination, and control of ADP activities and resources; establish an executive ADP management committee chaired by the Secretary or Undersecretary; assign to the Department's Office of ADP Management the responsibility for supporting the executive ADP management committee and controlling ADP planning, budget formulation, and review processes; establish an evaluation and review process that acquires the necessary feedback on plans, provides control information, and establishes accountability for performance; and take direct action to control and operate all computers and computer software presently used primarily for administrative purposes.

105660

Department of Energy's Consolidation of Information Processing Activities Needs More Attention. EMD-78-60; B-178205. May 3, 1978. 27 pp. plus 4 appendices (18 pp.).

Report to Rep. Jack Brooks, Chairman, House Committee on Government Operations; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Agencies' Efforts To Convert Software (0107); Energy: Executive Branch Organization and Processes for Dealing With Energy Problems (1611).

Contact: Energy and Minerals Division.

Organization Concerned: Department of Energy.

Congressional Relevance: House Committee on Government Operations; Rep. Jack Brooks.

Authority: Department of Energy Organization Act. P.L. 95-91. Automatic Data Processing Equipment Act. P.L. 89-306.

Abstract: The consolidation of Federal energy programs in the Department of Energy (DOE) necessitates the defining and consolidating of information needs and resources. **Findings/Conclusions:** DOE has not done enough to consolidate and organize its information processing resources. The Department has (1) divided the responsibility for the control of information processing activities among three organizations, (2) not pinpointed responsibility for control of information resources at contractor sites, (3) not established mechanisms to coordinate controls over acquisition and use of computer equipment with development of computer programs, and (4) not conducted a detailed agencywide analysis of its information needs and resources. DOE control over computer equipment acquisitions could be the starting point for more integrated controls over information collection and processing, but some deficiencies should be corrected. **Recommendation To Congress:** Congress should require the Secretary of Energy to annually report to it actions the Secretary is taking to define and organize information processing resources and requirements. **Recommendation To Agencies:** The Secretary of Energy should take the following actions to improve the effectiveness of the DOE information management: define departmentwide objectives for the collection, analysis, and reporting of information by DOE; specify responsibilities of DOE components for achieving these objectives; initiate and actively support a departmentwide indepth analysis of DOE information needs and resources; enlarge the responsibilities of the Deputy Secretary of Energy to include broad responsibility for all aspects of DOE information activities; issue interim procedures until the departmentwide analysis is completed to insure that no actions taken in that period will restrict DOE opportunities for consolidation; and issue procedures requiring DOE to request authority from the General Services Administration before authorizing contractors to acquire computer equipment and requiring DOE to coordinate procurement of small computer equipment.

105682

Army Efforts To Restore Integrity to Its Financial Management Systems. FGMSD-78-28; B-132900. April 27, 1978. 25 pp. plus 5 appendices (10 pp.).

Report to Rep. George H. Mahon, Chairman, House Committee on Appropriations; by Elmer B. Staats, Comptroller General.

Issue Area: General Procurement (1900); Accounting and Financial Reporting: Systems To Assure That Agencies Do Not Overobligate and/or Overexpend Their Appropriations (2804).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of the Army; Department of Defense.

Congressional Relevance: House Committee on Appropriations; Rep. George H. Mahon.

Authority: Antideficiency Act. 31 U.S.C. 665. Budget and Accounting Procedures Act of 1950. 31 U.S.C. 66. 2 GAO 27.2.

Abstract: In October 1975, the Assistant Secretary of the Army

(Financial Management) notified the House Appropriations Committee of a serious breakdown in the financial control over Army procurement appropriations which resulted in violations of the Antideficiency Act totaling more than \$225 million. These violations related to the section of the Act that provides that no officer or employee shall make or authorize an expenditure from, or create or authorize an obligation under, any appropriation exceeding the amount therein. **Findings/Conclusions:** The most serious factors contributing to the Army's overall financial management problems were: failure to design and implement an effective procurement appropriation accounting system; failure to adequately control fund allocations, reprogrammings, and transfers; and failure to accurately account for customer orders. The impact of these problems was compounded by the phenomenal growth of the Army's customer order program over several years. Army efforts to correct the financial management problems have been concentrated in: eliminating erroneous balances in its accounting records, primarily in the procurement appropriation accounts and improving its accounting, reporting, and fund control systems to prevent recurrence of these problems. The Army has recorded over \$1.5 billion in adjustments to its accounting records but, because many of the records are missing or in poor condition, it is unlikely that all errors will ever be found or corrected. **Recommendation To Agencies:** The Secretary of Defense should have the Secretary of the Army: make sure the design and implementation of the remaining phase of the Army's new procurement appropriation program and fund control system are accomplished as quickly as possible, develop a plan to implement a standardized procurement appropriation accounting system at the installation level with a single data source, notify him and Congress of any unreconciled trust fund cash balances for individual countries, have the Army Audit Agency review procedures used to account for and control undistributed disbursements and collections, maintain an adequate and balanced level of internal review and audit within the Army, and periodically report to Congress on the status of Army efforts to obtain GAO approval of its accounting systems.

105694

United States Postal Service. April 13, 1978. 12 pp. plus 1 enclosure (1 p.).

Testimony before the House Committee on Post Office and Civil Service: Postal Personnel and Modernization Subcommittee; by William J. Anderson, Deputy Director, GAO General Government Division.

Contact: General Government Division.

Organization Concerned: United States Postal Service.

Congressional Relevance: House Committee on Post Office and Civil Service: Postal Personnel and Modernization Subcommittee.

Abstract: The Postal Service faces advancements in communications technologies which are expected to eliminate mail. It is estimated that electronic systems may eventually divert from 20 to 50 percent of first-class mail. However, the remaining mail, whatever the volume, will need to be handled in the most economical manner. Since electronic technology has the potential for reducing mail handling costs and offering better service, the Postal Service has little choice but to continue efforts to use this technology. The greatest impact of electronic technology will involve transaction mail such as orders, invoices, bills, and payments which account for about 70 percent of all first class mail. Electronic funds transfer is expected to reduce the use of the mails for financial transactions. Since the late 1960's, the Service has been conducting feasibility studies which have concluded that electronic message systems could be both technically and economically feasible. Currently, there are two basic efforts directed toward using electronic message systems, research and development of an electronic message system and evaluation and testing of existing electronic equipment for postal

application. Prospects for widespread use of electronic message systems are unknown but involve several factors: the volume of mail that could be diverted to electronic funds transfer, the amount of competition that can be expected from the private sector, and the economic benefits to the Service.

105721

Questionable Need for Some Department of Labor Training Programs. HRD-78-4; B-163922. April 10, 1978. 52 pp. plus 2 appendices (14 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Non-Discrimination and Equal Opportunity Programs: Employment Discrimination in Skilled Craft Unions (1011); Federally Sponsored or Assisted Employment and Training Programs: Employability of Selected Target Groups (3201).

Contact: Human Resources Division.

Organization Concerned: Department of Labor.

Congressional Relevance: House Committee on Education and Labor; Senate Committee on Human Resources; Congress.

Authority: Comprehensive Employment and Training Act of 1973. 29 U.S.C. 801. Manpower Development and Training Act of 1962. 42 U.S.C. 2571.

Abstract: Under the Comprehensive Employment and Training Act (CETA) of 1973, the Department of Labor funds programs to provide job training and employment opportunities for economically disadvantaged, unemployed, and underemployed persons. The Apprenticeship Outreach Program (AOP) was designed to recruit, counsel, tutor, and refer primarily minority youths to apprenticeship positions in construction trades. The National on-the-job training (OJT) program's primary objective is to provide training to unemployed, underemployed, and economically disadvantaged persons for jobs in skilled occupational shortage areas, many of which are construction related. **Findings/Conclusions:** Conditions which existed when the Department of Labor began the apprenticeship program have substantially changed. Employment opportunities in the construction industry have declined, causing a change in placement emphasis to general jobs. This policy shift underlined the question of the continued need for AOP. The results of several construction related OJT projects during 1975 and 1976 demonstrated placement and operational problems. In many cases, program participants were not receiving adequate training, nor were they aware of any OJT to be obtained. Subcontractors have been using program funds instead of their own funds to support their regular apprenticeship systems. Some national contractors have used about one-third of the funds to pay for headquarters and regional administrative operations. Insufficient oversight and evaluation by the Department of Labor contributed to the problems of these programs. **Recommendation To Agencies:** The Secretary of Labor should eliminate the AOP in favor of less costly alternatives. If the program is continued, performance criteria should be established that: include minimum requirements on the service level necessary to merit a placement claim, include minimum requirements for job suitability and job length necessary to warrant placement credit, and eliminate placement credit for referral to other programs and jobs with a large minority representation. The Secretary should reevaluate the need for the OJT program and terminate contracts that are not achieving program objectives. He should: concentrate funding in trades having skilled worker shortages and low minority representatives, require that adequate job training be provided, implement guidelines which prohibit OJT funds from subsidizing apprenticeship programs, and reduce program administration costs.

105733

[Review of Department of Commerce Actions To Improve Its Financial

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Disclosure System]. FPCD-78-42; B-103987. April 13, 1978. Report to Rep. Benjamin S. Rosenthal, Chairman, House Committee on Government Operations; Commerce, Consumer and Monetary Affairs Subcommittee; by Hyman L. Krieger, Director, GAO Federal Personnel and Compensation Division.

Issue Area: Personnel Management and Compensation: Systems for Insuring Ethical Conduct (0316).

Contact: Federal Personnel and Compensation Division.

Organization Concerned: Department of Commerce; Maritime Administration.

Congressional Relevance: House Committee on Government Operations: Commerce, Consumer and Monetary Affairs Subcommittee; Rep. Benjamin S. Rosenthal.

Abstract: Subsequent to issuance of the GAO report "Problems Found in the Financial Disclosure System for Department of Commerce Employees," the Department established a Task Group to develop proposals for changes in the financial disclosure system and to establish plans for implementation. **Findings/Conclusions:** The Task Group developed four independent studies, but no further action was taken to improve the financial disclosure system; and the GAO recommendations were not implemented. The status of 18 interests held by Maritime Administration employees which were questioned in the report was as follows: eight were determined not to be conflicts of interest, nine were divested, and one was not resolved because of an agency oversight. Of 27 financial disclosure statements of Maritime Administration employees reviewed, one financial interest raised the appearance of a conflict of interest. The employee agreed to disqualify himself from performing duties which would involve the company in which the stock was held.

105738

Customs' Efforts To Develop a System for Assigning Inspectors Need Top Management Support. GGD-78-48; B-114898. May 2, 1978. Report to Secretary, Department of the Treasury; by William J. Anderson (for Victor L. Lowe, Director), GAO Procurement and Systems Acquisition Division.

Contact: General Government Division.

Organization Concerned: United States Customs Service; Department of the Treasury.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Finance; International Trade Subcommittee.

Authority: National Productivity and Quality of Working Life Act. P.L. 94-136.

Abstract: The method the U.S. Customs Service uses to allocate inspectors to ports-of-entry has created staffing inconsistencies and the potential for their inefficient use. Although Customs has been aware of these shortcomings for many years, only recently have efforts been made to correct the problem. In August 1976, Customs established the Productivity Task Force to develop an approach to productivity management. **Findings/Conclusions:** Despite the magnitude of its responsibilities, Customs does not have a system which provides detailed information on its inspection efforts and which relates such efforts to accomplishments, considering such factors as volume, processing complexity, enforcement risks, and facility restrictions. In addition, Customs terminology has not been standardized, thereby hindering the conversion of workload data to staffing requirements. A review of Customs operations at several locations showed no apparent correlation between the number of inspectors assigned to a port-of-entry and the workload in terms of activity levels, work complexity, or enforcement risks. Efforts to correct these problems through the Productivity Management and Improvement Program appear to be weakening, and top management support is needed if Customs is to make a more rational allocation of inspectors. **Recommendation To Agencies:** The Secretary of the Treasury should direct the Commissioner of Customs to

provide the Productivity Task Force the necessary leadership and the authority, guidance, and personnel to accomplish its objectives; monitor the progress of the Productivity Management and Improvement Program; and develop standardized Customs terminology for current and proposed information systems.

105787

[Justification for Sole-Source Awards to Spectral Dynamics]. PSAD-78-84; B-160725. April 7, 1978. 5 pp. plus 2 enclosures (6 pp.). Report to Sen. William Proxmire; by Richard W. Gutmann, Director, GAO Procurement and Systems Acquisition Division.

Issue Area: General Procurement: Reasonableness of Prices Under Negotiated Contracts and Subcontracts (1904).

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: Department of Defense; Department of the Navy; Department of the Air Force; Department of the Navy; Naval Sea Systems Command; Spectral Dynamics Corp.

Congressional Relevance: House Committee on Armed Services; Sen. William Proxmire.

Abstract: The Naval Sea Systems Command's procurement, on a sole-source basis, of a communication system from the Spectral Dynamics Corporation of San Diego, California, was questioned. **Findings/Conclusions:** The communication system has proven to be very reliable and useful and has exceeded its required mean-time between failures by 150 percent. The contractor met or exceeded delivery dates and has been cooperative in correcting any problems, generally without cost to the Government. The sole-source procurement was justified on the basis of public exigency because need arose for increasing fleet-readiness capability, and the contractor could deliver the system within 6 or 7 months at a reasonable price. Allegations were made that communications equipment failed because of prolonged storage in Guam by the Navy and that there were latent design defects in a rate-of-flow indicators. The communications equipment was stored for about 4 months in Guam, and analysis disclosed that the equipment failures may have been due to electrostatic conditions caused by a typhoon while the units were stored in a metal warehouse. There was no evidence to support the allegation that prolonged storage contributed to the equipment failure. With regard to the allegation that the contractor did not use parts meeting military specifications, the contractor used standard commercial parts not necessarily meeting military specifications. The Air Force advised that Spectral Dynamics indicators met all performance test standards and were the highest quality indicators procured.

105789

Office of Telecommunications Policy's Contract for a Publication on Intercepting Electronic Communications. LCD-78-110; B-146864. April 10, 1978. 3 pp. plus 3 appendices (35 pp.). Report to Rep. John E. Moss; by Elmer B. Staats, Comptroller General.

Issue Area: General Procurement: Reasonableness of Prices Under Negotiated Contracts and Subcontracts (1904).

Contact: Logistics and Communications Division.

Organization Concerned: Office of Telecommunications Policy; Mitre Corp.

Congressional Relevance: Rep. John E. Moss.

Authority: Freedom of Information Act. 5 U.S.C. 552(b). Omnibus Crime Control and Safe Streets Act of 1968. 18 U.S.C. 2510. Communications Act of 1934. 47 U.S.C. 605. Property and Administrative Services Act. 41 U.S.C. 251. Executive Order 11556. Executive Order 11828.

Abstract: In June 1976, the Office of Telecommunications Policy awarded a firm-fixed-price sole-source negotiated contract to the Mitre Corporation to study the interception vulnerabilities of

unprotected domestic commercial telecommunications systems, especially microwave systems. The study yielded a two-volume report and a separate how-to publication entitled "Elected Examples of Possible Approaches to Electronic Communications Interception Operations." **Findings/Conclusions:** This how-to publication was withheld from public release until a decision was made that its contents were not classified and that it did not meet disclosure exemptions under the Freedom of Information Act. In January 1978, the Office began releasing the expanded book. It was reasonable for the Office to want a comprehensive study made, since none was available, on the interception vulnerabilities of all U.S. commercial telecommunications systems. However, the Office's procurement involved deficiencies pertaining to documentation of procurement actions. The documentation supporting negotiation of a sole-source contract on the grounds of public exigency and the impracticability of obtaining competition did not comply with procurement regulations. The publication was produced as a separate publication for policy makers through misunderstandings between Office and Mitre officials. It is possible that publication of this book could lead to some instances of privacy invasion that would not occur if the book were not available.

105805

The Air Force Continued To Develop the Advanced Logistics System, a Program It Was Directed To Cancel. LCD-78-108; B-163074. April 24, 1978. 30 pp. plus 2 appendices (4 pp.).
Report to Rep. Charles Rose; Rep. John E. Moss; by Elmer B. Staats, Comptroller General

Issue Area: Automatic Data Processing: Agencies' Efforts To Convert Software (0107); Military Preparedness Plans: Military Communications and Information Processing Needs (0803); General Procurement: Notifying the Congress of Status of Important Procurement Programs (1905).

Contact: Logistics and Communications Division.

Organization Concerned: Department of Defense; Department of the Air Force.

Congressional Relevance: *Rep.* Charles Rose; *Rep.* John E. Moss.
Authority: Department of Defense Appropriation Act, 1976.

Abstract: In December 1975, the House and Senate Committees on Appropriations instructed the Air Force to terminate the design and development of its Advanced Logistics System (ALS), to augment its real-time logistical computers, and to continue only non-deferrable mission-essential projects until a complete assessment of its logistical information requirements was completed and a plan for a new system was prepared. **Findings/Conclusions:** Despite congressional instructions to the contrary, the Air Force proceeded with the ALS program. While the Air Force discontinued work on about 82 data systems, major portions of the program which were in various stages of planning and development when the program was canceled were continued. The work was approved by the Air Force, and the Secretary formally endorsed the work following development of an interim plan. Funding was largely provided from the operations and maintenance account and did not require line item approval by Congress. From December 1975 to October 1977, the Air Force spent about \$7 million on systems modifications, major redesigns, and new systems developments. The Air Force was planning to spend \$54 million to acquire new automated data processing equipment, about \$44 million of which was to be spent in noncompetitive acquisitions. The Office of the Comptroller of the Department of Defense was aware of the Air Force's actions and was highly critical of them. Congressional directives and funding restrictions were not legally binding; however, much of the Air Force's expenditures regarding systems development did not conform with congressional committees' instructions to limit funding to mission-essential support.

105887

Landsat Policy Issues Still Unresolved. PSAD-78-58; B-183134. April 17, 1978. 16 pp. plus 4 appendices (11 pp.).
Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Science and Technology: Mobilizing Resources for Major Commercial Ventures (2001); Science and Technology: Management and Oversight of Programs (2004).

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: Office of Science and Technology Policy; National Aeronautics and Space Administration; Department of State.

Congressional Relevance: *House* Committee on Science and Technology; *Senate* Committee on Commerce, Science, and Transportation; Congress.

Abstract: Landsat is a National Aeronautics and Space Administration (NASA) experimental project to determine the usefulness of satellite-acquired data for managing the Earth's environment and natural resources. **Findings/Conclusions:** Although the project has been going on since 1970 and will extend into the 1980's at costs which will exceed \$650 million, there is no clear statement of Government policy regarding support of an operational system. Development of such a policy will require consideration of complex technical, political, economic, institutional, and international issues. The Office of Science and Technology Policy (OSTP) has considered some technical and funding issues relating to Landsat-D and is planning to form a cabinet level policy group to study broader issues. Legislative proposals for operational systems include establishment of an Earth Resources and Environmental Information System which would broaden the Government's role in remote sensing technology. Before such a commitment is taken, studies of issues involved should be undertaken. **Recommendation To Agencies:** The Director of OSTP should periodically inform Congress of the goals and results of its studies relating to satellite-based, remote-sensing policy issues.

105895

Problems Persist in the Puerto Rico Food Stamp Program, the Nation's Largest. CED-78-84; B-51604. April 27, 1978. 55 pp. plus 3 appendices (18 pp.).

Report to Sen. James B. Allen; by Elmer B. Staats, Comptroller General.

Issue Area: Income Security and Social Services: Program Monitoring and Administration (1303); Food: Federal Domestic Food Assistance Programs (1710).

Contact: Community and Economic Development Division.

Organization Concerned: Department of Agriculture; Food and Nutrition Service; Puerto Rico.

Congressional Relevance: *Sen.* James B. Allen.

Authority: Food Stamp Act of 1964 (7 U.S.C. 2011). Food Stamp Act of 1977 (P.L. 95-113; 91 Stat. 913; 91 Stat. 958). (P.L. 91-671; 84 Stat. 2048).

Abstract: In 1971, legislation was enacted which authorized the Commonwealth of Puerto Rico to participate in the food stamp program; today, the Puerto Rico program is the largest food stamp operation in the Nation in terms of both the percentage of population participating and the total value of stamps issued monthly. **Findings/Conclusions:** Problems have existed in the Puerto Rico program since it began, but little was done in the past by the Commonwealth or the Food and Nutrition Service to solve the problems. Auditors found accountability deficiencies, resulting from problems reported in 1974, and other problems such as: lack of documentation supporting retroactive benefit issuances, inadequate monitoring of Commonwealth personnel who both participated in the program and administered it, and failure to identify questionable authorization card redemptions. Corrective action by the Commonwealth was delayed without adequate explanation.

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Recently, more substantial actions have been taken to improve program performance. There is a need, however, for improvement in computer system operations in order to correct problems in program service and accountability. **Recommendation To Agencies:** The Secretary of Agriculture should have the Administrator, Food and Nutrition Service: direct that the Service steering committee formed to help resolve Puerto Rico food stamp management problems address the program management deficiencies outlined; form a technical assistance group responsible for the long-term improvement of the Commonwealth's food stamp computer system; and require the Commonwealth, with technical assistance from the computer group, to undertake a series of corrective actions for improving the computer system.

105921

Developing State Automated Information Systems To Support Federal Assistance Programs: Problems and Opportunities. FGMSD-78-31; B-115369. May 26, 1978. 34 pp. plus 4 appendices (36 pp.). Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Acquiring and Using Resources (0102); Intergovernmental Policies and Fiscal Relations: Administration of the Assistance System (0401).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Transportation; Department of Agriculture; Department of Health, Education, and Welfare; Department of Labor.

Congressional Relevance: Congress.

Authority: OMB Circular A-90. OMB Circular A-102.

Abstract: Federal assistance to State and local governments is provided through about 1,000 programs administered by over 50 Federal departments and agencies. Many of these programs are so large and complex that States must use computerized systems to support them. Office of Management and Budget (OMB) Circular A-90 provides guidance to Federal agencies for cooperating with and assisting State and local governments in the coordinated development and operation of information systems. **Findings/Conclusions:** The Departments of Agriculture; Labor; Transportation; and Health, Education, and Welfare (HEW) have not been effective generally in helping States to develop automated information systems to support Federal assistance programs although the Department of Labor has done more than the other departments. Agencies in these departments have not been involved in the design, development, or installation of State systems for most of the programs reviewed. Even when agencies did attempt to provide guidance and assistance, their actions were not timely. There was little evidence of coordination between Federal agencies and the States in planning, developing, or operating information systems. Instead, data processing and technical resources at the four departments have been devoted primarily to internal automated systems development. **Recommendation To Agencies:** The Secretaries of Agriculture, Labor, Transportation, and HEW should establish and adequately staff offices within their departments to be responsible for State information systems supporting the agencies' assistance programs including: assessing States' needs for an automated system and determining whether the program lends itself to a standardized system, determining the extent that States have information systems already operational, identifying States that need systems providing overall direction and coordination for system development efforts, and providing States with onsite technical assistance in installing information systems and modifying operational systems. The Director of OMB should clarify the intent of OMB Circular A-90 to disclose the circumstances under which States should be funded to develop systems independently when a model system is available, obtain the names of individuals and offices within each agency responsible for working with State information systems, and provide a forum for these Federal officials and agencies.

105922

[Review of Army's Efforts To Develop TACFIRE]. LCD-78-116; B-163074. June 2, 1978. 10 pp. plus 7 enclosures (28 pp.). Report to Sen. William Proxmire; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Design, Development, and Installation of Software (0106).

Contact: Logistics and Communications Division.

Organization Concerned: Department of the Army; Department of Defense.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services; Sen. William Proxmire.

Abstract: After more than 10 years of effort, the Army's Tactical Fire Direction System (TACFIRE) was completed in January 1978. The Government must now decide whether TACFIRE should enter full-scale production while communications, maintenance, equipment, and software problems still exist. **Findings/Conclusions:** The TACFIRE equipment tested during Operational Test III and scheduled for production is not the equipment the Army plans to field; the Army has identified new equipment based on updated technology as potential replacement for certain TACFIRE components. Computer programs for nuclear fire planning and corps artillery operations need to be tested and completed before TACFIRE is fielded. The programs need to be rewritten because of changes made to nuclear doctrine in July 1977, but rewriting has not yet begun. The TACFIRE compiler, a program that converts programmer language to machine-readable instructions, contains at least 27 deficiencies that could disrupt computer operations and cause data processing errors. The production decision should be delayed to give the Army time to: complete software development; correct known system problems and deficiencies; complete development, testing, and evaluation of new equipment and associated software; and assess the impact that the changes will have on the TACFIRE contracts, production schedules, and deployment requirements. **Recommendation To Agencies:** The Secretary of Defense should direct the Army to delay full-scale production of TACFIRE to permit the program to be reassessed.

105923

Strong Centralized Management Needed in Computer-Based Information Systems. LCD-78-105; B-164497(1). May 22, 1978. 19 pp. plus 1 appendix (1 p.).

Report to Rep. Jack Brooks, Chairman, House Committee on Government Operations; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Acquiring and Using Resources (0102); Transportation Systems and Policies: Management Practices in Transportation Programs (2405).

Contact: Logistics and Communications Division.

Organization Concerned: Department of Transportation; Federal Aviation Administration.

Congressional Relevance: House Committee on Government Operations; Rep. Jack Brooks.

Abstract: The Federal Aviation Administration's (FAA) procedures for planning, approving, and managing the proposed acquisition of minicomputers and related development activities were reviewed. FAA management practices were compared with Government-wide guidance for managing, acquiring, and using computer systems. FAA has made limited progress in effectively managing the design, development, and operation of its information systems; and the agency has no strong, central authority and responsibility for directing these efforts. **Findings/Conclusions:** The FAA system development efforts have been hampered by weaknesses in top management direction and control and continual

change of basic system concepts after substantial design and development work has been completed. Recommended approval of system design and development activities has been based on inaccurate, incomplete, or unsupported cost-benefit information. As a result, expenditures continue to be made for systems which have not been shown to be necessary or cost-effective, prolonged development cycles continue to be incurred, and the costs for developing new information systems continue to exceed original cost estimates. The agency's request for leasing 8 to 14 minicomputers was formulated without adequate consideration of: a formal long-range plan for the computer systems, quantification of benefits, functional or user requirements, and costs of alternatives. The justification for the proposed minicomputer acquisition was based in part on two major financial systems which are being redesigned. **Recommendation To Agencies:** The Administrator of FAA should give central authority and responsibility for managing computer-based information systems to a headquarters office. This would: improve control of computer-based information systems' planning and development efforts, ensure that limited resources are allocated to developing information systems which best support the organization's basic missions, and assure that an informative and complete set of functional specifications is the basis for acquiring new computer systems.

105925

Computer Crime and Abuse. May 23, 1978. 23 pp.
Speech before the Association of Government Accountants: Southern Wisconsin Chapter; by Earl M. Wyson, Jr., Assistant Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Organization Concerned: Association of Government Accountants: Southern Wisconsin Chapter.

Abstract: The use of automated systems has led to increasing problems of computer-related crime. A well-publicized example of such a crime was one in which the company used a computer to record insurance policies on nonexistent people and then sold the policies to other companies. Other examples of computer crimes involved use of the computer for theft of equipment for resale, embezzlement by a supervisory bank teller, use of fraudulent computer input records to claim health benefits, fraudulent use of computer-coded coupons for loan repayment, fraudulent use of bank deposit forms, and manipulation by programmers. An estimated average of \$200 million annually is reported in detected losses from computer crimes; 85 percent of such crimes are not reported. In a 1976 report, GAO concluded that management controls were inadequate to cope with computer-related crimes in Federal programs. The most common weaknesses identified were in separation of duties and in physical control over facilities. Recommendations to deal with the problem included an organizational plan segregating duties to minimize opportunities for misuse of resources, an adequate system of authorization and record procedures, an established system of practices for each department function, an effective system of internal review, and analysis of crimes to pinpoint control weaknesses. Input should be controlled through the use of prevention or detection controls. Auditors can aid in systems design and development to strengthen controls.

105930

Improvements Needed in VA's Education Loan Program. HRD-78-112; B-114859. May 11, 1978. 27 pp. plus 1 appendix (10 pp.). *Report* to Rep. Ray Roberts, Chairman, House Committee on Veterans' Affairs; by Elmer B. Staats, Comptroller General.

Issue Area: Education (3300); Education: Organization and Management of Federal Education Programs (3301).

Contact: Human Resources Division.

Organization Concerned: Veterans Administration.

Congressional Relevance: *House* Committee on Veterans' Affairs; *Rep.* Ray Roberts.

Authority: Vietnam Era Veterans' Readjustment Assistance Act of 1974. P.L. 93-508. H. Rept. 95-586. S. Rept. 93-907. S. Rept. 94-1243. 38 U.S.C. 1798. P.L. 94-502. P.L. 95-202.

Abstract: The Veterans Administration's (VA) education loan program was evaluated to determine if the program's primary objective of providing additional financial aid to needy veterans attending high tuition schools was being accomplished. The evaluation also attempted to determine the default rate being experienced in the program and why participation in the program was so low in the northeast section of the country. **Findings/Conclusions:** Two major factors limited the program's effectiveness in providing aid to students attending high tuition institutions: (1) the implementing regulations and program guidelines did not restrict loan eligibility to veterans attending high tuition schools because the authorizing legislation was silent on the subject; and (2) the VA has neither provided its regional offices with adequate criteria for evaluating veterans' financial needs nor adequately defined allowable expenses. As a result, about 72 percent of the loans made from the inception of the program in 1975 through December 1977 were made to veterans attending schools charging low tuition. The VA has not issued clear and comprehensive collection guidelines specifically related to the loan program and, as a result, about half the loans that have come due are in default. Participation in the Northeast was low because of the availability of other financial aid and because of limited promotion of the program. **Recommendation To Congress:** Congress should amend the authorizing legislation limiting program eligibility to veterans attending high tuition schools and require repayment over a period of less than 10 years. **Recommendation To Agencies:** The Administrator of Veterans Affairs should: define, in detail, what types of expenses can and cannot be used to justify a VA education loan; establish criteria to limit the amount of education-related expenses used to justify a loan; require that all resources available to the applicant be reported and considered in determining financial need; routinely collect the information necessary to calculate a valid default rate; require regions to notify veterans of their repayment obligation as soon as they cease to be at least half-time students; clarify instructions regarding followup action if the veteran fails to respond to the initial repayment notice; instruct regions when the first payment is due; amend the existing interest tables to preclude the veteran from being charged excess interest; instruct regions to collect on defaulted loans by offset against current benefits; and clarify instructions regarding when a loan should be classified as defaulted.

105932

Better Information Needed for Oversight and Evaluation of Selected Elementary and Secondary Education Programs. PAD-78-35; B-164031(1). May 30, 1978. 4 pp. plus 1 appendix (47 pp.). *Report* to Sen. Harrison A. Williams, Jr., Chairman, Senate Committee on Human Resources; by Elmer B. Staats, Comptroller General.

Issue Area: Program and Budget Information for Congressional Use (3400).

Contact: Program Analysis Division.

Organization Concerned: Department of Health, Education, and Welfare; Office of Management and Budget; Office of Education.

Congressional Relevance: *Senate* Committee on Human Resources; Sen. Harrison A. Williams, Jr.

Authority: Congressional Budget and Impoundment Control Act of 1974. P.L. 93-344. Elementary and Secondary Education Act of 1965. P.L. 89-10. P.L. 93-380. P.L. 90-747. P.L. 85-864. P.L. 90-247. P.L. 81-874. P.L. 91-230. 20 U.S.C. 236.

Abstract: A review to determine the Senate Committee on Human

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Resources' needs for oversight information on selected elementary and secondary education programs focused on the information currently provided to the committee, information available from the Federal educational community, information available from State educational agencies, and information available from local educational agencies. Information collected during 1976 and 1977 covered a wide range of descriptive information, financial data, and performance indexes. **Findings/Conclusions:** More uniformity is needed in education programs and budgetary presentations. There are several varying lists and structures for programs authorized by the Elementary and Secondary Education Act. Each list or structure serves a purpose that influences its form, but several appear to be justified only because of different information requirements of various users. Information users should attempt to move toward uniformity of list or structure; where this is not possible, easily usable cross-references should be developed and made available. Also, there needs to be more uniformity in the terms and their definitions used in reports to Congress on education programs. Four alternative approaches to providing the committee with oversight information are: (1) comprehensive data packages supplied to the committee; (2) selected data reported to the committee and the remainder retained to be available upon request; (3) selected data obtained by the Education Division and reported to the committee; or (4) maintain existing reporting systems. **Recommendation To Agencies:** The Secretary of Health, Education, and Welfare should coordinate with the Office of Management and Budget and interested congressional committees to develop: a basic program/activity list and cross-references between other program identification description, fiscal data, student eligibility and participation, assessment of needs, and program evaluation information for future reports to the committee.

105956

Improving Federal Agency Efficiency Through the Use of Productivity Data in the Budget Process. FGMSD-78-33; B-163762. May 10, 1978. 2 pp. plus 1 appendix (28 pp.).
Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: National Productivity: Use of Productivity Data in the Budget Process (2905).

Contact: Financial and General Management Studies Division.

Organization Concerned: Office of Management and Budget; Executive Office of the President.

Congressional Relevance: Congress.

Abstract: A survey of the use of productivity data in the budget process covered 13 labor-intensive agencies with a total payroll of about \$8 billion. **Findings/Conclusions:** Although productivity data are available in most agencies, its use by agencies, the Office of Management and Budget (OMB), and Congress has been limited. The basic reason for agencies not making more use of the data is a lack of incentives. Many agency executives felt that productivity-related improvements often result in penalties such as arbitrary reductions in staffing and budget and that OMB and Congress were insensitive to innovative proposals for increasing productivity. Appropriations committees can stimulate productivity improvements by encouraging agencies to use productivity data in their budget requests through questions which would elicit information, provide incentives for productivity measurement and reporting, and lead to improved productivity. Legislative oversight committees and appropriations subcommittees can further encourage use of productivity data by: requesting it to support requests for staffing increases; requesting statements on the status of productivity improvement programs, work measurement systems, and the extent to which budgets are based on productivity data; creating an atmosphere of positive reinforcement for using such data through budgetary and organizational incentives; and encouraging agencies to identify major productivity improvements possible through investment in capital equipment.

105962

Better Management Needed in Exchanging Federal and State Tax Information. GGD-78-23; B-137762. May 22, 1978. 34 pp. plus 4 appendices (11 pp.).

Report to Rep. Al Ullman, Chairman, Joint Committee on Taxation; Sen. Russell B. Long, Vice Chairman; by Elmer B. Staats, Comptroller General.

Issue Area: Intergovernmental Policies and Fiscal Relations: Federal, State, Area-Wide, and Local Coordination (0402); Tax Administration: Federal-State Tax Administration Cooperation (2705).

Contact: General Government Division.

Organization Concerned: Department of the Treasury; Internal Revenue Service.

Congressional Relevance: Joint Committee on Taxation; *Rep.* Al Ullman; *Sen.* Russell B. Long.

Authority: Tax Reform Act of 1976. Internal Revenue Code (IRC).

Abstract: The Internal Revenue Service (IRS) and the States routinely exchange large amounts of tax information. The IRS provides the States with Federal audit report abstracts, computer tapes, and tax returns containing confidential information on millions of taxpayers; the States in turn make their tax returns and audit reports available to IRS. This exchange should increase tax revenues, reduce duplicate audits, and increase taxpayer compliance. **Findings/Conclusions:** The IRS has no formal program for exchanging information with States and devotes relatively little effort to exchange activities. Because of the low priority which IRS has historically given to tax information exchange activities, it and the States have not defined their mutual information needs specifically enough. As a result, States receive much information they do not need or use while IRS does not make available much information that the States could use. The IRS has not taken advantage of much State tax information which could be used to identify nonfilers. Much of the information the States need could be provided on computer tapes on a cost-reimbursable basis, but IRS has been reluctant to do this. **Recommendation To Agencies:** The Commissioner of IRS should: fix managerial responsibility at the national office level with authority to coordinate all aspects of the program; fix responsibility for managing the program at the regional, district, and service center levels: establish formal policies, procedures, and guidelines for implementing, monitoring, and evaluating the program; evaluate each State's need for and use of Federal tax information; tailor magnetic tapes of tax information to the particular needs of each State; develop an implementation plan with each State specifying exact types and amounts of information to be exchanged and the methods of exchange; require States to provide precise criteria and screen out IRS audit reports which do not meet the criteria; obtain feedback from States on benefits resulting from IRS-supplied information; and notify taxpayers that any change in the Federal tax liability resulting from IRS audit could affect their State tax liability.

105965

Status, Progress, and Problems in Federal Agency Accounting During Fiscal Year 1977. FGMSD-78-24; B-115398. May 26, 1978. 52 pp. plus 3 appendices (34 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Organization Concerned: Office of Management and Budget.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services; Congress.

Authority: Accounting and Auditing Act of 1950. 31 U.S.C. 66a. Arms Export Control Act of 1976. P.L. 94-399. P.L. 94-329. H. Rept. 90-1159.

Abstract: 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. A tentative statement of principles and standards was issued in 1952, and GAO started granting formal approval of accounting systems that conformed to it. Approval is granted in two phases, first of principles and standards adopted by agencies, then of system designs. **Findings/Conclusions:** At September 30, 1977, principles and standards were approved for 98 percent of the 330 systems that were subject to approval, and 60 percent of system designs had been approved. At that time, 132 system designs in 34 agencies remained unapproved. Reports of serious deficiencies in Government accounting usually involved unapproved systems. Reasons that some agencies have not completed accounting efforts include: frequent changes in top management, inability of accountants to convince agency management that better accounting is worthwhile, failure to design systems that comply with approved principles and standards, and the lack of Office of Management and Budget (OMB) support in the past for improvements in accounting systems. Recently, OMB required updates of fund control regulations. In spite of the GAO objective of having all agency accounting systems approved by the end of fiscal year 1980, as of September 30, 1977, about one-fourth of the unapproved systems were not scheduled for approval before the end of 1980. Progress has been made recently in approvals of Department of Defense systems, but some systems must be redesigned to obtain approval. Other departments have significant problems which must be resolved before all their accounting systems can be approved. **Recommendation To Congress:** Congress should make sure that the resources the executive departments and agencies are devoting to their accounting systems are sufficient to qualify the systems for approval.

106014

Review of the Better Jobs and Income Bill. HRD-78-110; B-190400. May 23, 1978. 6 pp. plus 1 appendix (20 pp.).
Report to Sen. Harrison A. Williams, Jr., Chairman, Senate Committee on Human Resources; by Elmer B. Staats, Comptroller General.

Issue Area: Income Security and Social Services: Program Effectiveness (1302); Income Security and Social Services: Programs for Special Target Population (1304); Income Security and Social Services: Consolidating, Streamlining, or Providing Alternatives To Present Programs (1305).

Contact: Human Resources Division.

Organization Concerned: Department of Health, Education, and Welfare; Department of Labor; Executive Office of the President.

Congressional Relevance: Senate Committee on Human Resources; Sen. Harrison A. Williams, Jr.

Authority: Better Jobs and Income Act. S. 2084 (95th Cong.). H.R. 9030 (95th Cong.). Comprehensive Employment and Training Act of 1973.

Abstract: The Better Jobs and Income Act represents an attempt to reform major parts of the U.S. income security system. The bill recognizes the interrelationships which now exist among cash, in-kind (food stamps), jobs, training, and tax credit programs and attempts to blend these relationships into a single program. This approach suggests that welfare reform must be considered within the context of the broader income security system. **Findings/Conclusions:** The bill may cost considerably more than its estimated \$2.8 billion over present program costs. The total program will be difficult to implement, coordinate, and administer, and problems can be expected during the planned 3-year phase-in period. The bill's cash benefit structure may not meet its goals of providing adequate aid and may not, in some cases, remedy the family splitting incentives of current programs. Cash payments

would be based on official poverty lines which may not accurately show current needs. The bill's jobs component may miss its goals by: misallocating jobs to localities, failing to reach the most needy, creating jobs mismatched with target groups, treating target groups differently, providing public service jobs not transferable to the regular labor market, and substituting for State and local funds. The bill will probably suffer from system deficiencies which have impeded such broad changes in the past. The lack of comprehensive income security policy, no single system manager, no consistent definition of income security, and data and reporting problems will all affect implementation of the bill.

106175

[Claim for Proposal Preparation Costs]. B-189030. May 31, 1978. 4 pp.

Decision re: Control Data Corp.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Internal Revenue Service; Control Data Corp.

Authority: 56 Comp. Gen. 448. 41 Comp. Gen. 203. 41 Comp. Gen. 205. 15 Comp. Gen. 1136. Keco Industries, Inc. v. United States, 492 F.2d 1200 (Ct. Cl. 1974). B-185544 (1977). B-162839 (1967). B-182686 (1976).

Abstract: A company claimed proposal preparation costs. The claimant alleged that the agency acted improperly in rejecting the company's plan for automatic data processing. The decision to reject the company's plan had a reasonable basis despite the pro- tester's lower price. Accordingly, the claim was denied.

106216

Agencies' Implementation of and Compliance With the Privacy Act Can Be Improved. LCD-78-115; B-130441. June 6, 1978. 27 pp. plus 1 appendix (2 pp.).

Report to James T. McIntyre, Jr., Director, Office of Management and Budget; by Victor L. Lowe, Director, GAO General Government Division.

Issue Area: Federal Information Management: Implementing the Privacy Act of 1974 (1401).

Contact: Logistics and Communications Division.

Organization Concerned: Office of Management and Budget.

Authority: Privacy Act of 1974. P.L. 93-579. Freedom of Information Act. OMB Circular A-108.

Abstract: The Privacy Act of 1974 provides certain safeguards to individuals against invasion of privacy by requiring Federal agencies to establish rules and procedures for maintaining and protecting personal data in agency record systems. As of December 31, 1976, Federal agencies had 6,753 systems of records which contained 3.85 billion records about individuals and operating costs relevant to the act for the year ended September 30, 1976, were an estimated \$36.6 million. **Findings/Conclusions:** Agencies are making a concerted effort to implement and comply with provisions of the Act, but improvements are needed. Three systems of records had not been published in the Federal Register, but action was being taken to comply with this requirement. In several instances, forms used for collecting information from individuals did not contain required notices about information disclosure. According to officials, a policy of providing access to information was followed, and data identifying confidential sources of information were deleted. Agencies must keep an accurate accounting of statistics for certain disclosures, and the accounting must be available to the subject upon request. The estimated cost for agencies to account for disclosures for the year ended September 30, 1976, was \$9.4 million. The adequacy of disclosure accounting could not be readily determined because of the methods used. Reductions in paperwork and staff

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time might be achieved by eliminating duplication and changing certain accounting procedures. Employees were receiving Privacy Act training, but the adequacy of training was not fully evaluated. **Recommendation To Agencies:** The Office of Management and Budget should: encourage heads of departments and agencies to review periodically the manner in which requirements of the Act are being fulfilled to determine needs for additional training or other action; emphasize the opportunities for reducing the cost of accounting for disclosures, with a view toward eliminating duplication and paperwork; determine whether agencies should be required to maintain accountings for disclosures from locator files where individuals have authorized release of such information; and advise agencies to make greater use of one-time Privacy Act notices or revise forms to incorporate notices.

106217

Inadequacies in Data Processing Planning in the Department of the Interior. FGMSD-78-41; B-115369. June 23, 1978. 4 pp. plus 2 appendices (28 pp.).

Report to Secretary, Department of the Interior; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Automatic Data Processing: Guidelines for ADP Management and Control (0110).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Labor; Department of Commerce; Department of the Interior.

Congressional Relevance: House Committee on Interior and Insular Affairs; Senate Committee on Energy and Natural Resources.

Authority: Automatic Data Processing Equipment Act. P.L. 89-306. H. Rept. 95-392. OMB Circular A-71. Federal Land Policy and Management Act of 1976.

Abstract: In fiscal year 1977, the Department of the Interior spent over \$50 million for acquisition, operation, and use of automatic data processing (ADP) resources. The Department uses computer systems for processing scientific, statistical, engineering, land management, enforcement, and safety programs, but it is not as economical or effective in its acquisition and use of ADP resources as it should be. **Findings/Conclusions:** Although the Department began to establish a Department-wide ADP planning framework in 1974 to provide better management control over computer and related resources, control still remains primarily at the Bureau level. Weakness in management planning and organization has resulted in underutilization and duplication of computer facilities and resources, lost opportunities for savings estimated at \$1 million a year, and lost opportunity for achieving greater effectiveness in several important missions. Top management has not been sufficiently involved or committed to management control of these resources, and the central management office had insufficient resources and authority. No formal Department-wide plan or planning process was ever developed, and departmental strategy and component organizations' objectives, plan, and actions were not harmonious. **Recommendation To Agencies:** The Secretary of the Interior should: establish a formal planning process for the direction, coordination, and control of ADP activities and resources; reestablish an executive ADP management committee with responsibility for the formulation and execution of a Department-wide strategy; assign to the Office of ADP and Telecommunications Management the responsibility for supporting the executive ADP management committee; establish an evaluation and review process that acquires feedback on implementation of plans and establishes accountability at all management levels; and take direct action to control the operation of all computers and computer software presently used primarily for administrative purposes.

106283

[Improving Cleveland's Management of Its Employment and Training Programs]. HRD-78-126; B-163922. June 7, 1978. 3 pp. plus 1 enclosure (9 pp.).

Report to Rep. Mary R. Oakar; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Federally Sponsored or Assisted Employment and Training Programs: Internal Administrative Controls Over Selected Areas of CETA Programs (3204).

Contact: Human Resources Division.

Organization Concerned: Department of Labor.

Congressional Relevance: Rep. Mary R. Oakar.

Authority: Comprehensive Employment and Training Act of 1973. 29 U.S.C. 801. Economic Stimulus Appropriation Act of 1977. P.L. 95-29. P.L. 94-444.

Abstract: Management of Federal Comprehensive Employment and Training Act funds given to the Cleveland Area Western Reserve Manpower Consortium was reviewed to determine how the consortium compares nationally in placing participants in jobs and in administrative costs, manages and controls administrative costs, and evaluates and selects delivery agents for title I employment and training programs. **Findings/Conclusions:** Title I of the Act authorizes comprehensive employment and training activities, and titles II and VI primarily authorize transitional public service employment. In fiscal years (FY) 1975 through 1977, the Consortium's success in obtaining unsubsidized employment was comparable to national averages, but performance under titles II and VI was well below national averages. Administrative costs were above limits specified by Department of Labor regulations for title I in FY's 1975 and 1976 but were within specified limits for titles II and VI for FY's 1975 through 1977. Rates were above national averages for all three titles in FY 1977. Title I service delivery agents were funded in FY's 1975 and 1976 without evaluation of their efficiency. A new competitive selection process was instituted for FY 1977. Other problems identified included an unreliable management information system, inadequate procedures for determining participant eligibility, and inadequate controls over program expenditures. Corrective actions are being planned.

106293

Federal Computer Systems Protection Act of 1978 (S. 1766). June 22, 1978. 12 pp.

Testimony before the Senate Committee on the Judiciary: Criminal Laws and Procedures Subcommittee; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Congressional Relevance: Senate Committee on the Judiciary: Criminal Laws and Procedures Subcommittee.

Authority: Federal Computer Systems Protection Act of 1978. S. 1766 (95th Cong.).

Abstract: The growing use of computers in Government operations has made computer crime a serious problem resulting in losses in money, equipment, and data, and in personnel injuries. Computer crimes against the Government include fraudulent input, unauthorized use of computer-related facilities, destruction or alteration of data, hardware, and software, and thefts of Government property. About 62 percent of the crimes involved fraudulent input. Internal controls over data processed through computer systems have been inadequate. Millions of actions take place on automated systems without manual checks. Action is being taken to improve controls, including issuance of policy guidance by central management agencies and strengthening controls at some agencies. Strong deterrents in the form of punishment, such as provided for in S. 1766, are important means for protection against computer fraud and abuse.

106440

[Duplicate Welfare Payments in New York Jurisdictions]. HRD-78-133; B-164031(3). June 21, 1978. 7 pp.

Report to Secretary, Department of Health, Education, and Welfare; by Philip A. Bernstein (for Gregory J. Ahart, Director), GAO Human Resources Division.

Issue Area: Income Security and Social Services: Eligibility Determinations (1307).

Contact: Human Resources Division.

Organization Concerned: Social Security Administration; Department of Health, Education, and Welfare.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Finance.

Authority: Social Security Act.

Abstract: Data from the Aid to Families with Dependent Children (AFDC) program rolls in New York City were compared with data from Nassau, Suffolk, and Westchester Counties using social security number (SSN) as the sole identifier. **Findings/Conclusions:** Computer comparisons were made of these jurisdictions' rolls to determine whether individuals received duplicate payments and, if so, whether the duplicate payments were received from more than one jurisdiction. A number of AFDC recipients' SSN's appeared on more than one jurisdiction's rolls or more than once on the same roll; however, the jurisdictions identified only a limited number of recipients who were receiving duplicate payments. Many recipients' case files had missing or incorrect SSN's; a number of the matches occurred because of incorrect SSN's. There was no standard format for storing recipient information in the agencies' data files. **Recommendation To Agencies:** The Secretary of Health, Education, and Welfare should take action to resolve the controversy concerning whether dependent children are required by the Social Security Act to have social security numbers and direct that the Commissioner of the Social Security Administration (SSA) take steps to insure that States obtain SSN's for all adult applicants and recipients. He should also direct the Inspector General to determine the magnitude of missing and incorrect SSN's and their effect on the results of matching efforts and direct the Commissioner of SSA to determine the need for and feasibility of standardizing recipient data among jurisdictions.

106446

The National Driver Register: A Valuable Licensing Tool That Needs To Be Improved. CED-78-129; B-164497(3). June 15, 1978. 7 pp. Report to Brock Adams, Secretary, Department of Transportation; by Henry Eschwege, Director, GAO Community and Economic Development Division.

Issue Area: Transportation Systems and Policies: Safe Motor Vehicle-Highway Transportation System (2408).

Contact: Community and Economic Development Division.

Organization Concerned: National Highway Traffic Safety Administration; Department of Transportation.

Congressional Relevance: House Committee on Public Works and Transportation; Senate Committee on Commerce, Science, and Transportation.

Authority: National Traffic and Motor Vehicle Safety Act. P.L. 89-563. P.L. 86-660.

Abstract: The National Driver Register (NDR) was authorized in 1960 to provide State driver licensing authorities with a central index of relevant information pertaining to individuals who have had their driving privileges suspended or revoked. Participation in the program is voluntary, and all States, territories, and Federal agencies can participate; however, NDR information can only be provided to these parties in connection with their driver-licensing functions. The program is administered by the National Highway

Traffic Safety Administration (NHTSA). **Findings/Conclusions:** All 50 States and some territories submit information to NHTSA on individuals whose driving privileges have been suspended or revoked. Some States are selective as to the type of data they submit, and some States do not always submit the type of information requested by NHTSA. Reasons for not submitting complete information to NHTSA include: legal restrictions precluding the submission of certain data and State use of register information, insufficient accurate data provided by NDR, length of time of NHTSA response to inquiries, the cost of processing data for the NDR program, and data from NDR sometimes being available from other sources. NDR officials have done little to periodically determine whether the driver registration system is accomplishing its original objectives or helping States and other licensing authorities with their responsibilities. The present system has not accomplished its basic objective of preventing States from licensing individuals whose driving privileges have been suspended or revoked in other States. **Recommendation To Agencies:** The Administrator of NHTSA should make an evaluation to determine system utilization, how well the system is meeting the States' needs, and how the system can be improved to insure that the register will provide maximum benefits to States' and licensing authorities' highway safety programs. The Administrator should also issue instructions and provide guidance to the States in describing the data needed to currently improve system effectiveness.

106469

Foreign Ownership of U.S. Farmland: Much Concern, Little Data. CED-78-132; B-114824. June 12, 1978. 13 pp. plus 8 appendices (65 pp.).

Report to Sen. Herman E. Talmadge, Chairman, Senate Committee on Agriculture, Nutrition, and Forestry; by Robert F. Keller, Acting Comptroller General.

Issue Area: Land Use Planning and Control: Planning Future Land Use (2301).

Contact: Community and Economic Development Division.

Organization Concerned: Department of Agriculture; Department of Commerce.

Congressional Relevance: House Committee on Agriculture; Senate Committee on Agriculture, Nutrition, and Forestry; Sen. Herman E. Talmadge.

Authority: Foreign Investment Study Act of 1974. P.L. 93-479. 88 Stat. 1450. International Investment Survey Act of 1976. P.L. 94-472. 90 Stat. 2059.

Abstract: In response to a congressional inquiry, information was compiled on State laws that place constraints or reporting requirements on ownership of farmland by nonresident aliens and on data collected as a result of State reporting requirements. There is virtually unanimous agreement among persons at all levels of government and in the private sector that there is, currently, no reliable data on the amount of U.S. farmland owned by nonresident aliens or on recent trends of such ownership. **Findings/Conclusions:** In the aggregate, State laws do not significantly inhibit foreign ownership of land. The laws range from general prohibitions on such ownership to a total absence of provisions dealing with this subject. As of May 1978, 25 States had laws that placed some constraints on aliens acquiring or holding farmland. Nine States had laws that generally prohibit or restrict individual alien investors residing outside the United States from owning real estate in their names. The States have collected very little data on foreign ownership of farmland. Only two States, Iowa and Minnesota, require nonresident aliens to file annual reports on their agricultural landholdings. In a survey of the 50 States, 18 indicated that foreign investment was not an actual or potential problem while 10 States felt that it could become a problem in the future. County records provided little information on foreign investment in county farmland, and local authorities

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expressed differing views about the implications of nonresident aliens' purchases of farmland. **Recommendation To Congress:** The Senate Committee on Agriculture, Nutrition, and Forestry should request the Department of Commerce to adjust its reporting requirements to specifically identify farmland and include such information in its report to Congress.

106473

VA's New Computer System Has Potential To Protect Privacy of Individuals Claiming Benefits. HRD-78-135; B-133044. July 17, 1978. 22 pp. plus 2 appendices (7 pp.).

Report to Rep. Charles Rose; Rep. John E. Moss; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Automatic Data Processing: Social and Economic Impacts of Computer-Based Systems (0109); Federal Information Management (1400).

Contact: Human Resources Division.

Organization Concerned: Veterans Administration.

Congressional Relevance: House Committee on Veterans' Affairs; Senate Committee on Veterans' Affairs; *Rep. Charles Rose; Rep. John E. Moss.*

Authority: Privacy Act of 1974. P.L. 93-579. 5 U.S.C. 552a. Veterans and Survivors Pension Adjustment Act of 1976. P.L. 94-432. Federal Claims Collection Act of 1966. P.L. 89-508. 31 U.S.C. 951. 44 U.S.C. 2904. 44 U.S.C. 2906. 5 U.S.C. 5514.

Abstract: The Veterans Administration (VA) is developing a computer system, known as the Target System, intended to modernize benefit claims service to veterans. It will provide immediate access to information concerning claims, status and amount of award checks, and information in the automated master records. Features to safeguard privacy have been developed for use in the system. **Findings/Conclusions:** A potential trouble spot suggests the need for VA to establish standard operating procedures for identifying telephone requestors of information to prevent inadvertent disclosure to unauthorized parties. VA needs to more thoroughly assess risks of privacy violations to provide assurance that it has selected adequate but cost-effective safeguards. The VA Office of Inspector General should participate in the risk assessment including risks to financial data. When the system is fully developed, VA capabilities for reporting on benefit recipients could be more sophisticated. This would necessitate keeping the public fully informed about information released. **Recommendation To Agencies:** The Administrator of Veterans Affairs should direct the Office of Inspector General to participate in Target's risk assessment and direct the Department of Veterans Benefits to establish standard procedures for identifying telephone requestors before Target is carried out.

106474

New Ways of Preparing Data for Computers Could Save Money and Time and Reduce Errors. FGMSD-78-39; B-115369. July 18, 1978. 34 pp. plus 5 appendices (6 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Agencies' Efforts To Convert Software (0107).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Commerce.

Congressional Relevance: House Committee on Science and Technology; Senate Committee on Commerce, Science, and Transportation; Congress.

Authority: Automatic Data Processing Equipment Act. P.L. 89-306.

Abstract: The preparation of data for processing by computers, data entry, has been dominated by the keypunch and the punched card for years. Better methods now exist, and both large and small Government computer installations can benefit from adopting them.

Findings/Conclusions: The keypunching method of data entry is costly, error prone, and time consuming. The three basic procedures of advanced data entry are key entry, automatic reading, and source data sensing. Changed data entry techniques, with or without changed equipment, may achieve many benefits. Careful analysis and selection of proper devices, techniques, and procedures can save money through increases in productivity with better devices, faster data entry into the computer, and fewer errors in the data entered. The failure of agencies to be consistent in the way they select data entry devices and their reluctance to evaluate the cost and effectiveness of selections made and methods installed result from a lack of guidelines for selecting advanced data entry methods. The Secretary of Commerce is authorized to provide technical advisory services to agencies and to undertake necessary research in automatic data processing systems. The Administrator of the General Services Administration is responsible for coordinating and providing for the effective acquisition and management of Federal automatic data processing equipment. **Recommendation To Agencies:** The Secretary of Commerce should direct the National Bureau of Standards to develop and issue guidelines on selecting and evaluating advanced data entry systems. Federal agency and department heads should require internal auditors to review changes in data entry techniques both before and after they are made.

106475

[Development of Department of Defense's Tri-Service Medical Information Systems]. LCD-78-121; B-182666. July 19, 1978. 5 pp. plus 2 appendices (29 pp.).

Report to Sen. John C. Stennis, Chairman, Senate Committee on Appropriations: Defense Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing (0100); Health Programs: Direct Delivery Programs of the Federal Government (1216).

Contact: Logistics and Communications Division.

Organization Concerned: Department of Defense.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services; *Sen. John C. Stennis.*

Abstract: The Department of Defense's (DOD) Tri-Service Medical Information System (TRIMIS) should provide automated data processing support for patient care in military hospitals. Its potential benefits involve minimizing duplication in systems development by the services, money savings, and improved hospital patient care. **Findings/Conclusions:** However, little progress has been made toward achieving these objectives despite expenditures of about \$50 million. Problems identified were: lack of unified support from services in the design and development effort, little management continuity, lack of definition of organizational responsibilities, inadequate planning, and lack of emphasis on system standardization. **Recommendation To Congress:** Congress should advise the Secretary of Defense that further funding of the TRIMIS program should be restricted to: DOD preparation and presentation of a long-range plan for the development, implementation, and operation of TRIMIS within budgetary and time limitations; preparation of a series of short-range plans that provide DOD a firm commitment for implementing the long-range plan; identification of the uniform data elements, codes, and communication protocols that are to be used by the services throughout the TRIMIS life cycle; and designation of the patient administration module as the top priority module for development and implementation.

106477

Audit Guide for Assessing Reliability of Computer Output. May 1978. 87 pp. plus 3 appendices (6 pp.).

by Elmer B. Staats, Comptroller General.

Contact: Office of the Comptroller General.

Abstract: Guidelines are presented to aid auditors in their assessment of the reliability of computer outputs.

106493

The Department of the Interior's Computerized Resources Information Bank. EMD-78-17; B-118678. July 17, 1978. 23 pp. plus 2 appendices (8 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Materials: Information System Deficiencies (1808).

Contact: Energy and Minerals Division.

Organization Concerned: Council on Environmental Quality; Department of the Interior; Geological Survey; Office of Science and Technology Policy.

Congressional Relevance: *House* Committee on Interior and Insular Affairs; *Senate* Committee on Energy and Natural Resources; Congress.

Authority: Alaska Native Claims Settlement Act.

Abstract: The Department of the Interior is the principal agency of the Government responsible for managing mineral resources and has a major role in formulating mineral policy. Within the Geological Survey, the Computerized Resources Information Bank (CRIB) stores basic data on geology, mines, and commodities and retrieves the information for use in mineral resource analysis. *Findings/Conclusions:* CRIB is incomplete, inaccurate, outdated, and lacks data and management support. A viable information system is needed to help officials perform the Survey's most important minerals policy advisory role, analysis of long-term mineral resource availability. *Recommendation To Agencies:* To increase the priority and high-level agency support for a computerized resource and decision oriented information bank, the Secretary of the Interior should direct the Assistant Secretary of Energy and Minerals to clearly formulate written mineral resource information requirements of the CRIB program for submission to the Geological Survey; order that the CRIB system design and information requirements be made fully compatible with the Bureau of Mine's Mineral Availability System for mineral reserves; and require the Director of the Geological Survey to formulate and put in place a survey-wide plan providing internal coordination and input to CRIB from all Geological Survey mineral activities. The Director of the Geological Survey should make the Assistant Secretary of Energy and Mineral Resources responsible for developing and coordinating the implementation of an integrated Geological Survey-wide Mineral Resources Program that will utilize a CRIB-like system as the central or primary computerized minerals information system. Various forms of support should also be created and assigned to this task.

106494

The Department of the Interior's Minerals Availability System. EMD-78-16; B-118678. July 17, 1978. 49 pp. plus 2 appendices (8 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Materials: Information System Deficiencies (1808).

Contact: Energy and Minerals Division.

Organization Concerned: Council on Environmental Quality; Department of the Interior; Office of Science and Technology Policy; Bureau of Mines.

Congressional Relevance: *House* Committee on Interior and Insular Affairs; *Senate* Committee on Energy and Natural Resources; Congress.

Authority: Federal Grant and Cooperative Agreement Act of 1977. 41 U.S.C. 501. Organic Act. 30 U.S.C. 6.

Abstract: Better information on the availability of minerals is a must for the United States to plan intelligently for the present and

future use of vital mineral resources. The Bureau of Mines has attempted to develop a computerized mineral reserve identification and analysis system, the Minerals Availability System (MAS), to evaluate the technical and economic factors affecting mineral supply. If properly designed and managed, it could assist policy makers in a variety of decisions fostering the orderly development and supply of mineral reserves, as well as complement the Geological Survey's computerized mineral resources system. *Findings/Conclusions:* Although MAS has potential as a policy-related analytic aid, a management tool for structuring mineral data gathering and analysis, and a mechanism for determining information priorities, it has failed to fulfill any of these roles. *Recommendation To Agencies:* The Secretary of the Interior should direct the Assistant Secretary of Energy and Minerals to identify in writing the Department's major minerals policy data requirements as well as the location of the data; require the Bureau of Mines to develop adequate capabilities and written procedures to routinely service the office of the Assistant Secretary, Energy and Minerals, data and analysis needs; and require that the system design and information requirements be made fully compatible with the Geological Survey's computer information system. The Director of the Bureau of Mines should place the MAS program under the Associate Director of Minerals and Materials Supply/Demand Analysis and consider it a priority program.

106504

HUD's Evaluation System: An Assessment. PAD-78-44; B-114860. July 20, 1978. 62 pp. plus 4 appendices (17 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Domestic Housing and Community Development (2100); Evaluation Guidelines and Methodology: Agency Evaluation (2601).

Contact: Program Analysis Division.

Organization Concerned: Department of Housing and Urban Development.

Congressional Relevance: *House* Committee on Banking, Finance and Urban Affairs; *Senate* Committee on Banking, Housing and Urban Affairs; Congress.

Authority: Housing and Community Development Act of 1974. 88 Stat. 633. P.L. 93-383.

Abstract: To efficiently and effectively carry out its operations, each Federal agency should establish and maintain adequate internal control systems. Evaluation has been described as one of the most useful tools available to Federal officials in addressing policy questions, deciding on policies and programs, and providing information on the efficiency and effectiveness of policies and programs. An evaluation system's overall effectiveness depends on how well the components of the system specify program objectives and measures of effectiveness, plan and coordinate evaluation activities, design and conduct evaluation studies, and disseminate and use evaluation results. *Findings/Conclusions:* Although the Department of Housing and Urban Development (HUD) has made strides in the area of evaluation, it is not realizing its full potential for providing decisionmakers with information on whether programs and activities are meeting their objectives. Although most HUD program evaluations describe program activity, they are not aimed at assessing progress toward the programs' goals. Performance evaluations had no established guidelines for measuring efficiency and effectiveness, and internal audits were only minimally concerned with assessing program effectiveness. Although little duplication was evident, many program evaluations did not address major program issues, internal audits were primarily concerned with compliance and economy and efficiency, and HUD research and technology budget did not accurately show the resources spent on evaluating ongoing programs. Many program evaluations were research oriented and not designed to determine programs'

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achievements or objectives. In some cases, there were few or no mechanisms for insuring that evaluation products were accurate and reasonable. **Recommendation To Agencies:** The Secretary of HUD should direct that: evaluation and program personnel work together to clarify program objectives, develop standards for measuring achievements, and identify data requirements for evaluation; priority for evaluation resources be given to issues identified as deserving attention; more evaluations be conducted on the effectiveness of programs in achieving objectives; departmentwide guidelines and standards be established for conducting, contracting, monitoring, and reviewing program and performance evaluations; and deficiencies in the management information system as noted in internal reports be further investigated and corrected.

106562

Evaluation Needs of Crime Control Planners, Decisionmakers, and Policymakers Are Not Being Met. GGD-77-72; B-171019. July 14, 1978. 179 pp. plus 3 appendices (15 pp.).
Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Law Enforcement and Crime Prevention (0500); Evaluation Guidelines and Methodology: Agency Evaluation (2601).
Contact: General Government Division.

Organization Concerned: Department of Justice; Law Enforcement Assistance Administration.

Congressional Relevance: House Committee on the Judiciary; Senate Committee on the Judiciary; Congress.

Authority: Omnibus Crime Control and Safe Streets Act of 1968. Juvenile Justice and Delinquency Prevention Act of 1974. Crime Control Act of 1976. Omnibus Crime Control and Safe Streets Act of 1976.

Abstract: Since 1969 the Law Enforcement Assistance Administration (LEAA) has awarded over \$5 billion to State and local governments to reduce crime and delinquency. There have been various attempts to evaluate the impact and effectiveness of programs receiving these funds. **Findings/Conclusions:** Evaluation activities of LEAA and the States have been inadequate to meet planning, decisionmaking, and policymaking needs of many users concerned with the intergovernmental block grant crime control program. For example: the amount and types of evaluation work have not been adequate, the quality of evaluation work was questionable, evaluation information needs of users were not being met, resources allocated for evaluation were inadequate, organization of evaluation functions lacked direction and effective management controls, and better coordination of evaluation program efforts was needed. LEAA should place greater emphasis upon building evaluation into programs and projects before they are started at the Federal, State, and local levels, and exercise greater leadership. **Recommendation To Congress:** Congress should consider expanding LEAA research, development, demonstration, and evaluation role with greater involvement from State and local governments. The Attorney General should direct LEAA to provide for substantive involvement of State and local officials in formulating evaluation policies, guidelines, and requirements. Such efforts should include establishing an evaluation coordinating committee and assessing evaluation information feedback needs of States and localities periodically. The Attorney General should direct the Administrator of LEAA to: provide for the organizational placement of evaluation responsibilities minimally at the Deputy Administrator level and provide for additional resources for evaluation functions; increase the priority emphasis of research and development efforts; develop reliable databases, evaluation measures, and assessment criteria to determine the impact of programs; develop and require standardized reporting systems; standardize quality control; and develop and implement impact evaluation information and reporting systems. The Attorney General should also examine and consider proposing options for changes in legislation.

106643

[Use of Advertised and Negotiated Contracts for Construction and Major Repair and Alterations]. LCD-78-323; B-95136. July 6, 1978. 2 pp. plus 2 enclosures (13 pp.).

Report to Sen. Charles H. Percy, Ranking Minority Member, Senate Committee on Governmental Affairs: Permanent Subcommittee on Investigations; by Robert G. Rothwell (for Fred J. Shafer, Director), GAO Logistics and Communications Division.

Issue Area: General Procurement (1900); General Procurement: Reasonableness of Prices Under Negotiated Contracts and Subcontracts (1904).

Contact: Logistics and Communications Division.

Organization Concerned: General Services Administration.

Congressional Relevance: Senate Committee on Governmental Affairs: Permanent Subcommittee on Investigations; Sen. Charles H. Percy.

Authority: Small Business Act. Property and Administrative Services Act.

Abstract: A statistical analysis of the General Services Administration's (GSA) use of advertised and negotiated contracts for new construction and major repairs and alterations indicated that restricted competition may preclude assurance that awards are made at reasonable prices. There appears to be too high a proportion of negotiated contracts, overly liberal interpretations of public exigency to justify negotiation, and little or no competition for many advertised and negotiated awards. Although conclusive determinations could not be made of procurement methods in individual cases, indicators of serious inadequacies are being reported to the Administrator of GSA. Suggestions are being made that his recently formed task force on activities most susceptible to criminal abuse consider information supplied by GAO and that they investigate specifically the sufficiency of competition in the Public Building Service's construction, repair, and alteration contract work.

106743

Management of Federal Materials Research Should Be Improved. EMD-78-41; B-183336. July 14, 1978. 37 pp. plus 7 appendices (14 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Materials (1800); Science and Technology: Federal Laboratories and Federally Supported Organizations Performing Research and Development (2003).

Contact: Energy and Minerals Division.

Organization Concerned: Office of Management and Budget; Office of Science and Technology Policy; Smithsonian Institution.

Congressional Relevance: House Committee on Science and Technology; Senate Committee on Commerce, Science, and Transportation; Congress.

Authority: Water Resources Research Act of 1964. P.L. 88-379. Federal Water Pollution Control Act Amendments of 1972. P.L. 94-282. Executive Order 12039. B-175102 (1972). B-115398 (1973). B-183336 (1975). B-170807 (1971). B-166506 (1976).

Abstract: The United States is the world's largest consumer of materials and has become increasingly dependent on foreign sources for materials. This materials supply problem has created the need for finding new resources at home, improved extraction and processing techniques, materials substitutes, and new materials uses. **Findings/Conclusions:** The Government's materials research programs have not been managed cohesively and could be costing taxpayers millions of dollars because of unnecessary and duplicated research, appropriation of funds to areas not related to national goals, and activities not coordinated with those outside the Federal Government. Many organizations have recommended that a single

manager be designated to oversee materials research, but so far, no one has assumed this responsibility. The Office of Science and Technology Policy (OSTP), whose mission is to oversee the Government's research and development R&D programs, could provide the necessary leadership, but additional information on current research is needed to determine where to place emphasis. The Smithsonian Science Information Exchange (SSIE) could provide the research information, but it lacks information on private industry; and its information on Federal agencies is neither complete nor current. **Recommendation To Congress:** Congress should enact legislation that would: designate SSIE as the official data center for materials-related R&D; and, if OMB fails to implement reporting procedures, require agencies to report materials R&D projects to SSIE. **Recommendation To Agencies:** The Director of OSTP should determine needs for data and for materials R&D budget recommendations for the Office of Management and Budget (OMB). The President of SSIE should: take more effective measures to obtain data from non-Federal sources, determine the feasibility of incorporating industrial information developed by other Federal sources into its information system, work with agencies to develop a standard reporting form and a universal classification system for materials program management and project review, inform agencies that data search costs can be reduced by excluding their data from searches, and redefine the data elements of its project submission form to conform with OSTP requirements. The Director of OMB should institute a mandatory reporting system for agency materials R&D.

106744

Computer-Aided Building Design. LCD-78-300; B-152306. July 11, 1978. 122 pp. plus 3 appendices (54 pp.).

Staff Study by Fred J. Shafer, Director, GAO Logistics and Communications Division.

Contact: Logistics and Communications Division.

Congressional Relevance: House Committee on Science and Technology; Senate Committee on Commerce, Science, and Transportation.

Authority: Housing and Community Development Act of 1974. P.L. 93-383. 12 U.S.C. 1701j. B-115369 (1971). B-183336 (1975). B-175132 (1976). B-114860 (1976).

Abstract: New developments in computer technology have increased the potential for cost-effective changes in the production of goods and services. Computer-aided building design (CABD) in the United States and abroad was studied in order to aid in future evaluations of construction projects. **Findings/Conclusions:** Using current methods, building designers have encountered difficulties in selecting design alternatives, allocating designer resources to yield the greatest returns on investments, optimizing design systems and minimizing system interferences, and allowing for emphasis on total costs for the life of a structure. CABD could minimize these difficulties and increase speed, accuracy, and versatility. In spite of its potential, CABD has had limited application because the technology is still too new to evaluate cost benefits; there is insufficient motivation for the building industry to conduct research and development; and the capital investment cost is high. If CABD is to be developed in the United States, it will take time, will be an evolutionary process, and will be quite expensive. It will also require the development of standards, definitions of designer needs, an educational process, and increased research.

106772

By Making the Lawrence Berkeley Laboratory a Federal Computer Center, the Department of Energy Can Save Millions While Serving Government Agencies. EMD-78-30; B-115369. February 2, 1978. 16 pp. plus 3 appendices (26 pp.).

Report to Rep. Jack Brooks, Chairman, House Committee on Government Operations; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing (0100); Facilities and Material Management (0700); Energy (1600).

Contact: Energy and Minerals Division.

Organization Concerned: Department of Energy; Department of Defense; General Services Administration; Department of Energy; Lawrence Livermore Radiation Laboratory, CA.

Congressional Relevance: House Committee on Science and Technology; House Committee on Government Operations; Senate Committee on Interior and Insular Affairs; Rep. Jack Brooks.

Authority: Automatic Data Processing Equipment Act. P.L. 89-306. 3-136318 (1977). F.P.M.R. 101-32.203-1. F.P.M.R. 101-32.4701-1.

Abstract: In order to consolidate agency automatic data processing resources, legislation was passed in 1965 calling for multiagency service centers, referred to as Federal Data Processing Centers. The Lawrence Berkeley Laboratory Computer Facility, now owned by the Department of Energy (DOE), has been operating essentially as a data processing center for many years although it was not designated so officially. In 1976, GAO recommended that it be designated as a center, thereby saving an estimated \$18.2 million annually. A consultant, under contract with the former Energy Research and Development Administration to review the GAO report concluded that it was not necessary to designate the Berkeley facility as a Center because there was no demand for scientific computing which was not being met by Federal facilities. **Findings/Conclusions:** GAO questioned the validity of the contractor's conclusion because inadequate information was used in its study and because the conclusion seemed to be contradicted by private industry attempts to meet computing needs in the Berkeley area. Berkeley has been increasingly concentrating on meeting DOE needs rather than the needs of outside users. This has caused outside users to seek more costly alternatives. The Defense Nuclear Agency has proposed its own computer services facility. Most of this agency's computing needs could be met by designating Berkeley as a Federal center, although the agency's classified workload may present a problem. The General Services Administration agreed with GAO that Berkeley should be designated as a center. **Recommendation To Agencies:** The following actions should be taken to designate the Berkeley facility as a Federal Scientific Data Processing center: establish an interagency agreement for the operation of the center and agree on the extent of expansion necessary to meet existing and future demand.

106783

Managing Weapon System Software: Progress and Problems (Unclassified Digest of a Classified Report). PSAD-78-112; B-163058. July 10, 1978.

Report to Congress; by Elmer B. Staats, Comptroller General.

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: Department of the Navy; Department of Defense; Department of the Army; Department of the Air Force.

Congressional Relevance: Congress.

Abstract: The Department of Defense (DOD) estimates that it spends over \$3 billion annually for weapon system software, and the cost is steadily rising. However, software performance has often been unreliable because of serious technical and management problems with the way it is designed, developed, tested, and maintained. These problems increase weapon system life-cycle cost, extend development schedules, and degrade mission performance.

Findings/Conclusions: Due to the lack of visibility in the acquisition process, software management is not given the same emphasis as hardware even though software is critical to operational performance of the major weapon systems. **Recommendation To Congress:** Congress should consider the following issues when reviewing the

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relevant system during DOD appropriation hearings: the Army did not perform complete operational testing of the Tactical Fire Direction System software before procuring the system; the Navy does not plan satisfactory software testing for the Light Airborne Multi-purpose System Mark III before the production decision was made; and limited funding has hampered efforts to correct problems and test changes in S-3A fleet-issue software problems. **Recommendation To Agencies:** The Secretary of Defense should require the Defense Systems Acquisitions Review Council to include software management plans and issues at weapon system project review meetings, giving special consideration to plans for testing and evaluating software before approving systems for development and to the adequacy of software for system mission performance, reliability, and maintainability before approving systems for production; provide specific actions for improving test, evaluation, and life-cycle maintenance of system software programs; and insure that when operational testing discloses major software discrepancies on systems approved for production, the services earmark funds for corrective actions within a reasonable time.

106818

Import Duties and Taxes: Improved Collection, Accounting, and Cash Management Needed. FGMSD-78-50; B-114898. August 21, 1978. 18 pp. plus 3 appendices (8 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting: Systems To Insure That Amounts Owed the Federal Government Are Fully and Promptly Collected (2803).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of the Treasury; United States Customs Service.

Congressional Relevance: House Committee on Ways and Means: Trade Subcommittee; Senate Committee on Finance: International Trade Subcommittee; Congress.

Authority: Customs Procedural Reform Act of 1977. H.R. 8149 (95th Cong.). 19 U.S.C. 1. Reorganization Plan No. 1 of 1965.

Abstract: The U.S. Customs Service collected over \$6 billion in duties, taxes, and fees on imported merchandise during fiscal year (FY) 1977, and revenues are projected to increase to \$7 billion by the end of 1980. **Findings/Conclusions:** During FY 1976, delays in collections allowed by Customs procedures cost the Government an estimated \$9.6 million in interest costs. The Government is entitled to duty payments when goods are released to importers. However, Customs allowed importers to defer payments an average of 12.4 days, and proposed changes may delay collections up to 30 days. The Government could have reduced its interest costs by up to \$7.3 million if it had collected, when due, the \$3.3 billion in FY 1976 collections deferred. Also, about \$563 million in importers' alcohol taxes was deferred in FY 1976 which could have reduced interest costs by an estimated \$2.3 million if collected on time. Other delays in collections have resulted from: lengthy reviews by Customs of documentation for imported items, slow collections of amounts due from importers, and incorrect or late bills and receivable reports. **Recommendation To Agencies:** The Secretary of the Treasury should consider developing methods to reduce collection delays including requiring importers to pay duties when goods are released or be charged interest on late payments. He should also review the policy allowing alcohol tax deferrals for an average of 23 days and, if deferrals are allowed to continue, consider levying interest charges on importers who elect to defer taxes. The U.S. Customs Service should reduce processing delays, improve controls over bonds, verify that bond coverage is adequate on all transactions, improve billing and collection procedures, and levy interest charges on overdue bills.

106824

[Approval of Design of Phase I of the Procurement Appropriations Program and Fund Control System]. FGMSD-78-54; B-159797. August 16, 1978. 2 pp.

Letter to Secretary, Department of Defense; by Robert F. Keller, Deputy Comptroller General.

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of the Army; Department of Defense.

106927

Legislative Recommendations of the Commission on Government Procurement: 5 Years Later. PSAD-78-100; B-160725. July 31, 1978. 26 pp.

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: General Procurement (1900).

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: Office of Management and Budget; Office of Federal Procurement Policy; Executive Office of the President.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services; Senate Committee on Commerce, Science, and Transportation: Science, Technology, and Space Subcommittee; Congress.

Authority: Federal Property and Administrative Services Act of 1949. P.L. 91-129. P.L. 93-400. P.L. 95-224. OMB Circular A-76. OMB Circular A-109. OMB Circular A-11. H. Rept. 93-912. H. Res. 988 (93rd Cong.). H. Res. 131 (95th Cong.). H. Res. 413 (95th Cong.). H. Res. (95th Cong.). S. Rept. 95-715. S. 1264 (95th Cong.).

Abstract: Congress created the Commission on Government Procurement to take a comprehensive look at the extensive Federal procurement system. The Commission report, issued after a two and one-half year study, made 149 recommendations. GAO has monitored progress and problems in implementing the recommendations. Of the 57 recommendations that needed congressional action, 7 are now law, 21 are in pending legislation, and 29 have not been acted upon. **Findings/Conclusions:** Several important laws have been enacted: creation of the Office of Federal Procurement Policy to provide Government-wide leadership on procurement matters, expansion of the scope of simplified purchasing procedures, expediting procurement financing, and clarification of the basis for using contract and grant-type arrangements. The recommendations on the private enterprise policy have not been thoroughly aired among executive agencies or with the private sector. The Office of Management and Budget did not follow its prescribed program, and an executive branch position on emphasizing the private sector has not been established. The executive branch also has not formally addressed two specific recommendations--the use of industrial funding and continuous evaluation of procurement and distribution systems on a total cost basis. Congress has taken the initial step of requiring mission information in the President's budget, and a few congressional committees are experimenting with the concept.

107047

[Department of Commerce Activities Regarding Foreign Investment in U.S. Farmland]. CED-78-173; B-114824. September 15, 1978. Released October 16, 1978. 7 pp.

Report to Rep. Richard Nolan, Chairman, House Committee on Agriculture: Family Farms, Rural Development, and Special Studies Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Land Use Planning and Control: Federal Programs for Non-Public Lands and Related Resources (2307).

Contact: Community and Economic Development Division.

Organization Concerned: Department of Commerce; Bureau of Economic Analysis; Department of Commerce: Office of Foreign

Investment in the United States.

Congressional Relevance: *House* Committee on Agriculture: Family Farms, Rural Development, and Special Studies Subcommittee; *Rep.* Richard Nolan.

Authority: International Investment Survey Act of 1976 (P.L. 94-472; 90 Stat. 2059). Foreign Investment Study Act of 1974 (P.L. 93-479; 88 Stat. 1450). Executive Order 11961. Executive Order 11858.

Abstract: The Office of Foreign Investment in the United States and the Bureau of Economic Analysis, both in the Department of Commerce, are responsible for collecting and analyzing data concerning foreign investments in the United States. The primary emphasis of the Office of Foreign Investment is the monitoring of foreign investments in all sectors of the economy. The Office has published reports containing information on foreign investments for 1976 and for the first half of 1977. **Findings/Conclusions:** These reports include only four sales of farmland. Officials said that foreign purchases of farmland are usually not publicized because of investor interest in protecting the privacy of such transactions, particularly in view of potential adverse reaction from home countries and in the United States. Since the Office has no active program of contacting investors or developing other sources of data, its activities should not be expected to provide good nationwide data on foreign investments in U.S. farmland. The Bureau of Economic Analysis plans to make annual surveys of direct foreign investments. A questionnaire is being prepared for soliciting information from about 1,500 foreign-owned firms on an annual basis, but it appears that the Bureau is primarily directing its efforts toward previously identified foreign-owned firms. According to Bureau officials, foreign ownership is not easily identified because of the lack of publicity surrounding land purchases. In addition, the questionnaire is not designed to yield information which will allow conclusions to be drawn as to the effect of foreign investment on such things as farm prices, the price of farmland, and the family farm structure.

107055

NORAD's Information Processing Improvement Program: Will It Enhance Mission Capability? LCD-78-117; B-163074. September 21, 1978. 4 pp. plus 1 enclosure (4 pp.). *Report* to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Military Preparedness Plans: Military Communications and Information Processing Needs (0803); Military Preparedness Plans: Effective Control of Strategic Communications and World Wide Military Command and Control System (0811).

Contact: Logistics and Communications Division.

Organization Concerned: Department of Defense; Department of the Air Force; Department of Defense: Joint Chiefs of Staff.

Congressional Relevance: *House* Committee on Armed Services; *Senate* Committee on Armed Services; Congress.

Abstract: The North American Air Defense Command (NORAD) is attempting to enhance its information processing capabilities with a program known as the 427M Improvement Program. This program involves the acquisition of new automatic data processing and communications equipment, both hardware and software, to meet expanding operational requirements. **Findings/Conclusions:** Since the first contract under this program was awarded in early 1972, the program has experienced a variety of problems, including cost overruns exceeding \$100 million. **Recommendation To Agencies:** Either the Secretary of Defense or the Secretary of the Air Force should take immediate action to: consolidate the remaining Communications System Segment contractual efforts under the Aerospace Defense Command; replace the Communications System Segment with available state-of-the-art computer message switching equipment; accept and use, on an interim basis, the Space Computational Center System and NORAD Computer System hardware and software augmented by the Mission Essential Back Up Computer; start a redesign effort to replace the Space

Computational Center and NORAD Computer System hardware and software with available state-of-the-art systems; initiate acquisition of an uninterruptable power supply in the NORAD Combat Operations Center; establish a steering committee to assess problems with current and future system development and monitor corrective actions taken; and direct the Chairman of the Joint Chiefs of Staff to exempt NORAD from using future World Wide Military Command and Control System computers.

107058

[Approval of the Naval Armed Forces Health Professions Scholarship Program Pay System]. FGMSD-78-13. December 14, 1977. 2 pp. *Letter* to George A. Peapples, Department of the Navy: Assistant Secretary of the Navy (Financial Management); by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of the Navy; Department of the Navy: Assistant Secretary of the Navy (Financial Management).

107073

Computers and U.S. Army Readiness in the Pacific. LCD-78-111; B-146896. April 21, 1978.

Report to Secretary, Department of the Army; by Fred J. Shafer, Director, GAO Logistics and Communications Division.

Unclassified Digest Not Available.

Issue Area: Automatic Data Processing: Use of Computer Systems for Agency Mission Requirements and Support Functions (0108); Military Preparedness Plans: Military Communications and Information Processing Needs (0803).

Contact: Logistics and Communications Division.

Organization Concerned: Department of Defense; Department of the Army.

107114

[Financial Statements of the Student Loan Insurance Fund]. HRD-78-165; B-164031(1). September 8, 1978. 4 pp. plus 2 enclosures (12 pp.).

Report to Secretary, Department of Health, Education, and Welfare; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Education: Organization and Management of Federal Education Programs (3301).

Contact: Human Resources Division.

Organization Concerned: Department of Health, Education, and Welfare.

Congressional Relevance: *House* Committee on Education and Labor; *Senate* Committee on Human Resources.

Authority: Higher Education Act of 1965.

Abstract: Since 1968, GAO has issued seven reports to Congress on the financial aspects of the Student Loan Insurance Fund. **Findings/Conclusions:** Many deficiencies in the Office of Education's accounting and computer systems were noted, including the following: (1) major accounts were unsupported by subsidiary records; (2) the allowance for loss rates for defaulted loans purchased, accrued interest, and claims-in-process was not based on actual program experience; and (3) the automated computer systems needed to provide accurate information for the Fund's financial statements were not functioning properly. A limited review of the Fund's financial transactions and operations for fiscal years 1976 and 1977 disclosed that these deficiencies remain uncorrected. No opinion was rendered since the poor condition of accounting records and lack of adequate internal control procedures would have necessitated additional time-consuming work. **Recommendations:**

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tion To Agencies: The Department of Health, Education, and Welfare should develop a plan of action that will detail the steps needed to improve the Fund accounting controls and procedures and the computer system that provides data for the Fund and the management of the Guaranteed Student Loan program.

107127

[Consolidation of Accounting Systems for Foreign Military Sales Program]. FGMSD-78-3. November 4, 1977. 2 pp.

Letter to Fred P. Wacker, Department of Defense: Assistant Secretary of Defense (Comptroller); by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Defense: Assistant Secretary of Defense (Comptroller).

107128

[Approval of Army Corps of Engineers Automated Accounting System]. FGMSD-78-1. November 4, 1977. 1 p.

Letter to James J. Leonard, Acting Comptroller of the Army, Department of the Army; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of the Army: Corps of Engineers.

107132

Customs' Cargo Processing: Fewer but More Intensive Inspections Are in Order. GGD-78-79; B-114898. September 7, 1978. 25 pp. plus 2 appendices (6 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Contact: General Government Division.

Organization Concerned: Department of the Treasury; United States Customs Service.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Finance; Congress.

Authority: Tariff Act of 1930. 19 U.S.C. 1499. H.R. 8149 (95th Cong.).

Abstract: The U.S. Customs Service's mission since 1789 has been to collect the revenue on imports and to prevent improper entry of goods. During fiscal year 1977, over \$152 billion worth of merchandise was imported which required the inspection of merchandise for 7.4 million shipments, inspection of 3.9 million freight carriers, and processing of about 3.7 million separate commercial cargo entries. This workload forces Customs either to perform very limited inspections or to seriously impede the flow of imported cargo.

Findings/Conclusions: Rather than impede trade, Customs makes limited inspections that are seldom effective and do not ensure compliance with laws and regulations governing imports. Quantities and merchandise descriptions are seldom verified. Customs agencies in other countries have chosen to concentrate on thorough inspections of fewer items based on the belief that inspecting a limited number of items, selected on sound criteria, effectively deters violations and negates the need to inspect every item. This approach is similar to that used successfully by the Internal Revenue Service to select tax returns for audit. A selective cargo inspection system containing the elements of scientific random selection, specific selection, and postaudit would allow Customs to make fewer but more comprehensive inspections. Scientific random selection would deter violations because importers would never know which shipments would be selected, and specific selection would ensure that high risk shipments would be inspected. **Recommendation To Congress:** Congress should amend the Tariff Act of 1930 to allow Customs to adopt a comprehensive selective cargo inspection system. **Recommendation To Agencies:** The Secretary of

the Treasury should direct the Commissioner of Customs to develop a plan for a selective cargo inspection system that provides for intensive inspection of shipments selected on a scientific random basis and for intensive inspection of some shipments selected on the basis of sound criteria. After the plan is developed, the Secretary should submit it to Congress for review.

107334

A Plan for Improving the Disability Determination Process by Bringing It Under Complete Federal Management Should Be Developed. HRD-78-146; B-164031(4). August 31, 1978. 27 pp. plus 3 appendices (11 pp.).

Report to Rep. James A. Burke, Chairman, House Committee on Ways and Means: Social Security Subcommittee; by Elmer B. Staats, Comptroller General.

Contact: Human Resources Division.

Organization Concerned: Department of Health, Education, and Welfare; Social Security Administration.

Congressional Relevance: House Committee on Ways and Means: Social Security Subcommittee; Rep. James A. Burke.

Authority: Social Security Act. P.L. 93-233.

Abstract: The most important step in considering claims for Social Security disability benefits is determining whether a claimant is disabled. State agencies carry out the disability determination process under contractual agreements with the Department of Health, Education, and Welfare (HEW). In 1977, about 6.7 million disability beneficiaries received disability benefits of about \$14.0 billion. **Findings/Conclusions:** The means used to make disability determinations differed considerably among States. A reasonable degree of uniformity and efficiency in the process may never be achieved because the existing Federal-State arrangement precludes direct managerial control by the Social Security Administration (SSA) of State agencies, and SSA has failed to correct other weaknesses in the process. Although the disability program was to be linked with an effective State vocational rehabilitation program, only a small proportion of workers have been rehabilitated, and there has been an increase in disabled workers on the rolls. SSA efforts to strengthen Federal-State agreements had only limited success because of the unwillingness of State officials to relinquish their prerogatives. Only a small proportion of States have said that they would sign a proposed agreement, submitted to States by SSA in response to earlier GAO recommendations, which expanded the Federal role to ensure uniformity. Also, there has not been adequate participation of physicians in the disability determination process. SSA has attempted to implement an acceptable quality assurance system, but further action is needed. **Recommendation To Agencies:** The Secretary of HEW should develop, for consideration by Congress, a plan for strengthening the disability determination process by bringing it under complete Federal management. The Secretary should also direct the Commissioner of SSA to continue work on: assuring that clear, concise criteria and guidelines are provided for use in making disability determinations; providing uniform training for those making the determinations; assuring that the quality assurance system is properly implemented; and assuring that there is adequate participation by physicians in the disability determination process.

107355

Are Pension Beneficiaries Harmed by Large Bank Trust Department Sales of Large Common Stock Positions? The Evidence. PAD-78-75; B-192918. October 19, 1978. 3 pp. plus 3 appendices (37 pp.).

Report to Sen. Lloyd Bentsen, Chairman, Senate Committee on Finance: Private Pension Plans and Employee Fringe Benefits Subcommittee; by Elmer B. Staats, Comptroller General.

Contact: Program Analysis Division.

Budget Function: Income Security: Federal Employee Retirement and Disability (0602).

Organization Concerned: Department of Labor; Securities and Exchange Commission.

Congressional Relevance: *Senate* Committee on Finance; *Senate* Committee on Finance: Private Pension Plans and Employee Fringe Benefits Subcommittee; *Sen.* Lloyd Bentsen.

Abstract: A study was conducted to provide a comparative analysis of the time taken to sell out large common stock positions by large and small bank trust departments. It was suggested that, because large institutions hold large positions in certain securities, when they eliminate one of these positions, selling should be spread over longer periods to avoid or reduce destabilizing impacts on that stock's price. It was also suggested that if an institution takes a long time to sell a single stock, long selling periods might adversely affect investment performance and thus injure that institution's beneficiaries. Position eliminations by the 20 largest reporting bank trust departments and by 20 smaller bank trust departments were examined. **Findings/Conclusions:** The positions ultimately sold out by large bank trust departments represented a maximum of 1.3 percent of the assets being managed for pension beneficiaries, with a comparable figure of 0.4 percent for the smaller banks. A weak statistical relationship was found between the size of positions eliminated and the time taken to eliminate them. The length of time taken to sell off large positions had little, if anything, to do with the size of the position during this period. In general, prices were higher during the selling periods than at the beginning of the selling periods. There was no evidence that prices declined on large positions that were sold over long periods of time and no basis was found for concern about the potential adverse impacts on pension beneficiaries.

107359

[Computer Misuse by the Sigma Corporation, a NASA Contractor]. PSAD-78-148; B-115369. September 27, 1978. 5 pp. plus 2 enclosures (25 pp.).

Report to Sen. William Proxmire, Chairman, Senate Committee on Appropriations: HUD-Independent Agencies Subcommittee; by Robert F. Keller, Acting Comptroller General.

Issue Area: Automatic Data Processing: Guidelines for ADP Management and Control (0110); Science and Technology (2000).

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: National Aeronautics and Space Administration; Federal Bureau of Investigation.

Congressional Relevance: *Senate* Committee on Appropriations: HUD-Independent Agencies Subcommittee; *Sen.* William Proxmire.

Authority: Federal Computer Systems Protection Act of 1978. S. 1766 (95th Cong.). Privacy Act of 1974. OMB Circular A-71. NASA Procurement Regulation 1.605. *Horne Brothers, Inc. v. Laird*, 463 F.2d 1268. *Myers and Myers, Inc. v. U.S. Postal Service*, 527 F.2d 1252.

Abstract: It was alleged that personnel from the Sigma Corporation, a National Aeronautics and Space Administration (NASA) contractor, have used the NASA main computer at Johnson Space Center to develop large-scale accounting systems and then used the systems to keep books for Sigma Corporation customers. **Findings/Conclusions:** The Federal Bureau of Investigation substantiated this allegation but declined to prosecute because the contract was completed on December 31, 1977, and NASA withheld fees due the corporation sufficient to cover the value of the unauthorized use of the computer. Most of the computer misuse occurred on other than the prime daytime shift when there was no Government surveillance. NASA decided against suspension or debarment of the corporation. Action that should be taken to prevent a recurrence of such computer misuse includes implementation of Transmittal No. 1 of Office of Management and Budget Circular

A-71 which reflects policy guidance on computer security and determining the sensitivity of information and the extent to which agency resources should be invested in security and risk analysis.

107360

[Record Storage for the Veterans Administration Records Processing Center, St. Louis, Missouri]. LCD-78-128-I; B-146743. October 13, 1978. 3 pp.

Report to Joel W. Solomon, Administrator, General Services Administration; by Richard W. Gutmann, Director, GAO Logistics and Communications Division.

Issue Area: Federal Information Management: Efforts To Improve Records Management (1405).

Contact: Logistics and Communications Division.

Organization Concerned: Public Buildings Service; General Services Administration; Veterans Administration.

Authority: 44 U.S.C. 2901. 44 U.S.C. 3103.

Abstract: The General Services Administration (GSA) advised the Veterans Administration (VA) that substantial cost savings could be realized if GSA assumed responsibility for storing and servicing the records now at the VA Records Processing Center in St. Louis, Missouri. **Findings/Conclusions:** VA subsequently determined that its records processing center is an integral part of its agency operation and is not a records center. Since GAO considers the St. Louis facility to be a records center, the VA requires GSA approval to store and maintain its records. GSA should evaluate the VA study and determine whether the VA should be granted approval to continue to operate the center and should instruct the Public Buildings Service to delay any further action on modifications or repairs which would be unique to the VA records center.

107371

[Potential Savings Through Consolidated Development of Computer Flight Plan System]. LCD-78-437; B-163074. October 10, 1978. 9 pp.

Report to Secretary, Department of Defense; by Richard W. Gutmann, Director, GAO Logistics and Communications Division.

Issue Area: Military Preparedness Plans (0800).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of the Air Force; Department of the Navy; Department of Defense.

Congressional Relevance: *House* Committee on Armed Services; *Senate* Committee on Armed Services.

Abstract: The potential exists for incurring unnecessary costs through the duplicative development by the Air Force and the Navy of computer flight plan (CFP) systems to take advantage of or to avoid weather conditions. The CFP systems are being designed to optimize aircraft routing and reduce fuel consumption. **Findings/Conclusions:** The two services are developing CFP systems independently of each other, and, as a result, two separate computer software programs will be developed requiring an additional computer. If there are savings to be realized through joint development of CFP systems, the necessity for each service to develop its own system is questionable. Since commercial airlines and certain Air Force estimates already show that savings can be achieved through improved CFP systems, there is no need for the Air Force to independently test a system to determine if it is economically feasible. The current independent actions should be halted until both services justify the need for independent rather than joint CFP system development and the Air Force can demonstrate the need for an economic feasibility test. If the tests are needed, the Air Force should be required to show that less costly test procedures have been adequately considered.

107376

GAO Work Involving Title V of the Energy Policy and Conservation Act of 1975. EMD-78-88; B-178726. October 4, 1978. 1 p. plus 1 appendix (15 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Energy (1600); Data Collected From Non-Federal Sources: Reliability and Accuracy of Information (3101).

Contact: Energy and Minerals Division.

Budget Function: Energy: Energy Information, Policy, and Regulation (0276).

Organization Concerned: Executive Office of the President.

Congressional Relevance: Congress.

Authority: Energy Policy and Conservation Act of 1975. 42 U.S.C. 6381. Department of Energy Organization Act. 42 U.S.C. 7297. Natural Gas Act of 1938. 15 U.S.C. 717. Emergency Natural Gas Act of 1977. P.L. 95-2.

Abstract: Title V of the Energy Policy and Conservation Act of 1975 authorized GAO to independently verify energy data and to inspect the books and records of private persons and companies. The act also directed that GAO annually report to the Congress on energy or financial information reviewed under title V and to discuss actions taken to correct any noted deficiencies. **Findings/Conclusions:** As of July 31, 1978, GAO had requested information from 74 different energy companies and had conducted onsite audits of certain books and records of 37 companies. Reports issued and assignments underway pertained to a variety of energy sources and addressed a broad range of issues and types of energy data. Title V is an effective statutory tool in conducting energy reviews, but it should be recognized that the GAO role in energy verification is limited to the particular issues being studied and not to systematic collection and analysis of energy data. Although some delays have been experienced in receiving information, there have been no outright refusals to comply with requests. A discussion of reports issued and assignments in process is included.

107390

The Payroll Allotment Program Needs a Second Look. FGMSD-78-52; B-141025. September 29, 1978. 18 pp. plus 4 appendices (17 pp.).

Report to Congress; by Robert F. Keller, Acting Comptroller General.

Issue Area: Accounting and Financial Reporting: Systems To Insure That Amounts Owed the Federal Government Are Fully and Promptly Collected (2803).

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of the Treasury; Office of Management and Budget; Department of Defense.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services; Congress.

Authority: User Charge Act of 1952. 31 U.S.C. 483a. P.L. 87-304. 5 U.S.C. 5525. P.L. 89-145. 31 U.S.C. 492(b). Independent Offices Appropriation Act of 1952. 31 U.S.C. 483a. P.L. 90-365. 37 U.S.C. 701. 37 U.S.C. 708. OMB Circular A-25. S. Rept. 90-1228. H. Rept. 90-893. Treasury Circular 1076.

Abstract: The Federal Government's voluntary payroll deduction or allotment program permits military and civilian personnel to take care of personal and financial responsibilities by authorizing the Government to withhold money from their pay and send it directly to designated recipients, including dependents, charitable organizations, financial institutions, and insurance companies. **Findings/Conclusions:** The Government charges financial institutions for handling the allotments of civilian employees who work in the United States, but it does not charge them for military allotments or for allotments of civilians who work overseas even though the benefits to the institutions are identical. Under the present

system, the Government does not recover from financial institutions the full costs of processing allotments of civilians, as intended by law, because the rates are outdated. As a result, the Government does not recover any portion of the \$5.6 million spent annually to process military and overseas allotments and recovers only about half of the \$2.6 million for allotments of U.S. civilians. There is a basic disagreement among the Office of Management and Budget, the Department of Defense, and the Department of the Treasury on the need to charge financial institutions for the administrative costs of handling payroll allotments for military personnel and overseas civilians. **Recommendation To Congress:** Congress should consider whether the allotment program, as presently administered, is meeting its expectations and could consider the following options when deciding what, if any, changes need to be made: drop the existing charges for civilian allotments, charge financial institutions for the current costs of all allotments, distribute the current costs for all allotments between the Government and financial institutions and insurance companies, or make no change in existing legislation.

107395

The Government Needs To Do a Better Job of Collecting Amounts Owed by the Public. FGMSD-78-61; B-159687. October 20, 1978. 41 pp. plus 6 appendices (12 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Budget Function: Miscellaneous: Financial Management and Information Systems (1002).

Organization Concerned: Department of the Treasury; Office of Management and Budget.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services; Congress.

Authority: Claims Collection Act. 31 U.S.C. 951. Budget and Accounting Procedures Act of 1950. Antideficiency Act.

Abstract: Government accounts receivable are generally identified as assets from the time transactions giving rise to a claim are complete until payment is received or a claim is determined to be uncollectible. Payments usually are required within 30 days from billing, and interest charges may be levied if payments are not made when due. The public's debt to the Federal Government has increased from \$10.4 billion in 1973 to \$14.6 billion in 1977. **Findings/Conclusions:** Errors amounting to \$1.5 billion in accounts receivable were identified at 12 agencies. Problems included: failure to include unrecovered beneficiary overpayments as accounts receivable, failure to include amounts because of delays, amounts shown as due for the wrong time period, overstatements due to errors, and amounts already collected shown as due. Most agencies did not take prompt and aggressive collection action on delinquent accounts or adhere sufficiently to prescribed collection procedures. Other problems involved inadequate identification and followup action on delinquent accounts, lack of knowledge relating to collection actions, lack of documentation in claims files, and failure to take required action in referring delinquent receivables for further action. During fiscal year 1976, five Federal agencies wrote off claims of about \$200 million. There were inconsistencies in agencies' practices relating to charging interest. Improvements are needed in accounting systems and financial management. **Recommendation To Agencies:** The Secretary of Treasury should revise the Treasury Fiscal Requirements Manual instructions for preparation of financial statements to require: accounts receivable not due within a year or less to be classified as noncurrent assets, unrecovered beneficiary overpayments to be reported and identified as accounts receivable, and consideration to be given to past collection experience in computing an allowance for uncollectible accounts. The Secretary should also emphasize the need for agencies to review financial statements for completeness and accuracy.

The Director of the Office of Management and Budget in concert with the Department of the Treasury, should issue guidelines providing that Government receivables bear interest at not less than an established minimum rate unless otherwise specified or precluded by statute. The Director should emphasize to the heads of departments and agencies the need to obtain the Comptroller General's approval of their accounting systems and assure that an adequate portion of internal audit resources are devoted to reviewing financial statements submitted to the Treasury.

107423

Opportunities To Reduce Administrative Costs of Professional Standards Review Organizations. HRD-78-168; B-164031(3). October 12, 1978. 23 pp. plus 5 appendices (5 pp.).

Report to Rep. Sam M. Gibbons, Chairman, House Committee on Ways and Means: Oversight Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Health Programs: Health Care Costs (1208).

Contact: Human Resources Division.

Budget Function: Health: Health Care Services (0551).

Organization Concerned: Department of Health, Education, and Welfare; Health Care Financing Administration.

Congressional Relevance: House Committee on Ways and Means: Oversight Subcommittee; *Rep.* Sam M. Gibbons.

Authority: Social Security Amendments of 1972. P.L. 92-603. Social Security Act. .

Abstract: Professional Standards Review Organizations (PSRO) were established in order to assure that health care services provided under Medicare and Medicaid conform to appropriate professional standards and are delivered in the most effective, efficient, and economical manner possible. On November 14, 1977, the Department of Health, Education, and Welfare (HEW) announced that it was increasing the maximum allowable compensation for PSRO Executive Directors and Medical Directors. **Findings/Conclusions:** The salary schedules established for executive directors appeared to be inflated, and criteria and data on which they were based were not consistent with the backgrounds of most executive directors. The salary increases are about 8 percent to 10 percent higher than they would be if they were based on rates for similar positions in nonprofit organizations, and the levels are equal to, or higher than, those in similar positions in the Medicare-Medicaid administration complex. Also, there are similarities in the administrative hierarchy within each organization and opportunities in States with more than one PSRO to consolidate similar administrative functions which could result in cost savings. The 164 PSRO's in the 21 States with more than one PSRO area will spend over \$40 million for administrative staffs. Consolidation can best be achieved when nonperforming organizations are identified and removed from the program. **Recommendation To Agencies:** The Secretary of HEW should direct the Administrator of the Health Care Financing Administration to: rescind the executive director salary levels published in November 1977 and establish new levels based on salaries paid comparable positions in nonprofit organizations; and identify PSRO areas where administrative staff and functions can be combined, paying particular attention to situations where nonperforming PSRO's are replaced, and encourage the sharing of support services.

107424

Improved Administration Could Reduce the Costs of Ohio's Medicaid Program. HRD-78-98; B-164031(3). October 23, 1978. 146 pp. *Report to Governor, Ohio; by Elmer B. Staats, Comptroller General.*

Issue Area: Health Programs: Compliance With Financing Laws and Regulations (1207).

Contact: Human Resources Division.

Budget Function: Health: Health Care Services (0551).

Organization Concerned: Ohio; Department of Health, Education, and Welfare; Social Security Administration.

Congressional Relevance: House Committee on Interstate and Foreign Commerce; Senate Committee on Finance.

Authority: Social Security Act. Social Security Amendments of 1965. P.L. 89-87. Social Security Amendments of 1972. P.L. 92-603. Social Security Amendments of 1967. P.L. 95-142.

Abstract: Ohio began its Medicaid program on July 1, 1966. During 1967, the State spent \$50.6 million to provide medical services to a monthly average of about 300,000 eligible individuals. In its 11-year existence, Ohio's Medicaid program costs increased tenfold, and the number of eligibles increased 143 percent. Over the same period, Medicaid costs increased about 1,500 percent nationwide. **Findings/Conclusions:** Ohio has limited many of its benefits in efforts to contain the large yearly increases in Medicaid costs, but these limitations have not always resulted in sufficient savings to balance Medicaid budgets. The State has occasionally tried to temporarily cut Medicaid benefits and reimbursement rates for providers; these efforts have been only partially successful. Ohio used incorrect eligibility criteria and procedures which resulted in about 26,000 ineligibles receiving Medicaid, and many who should have been eligible were denied benefits. Reports which were used to set nursing home payment rates included unallowable costs which inflated payments to nursing homes. While the State was overpaying nursing homes for services they provided, Ohio's ceilings on nursing home payments were inadequate for the costs incurred by patients needing skilled nursing. Because of a lack of controls, Ohio paid some providers in excess of the amounts allowed for Federal sharing. **Recommendation To Agencies:** The State of Ohio should revise its Medicaid eligibility requirements and determination procedures to comply with Federal regulations. It should: assess the usefulness of Medicaid eligibility requirements for allowable personal resources, strengthen the control procedures developed to ensure correction of errors, and examine the administration of Medicaid and other welfare programs by county welfare departments. The State should also: improve the Medicare buy-in program, improve control of Medicaid extensions for terminated Aid-to-Families-With-Dependent-Children recipients, obtain Federal financial participation for paid medical expenses of general relief recipients subsequently found eligible for Medicaid, take action to minimize excessive Medicaid payments by establishing controls to prevent payments to practitioners exceeding the upper limits, audit nursing homes where cost reports are used to develop cost ceilings, and assess its audit capability to determine what it needs to comply with the Federal 1980 field audit deadline.

107441

Laws Protecting Union Members and Their Pension and Welfare Benefits Should Be Better Enforced. HRD-78-154; B-164292. September 28, 1978. 34 pp. plus 2 appendices (2 pp.).

Report to Sen. Sam Nunn, Vice Chairman, Senate Committee on Governmental Affairs: Permanent Subcommittee on Investigations; by Elmer B. Staats, Comptroller General.

Issue Area: Law Enforcement and Crime Prevention (0500); Consumer and Worker Protection (0900).

Contact: Human Resources Division.

Organization Concerned: Department of Labor; Department of Justice; Labor-Management Services Administration.

Congressional Relevance: Senate Committee on Governmental Affairs: Permanent Subcommittee on Investigations; *Sen.* Sam Nunn.

Authority: Labor Management Reporting and Disclosure Act. 29 U.S.C. 401. Employee Retirement Income Security Act of 1974. 29 U.S.C. 1001. Comprehensive Employment and Training Act of

Citation Section

1973. 29 U.S.C. 801. 29 U.S.C. 521. 29 U.S.C. 1134. 29 U.S.C. 1141. 29 U.S.C. 1136. 29 U.S.C. 527. 18 U.S.C. 664. Executive Order 11491.

Abstract: The Labor Management Reporting and Disclosure Act (LMRDA) imposes Federal standards and reporting and disclosure requirements to help eliminate or prevent improper and corrupt practices by labor unions and their officers and representatives. The Employee Retirement Income Security Act (ERISA) regulates the private pension and welfare plan systems for providing working Americans with retirement income and welfare benefits. **Findings/Conclusions:** Both LMRDA and ERISA clearly delineate the respective areas of investigative responsibility and jurisdiction for the Departments of Labor and Justice, and coordination between the departments is generally adequate. However, the Labor Management Services Administration (LMSA) has limited its enforcement of LMRDA and ERISA. Most of its enforcement effort under LMRDA is directed toward investigating election complaints and supervising election reruns. For ERISA, LMSA directed most of its efforts to activities other than enforcement and compliance of either the civil or criminal provisions of the act. LMSA's national office computerized report processing and desk audit systems are principally directed to achieving voluntary compliance with reporting and disclosure provisions of both laws and not to verifying the accuracy of the reported data. According to officials, insufficient investigative staff is a primary cause of the lack of enforcement of the two laws and of the limited field audit activity. **Recommendation To Agencies:** The Secretary of Labor should determine the additional resources needed to effectively enforce the criminal and civil provisions of both laws and provide this information to Congress. The Secretary should direct the LMSA to: strengthen the area office audit activity; establish procedures to notify the Department of Justice of investigative activities to avoid duplication; establish procedures to require direct, continuous, and day-to-day coordination between internal investigative staffs at area offices; improve the timeliness of area offices' investigation of cases with potential criminal violations; and review the training of area office field staff to ensure that auditors and compliance officers receive the training needed to effectively carry out their duties.

107514

Development of a National Make-or-Buy Strategy: Progress and Problems. PSAD-78-118; B-158685. September 25, 1978. 86 pp. plus 10 appendices (68 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Personnel Management and Compensation (0300); General Procurement: Appropriate Consideration of All Factors in Deciding To Make or Buy Needed Goods or Services (1915).

Contact: Procurement and Systems Acquisition Division.

Organization Concerned: Office of Management and Budget; Office of Federal Procurement Policy.

Congressional Relevance: Congress.

Authority: Department of Defense Appropriation Authorization Act, 1978. P.L. 95-79. P.L. 95-111. Monroney Amendment. P.L. 90-560. 5 U.S.C. 5341. Service Contract Act of 1965. P.L. 89-286. 79 Stat. 1034. Economy Act. Intergovernmental Cooperation Act. Department of Defense Appropriation Act, 1956. Department of Defense Appropriation Authorization Act, 1975. P.L. 93-400. P.L. 83-108. P.L. 83-108. P.L. 95-269. P.L. 93-365. P.L. 84-157. 25 Stat. 423. 40 Stat. 1290.

Abstract: There has been much controversy regarding the question of whether the Government should provide its own needed goods and services or contract for them with private enterprise. The Office of Federal Procurement Policy (OFPP) in the Office of Management and Budget (OMB) provides overall procurement policy direction for executive agencies. OMB Circular A-76 states that no executive agency will start or continue the operation of a

Government commercial or industrial activity except as specifically required by law or as provided for in the Circular. During 1976 and 1977, there has been increased emphasis on contracting. **Findings/Conclusions:** The stated policy has not been perceived as a national policy with full executive and legislative branch approval and support. Policy pronouncements and applications have been controversial; implementation has been inconsistent and relatively ineffective; and make-or-buy decisions have not necessarily been based on sound management principles. Management of the A-76 program needs acceptable management control systems, clarification of basic policy and regulations, clear identification of types of activities subject to the policy, consistent execution of the policy, and development of review and appraisal systems. Implementation has been hampered by confusion, lack of understanding, reluctance to carry out the program which was not integrated with agencies' main decisionmaking processes, and budgetary and accounting systems which did not always support the program. Agencies seldom prepared cost comparisons because of such difficulties as when and how to prepare them, determining Government's and contractors' costs, and comparability of pay rates. Agency make-or-buy decisions were significantly influenced by such factors as personnel ceilings, contract issues, labor-management policies, other procurement policies, personnel assignment policies, legislation, and Federal printing policy. **Recommendation To Congress:** Congress should endorse a national policy of reliance on private enterprise for the Government's needs to the maximum extent feasible and consistent with the national interest and procurement at reasonable prices, require executive agencies to report on their progress in supporting that policy, and direct reviews of existing related legislation to identify and eliminate sources of conflicts and inequities. **Recommendation To Agencies:** The Administrator of the OFPP should: require agency heads to develop a plan for integrating the policies into the mainstream of agencies' management and decisionmaking processes, undertake studies to establish the extent to which budgetary and accounting systems will support the make-or-buy program, and develop the overall policy and requirements for agency heads to institute an independent review process of the A-76 program within each agency. The Director of OMB should assess the feasibility of incorporating the objectives of the program into the budget review process and develop a method to review how agencies carry out the program. The House Committee on Government Operations and Senate Committee on Governmental Affairs should consider GAO findings and recommendations of the Commission on Government Procurement during their deliberations on the revised A-76 policy.

107623

Transportation Issues. CED-78-159; B-164497. October 10, 1978. 65 pp. plus 1 appendix (6 pp.).

Staff Study by Henry Eschwege, Director, GAO Community and Economic Development Division.

Issue Area: Transportation Systems and Policies (2400).

Contact: Community and Economic Development Division.

Budget Function: Transportation (0400).

Organization Concerned: Department of Transportation; Federal Maritime Commission; Interstate Commerce Commission; Civil Aeronautics Board.

Congressional Relevance: House Committee on Public Works and Transportation; Senate Committee on Commerce, Science, and Transportation.

Authority: S. 2541 (95th Cong.). Highway Safety Act. H.R. 10578 (95th Cong.). S. 2440 (95th Cong.). S. 2441 (95th Cong.). Federal Aid Highway of 1978 (Federal). H.R. 11089 (95th Cong.). H.R. 11733 (95th Cong.). H.R. 11986 (95th Cong.). H.R. 12611 (95th Cong.). H.R. 13048 (95th Cong.). H.R. 8309 (95th Cong.). H.R. 8729 (95th Cong.). S. 2493 (95th Cong.). S. 2493 (95th Cong.). S.

3073 (95th Cong.). Airport and Airway Development Act of 1970. Federal Aviation Act of 1958.

Abstract: Because of the complexity and importance of the U.S. transportation system, government at all levels: Federal, State, and local has assumed a wide range of roles and responsibilities in transportation. At the Federal level, these responsibilities include: promoting the development of an efficient and accessible national transportation system; promoting fair competition and protecting the public from abuse of monopoly power; protecting the safety of travelers and cargo; and balancing environmental, social, and energy goals with transportation needs. **Findings/Conclusions:** Current transportation issues involve: rail freight transportation, rail passenger service, urban mass transit, highway and auto safety, trucking industry regulation, air transportation, inland waterways, ocean transportation, and pipelines. Future developments in three areas; energy, environmental quality, and new technology are likely to have particular importance for the U.S. transportation system. GAO has been involved in: developing and coordinating balanced national transportation policies and programs; evaluating efforts at restructuring and rehabilitating the railroad freight transportation system; evaluating programs to develop a safe motor vehicle, highway transportation system; evaluating the management of Federal assistance programs for highway construction and maintenance; and evaluating the justifications for transportation regulation. Other GAO activities have included audits of Amtrak's management role and studies of aircraft safety and economic regulation. The GAO role in developing economically viable urban public transit systems has been limited.

107641

[Observations on Customs' Automated Merchandise Processing System]. GGD-79-8; B-114898. October 24, 1978. 4 pp.

Report to Vernon V. Hann, Assistant Commissioner, United States Customs Service: Office of Operations; by Thomas R. Colan, Assistant Director, GAO General Government Division.

Contact: General Government Division.

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751).

Organization Concerned: United States Customs Service; United States Customs Service: Office of Operations.

Abstract: The Automated Merchandise Processing System is the U.S. Customs Service's approach to the problem of limited manpower to cope with an increasing imported merchandise workload. Under the system, import specialists are to determine which type of entries are low risk and can be machine processed and which require individual examination by a specialist. **Findings/Conclusions:** For the first 6 months of 1978, only 30 percent of the entries were designated for machine processing, and 70 percent of all entries were examined by import specialists. Because they are accountable for errors, specialists tend to play it safe and designate only a small percentage of entries for automated processing. The substitution of statistical sampling techniques for specialist judgments would probably increase the number of entries processed by machine. Import specialists would be better utilized if routine duties associated with review of entries were delegated to lower grade personnel since import specialists spend between 150 and 200 staff years performing routine clerical duties. Subjective risk assessments have resulted in inconsistent entry processing, and selection criteria vary according to location and the nature of the commodity. **Recommendation To Agencies:** The Office of Operations should proceed with a study of entry characteristics in order to use a statistical sampling system for referral of entries to import specialists and should direct that routine tasks associated with the processing of imports be performed by clerks rather than by specialists.

107709

Status of the Implementation of the National Health Planning and Resources Development Act of 1974. HRD-77-157; B-164031(5). November 2, 1978. 48 pp. plus 3 appendices (16 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Health Programs (1200).

Contact: Human Resources Division.

Budget Function: Health: Health Planning and Construction (0554).

Organization Concerned: Department of Health, Education, and Welfare.

Congressional Relevance: House Committee on Interstate and Foreign Commerce; Senate Committee on Human Resources; Congress.

Authority: National Health Planning and Resources Development Act of 1974. P.L. 93-641. Hospital Survey and Construction Act. Hill-Burton Act. P.L. 79-725. Heart Disease, Cancer, and Stroke Amendments of 1965. P.L. 89-239. Comprehensive Health Planning and Public Health Service Amendments. P.L. 89-749.

Abstract: The National Health Planning and Resources Development Act of 1974 provided for: the development of guidelines for national health planning; the establishment of areawide and State health planning agencies to deal with needed planning for health services, manpower, and facilities; and financial assistance for the development of resources. **Findings/Conclusions:** Since passage of the Act, the country has been divided into 205 health service areas; health systems agencies have been designated in all of these areas; all State planning agencies have been designated; and centers for health planning have been established in each of the 10 Department of Health, Education, and Welfare (HEW) regions. It is too early to determine the effect of areawide and State agencies in achieving the objectives of the Act. HEW has been slow in publishing regulations and guidelines needed to carry out the Act primarily because of new regulation development procedures, organizational problems, and litigation against the Act. Planning agencies were handicapped in developing and completing health systems plans because of the unavailability of health data and national standards and criteria for the health care system, inability to recruit staff, conflicts between local and State planning agencies over respective responsibilities, and delays in receiving technical assistance. **Recommendation To Congress:** Congress should expand the provisions of the Act to allow more States to have only a State health planning and development agency and require that all other States have a minimum of two health systems agencies. If Congress does not amend the Act, it should clarify the responsibilities of health systems agencies and State health planning agencies in those States that have only one health systems agency. **Recommendation To Agencies:** The Secretary of HEW should: publish needed regulations and guidelines in a timely manner, resolve organizational problems within the Bureau of Health Planning and Resources Development, develop health system standards and criteria, address the problems of inadequate and insufficient health data, develop a policy statement to clarify the relative emphasis to be placed on cost containment and health care accessibility, and direct regional planning centers to emphasize health plan development and board member orientation and educational activities.

107712

Future of the National Nutrition Intelligence System. CED-79-5; B-133192, B-164031(3). November 7, 1978. 36 pp. plus 1 appendix (3 pp.).

Staff Study by Henry Eschwege, Director, GAO Community and Economic Development Division.

Contact: Community and Economic Development Division.

Budget Function: Agriculture: Agricultural Research and Services (0352).

Organization Concerned: Department of Health, Education, and

Citation Section

Welfare; Department of Agriculture.

Congressional Relevance: House Committee on Interstate and Foreign Commerce; Senate Committee on Human Resources.

Authority: Food and Agriculture Act of 1977. P.L. 95-113.

Abstract: The United States does not have a unified or coordinated nutrition intelligence system, but both the Department of Health, Education, and Welfare (HEW) and the Department of Agriculture (USDA) have programs which provide some of this information. With limitations, the existing programs provide: periodic national population surveys to assess and monitor the dietary and nutritional status of the entire population and selected groups at nutritional risk, surveillance at the community level for indicators of nutritional deficiency in selected high-risk groups, and evaluations of the dietary and nutritional impacts of some food assistance programs. While these activities generate useful information, there are weaknesses which limit their effectiveness as an overall system of nutrition intelligence. **Findings/Conclusions:** Assessment and monitoring survey data are often untimely, insufficiently specific geographically, omit important population groups, and are inadequate for evaluating programs designed to improve nutritional health. The surveillance mechanism is weak in terms of population group and geographic coverage and reliability of data. A joint proposal by HEW and USDA for a comprehensive system of nutrition intelligence centers around four interrelated elements: nutritional and dietary status, nutritional quality of foods, dietary practices and knowledge, and impact of nutritional intervention. The system will function through: recurring national surveys of the population, special surveys of nutritionally at-risk groups, expansion of existing surveillance programs, and studies to evaluate the nutrition intervention program. The system will operate through existing programs within each Department with a coordination mechanism at several levels. Areas of concern with the proposal involve: lack of specificity and agreement between Departments, lack of agreement on how a decennial survey would be conducted, the role of the system in program evaluation, and the adequacy of the coordination mechanism.

107873

[Protest That Certain Provisions of the Master Terms and Conditions Program Violated Brooks Act]. B-191489. November 14, 1978. 6 pp.

Decision re: Federal Leasing, Inc.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: General Services Administration; Federal Leasing, Inc.

Authority: Automatic Data Processing Equipment Act. 40 U.S.C. 759. Property and Administrative Services Act. 63 Stat. 377. 40 U.S.C. 481. 54 Comp. Gen. 445. 47 Comp. Gen. 275. 48 Comp. Gen. 462. 51 Comp. Gen. 457. B-163971 (1969). B-181956 (1975). B-186947 (1977). B-185582 (1977). B-184416 (1976). B-184822 (1975).

Abstract: A company protested the agency's use of Master Terms and Conditions (MTC) in two procurements, alleging that certain provisions of the MTC program are restrictive of competition. The MTC provisions were determined to be the minimum needs of the Government, and it was not shown that such provisions unduly restricted competition. The contention that the MTC program violated the Brooks Act mandate concerning the most economical procurement of automatic data processing (ADP) services was denied since that agency has the discretion to develop and implement ADP procurement policies.

107899

Worker Adjustment Assistance Under the Trade Act of 1974 to New England Workers Has Been Primarily Income Maintenance. HRD-

78-153; B-152183. October 31, 1978. 25 pp. plus 9 appendices (14 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: User Requirements and Systems Specifications for Software (0105); Health Programs: Compliance With Financing Laws and Regulations (1207).

Contact: Human Resources Division.

Budget Function: Education, Training, Employment and Social Services (0500).

Organization Concerned: Department of Health, Education, and Welfare; Department of Labor.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Finance; Congress.

Authority: Trade Act of 1974. P.L. 93-618. Trade Expansion Act of 1962. P.L. 87-794. Comprehensive Employment and Training Act of 1973. 29 U.S.C. 801.

Abstract: In passing the Trade Act of 1974, Congress recognized that increased imports resulting from expanding international trade could adversely affect certain firms and workers in the United States. Therefore, Congress directed that those segments of the economy affected by increased import competition receive various forms of assistance. **Findings/Conclusions:** The trade adjustment assistance program for workers in trade-impacted New England industries has not particularly helped workers adjust to the problems caused by increased imports. Weekly trade readjustment allowance payments were usually late and often were inaccurate. Employment services were rarely used because most of the affected workers eventually returned to their original import-impacted employers. State employment security officials indicated that the amount of the trade adjustment allowance reduced workers' incentive to seek employment. Only about 24 percent of those who applied for trade readjustment allowances took advantage of the program's other benefits, including training, job search allowances, and job relocation allowances. **Recommendation To Agencies:** The Secretary of Labor should provide enough staff to monitor the New England States' delivery of benefits to: encourage States to prepare for processing applications from potential recipients as soon as the Department has an indication that a group of workers might be certified; and ensure, to the extent practicable, that future payments are accurate and timely.

107900

Federal Management Weaknesses Cry Out for Alternatives To Deliver Programs and Services to Indians To Improve Their Quality of Life. CED-78-166; B-114868. October 31, 1978. 26 pp. plus 2 appendices (26 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Contact: Community and Economic Development Division.

Budget Function: General Government: Other General Government (0806).

Organization Concerned: Department of the Interior; Bureau of Indian Affairs.

Congressional Relevance: House Committee on Interior and Insular Affairs; Senate Select Committee on Indian Affairs; Congress.

Authority: Alaska Native Claims Settlement Act. 43 U.S.C. 1601. Indian Self-Determination and Education Assistance Act. 25 U.S.C. 450. Indian Program Evaluation and Needs Assessment Act. S. 2712 (95th Cong.). Indian Financing Act of 1974. P.L. 93-580. S. Rept. 93-762.

Abstract: During the last decade, there has been increasing congressional activity with the goal of improving the quality of life of Indians. Recent GAO reports have shown the need for greater Federal efforts to meet this goal. A Bureau of Indian Affairs Reorganization Task Force concluded in its March 1978 report that a general management crisis pervades the Bureau of Indian Affairs (BIA).

Findings/Conclusions: In spite of recommendations by GAO and other groups dealing with Indian affairs, Federal agencies have failed to correct weaknesses in their management of programs and services to Indians. These weaknesses have led to needless suffering by Indians and to increased administrative costs. The following weaknesses were noted in BIA and other Federal programs and services: the need for effective supervision, monitoring, and evaluation of Federal and tribal performance to assure effective use of funds; lack of a defined role for some Federal agencies; the need for training and technical assistance for tribal governments; lack of agency coordination; and shortages of funds and staff. **Recommendation To Congress:** The Congress should consider the following alternatives for delivering programs and services to Indians: consolidate all federally administered Indian programs and services into a single agency, consolidate Indian programs and services into the Federal agency having primary responsibility for overall Federal program areas, have all Federal agencies funnel their Indian program funds through one agency rather than directly to Indian tribes, or assist tribes in developing the capability to manage all Federal programs and services and provide direct funding through block grants.

107919

[Civil Service Commission Should Correct Weaknesses in Its Automatic Data Processing Policies and Practices]. FPCD-78-94; B-115369. November 20, 1978. 5 pp.

Report to Alan K. Campbell, Chairman, United States Civil Service Commission; by Hyman L. Krieger, Director, GAO Federal Personnel and Compensation Division.

Issue Area: Personnel Management and Compensation (0300); Accounting and Financial Reporting: Operations, Financial Position, and Changes in Financial Position (2802).

Contact: Federal Personnel and Compensation Division.

Budget Function: General Government: Central Personnel Management (0805).

Organization Concerned: United States Civil Service Commission.

Congressional Relevance: House Committee on Post Office and Civil Service.

Abstract: The Civil Service Commission (CSC) is becoming increasingly reliant on automatic data processing (ADP) support to carry out its missions. **Findings/Conclusions:** Weaknesses in CSC ADP management were noted in policy matters, program documentation, security planning, and contingency planning. CSC or its successor should: establish a comprehensive, uniform ADP policy; expand the current program documentation standard to include all ADP production programs; and strengthen ADP security planning.

107921

[The Navy's Management of Its Automatic Data Processing Program]. LCD-78-107; B-146796. December 1, 1978. 3 pp. plus 1 enclosure (13 pp.).

Report to W. Graham Claytor, Jr., Secretary, Department of the Navy; by Richard W. Gutmann, Director, GAO Logistics and Communications Division.

Issue Area: Automatic Data Processing: Use of Computer Systems for Agency Mission Requirements and Support Functions (0108).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of the Navy; Department of Defense.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Armed Services.

Abstract: The Navy has made efforts to improve the management of its Automatic Data Processing (ADP) Program as a result of a 1975

GAO report indicating problems in this area. **Findings/Conclusions:** However, GAO found that improvements have been slow in developing, and problems continue, such as: prolonged system developments, inadequate standard systems and the use of local programs to supplement the standard systems, and the acquisition of equipment that does not meet the needs of its users. The most significant factor which has caused these problems is the absence of an effective long-range ADP plan that deals with ADP requirements to support overall Navy objectives. The Navy has recently attempted to resolve some of the deficiencies by establishing centralized management. **Recommendation To Agencies:** The Secretary of the Navy should: establish complete visibility of the Navy's nontactical ADP Program by including all general purpose computers under the Navy's nontactical ADP program budgetary and inventory control procedures; develop a Navy-wide long-range plan integrating the information requirements and equipment needed by the various commands, bureaus, and offices; evaluate the effectiveness of the Navy's standard management information systems in meeting the needs of users and provide for an effective strategy to correct system deficiencies; identify all central design activities and clarify their duties, responsibilities, and authority; and identify activities developing local computer programs which perform similar functions and evaluate the practicality of standardizing the programs.

107962

Improving Government Collection of Amounts Owed by the Public. December 18, 1978. 19 pp. plus 1 enclosure (3 pp.).

Testimony before the Senate Committee on Finance: Taxation and Debt Management Generally Subcommittee; by Elmer B. Staats, Comptroller General.

Contact: Office of the Comptroller General.

Organization Concerned: Department of the Treasury; Veterans Administration; Social Security Administration; Office of Education; Department of Health, Education, and Welfare; Department of Justice.

Congressional Relevance: Senate Committee on Finance: Taxation and Debt Management Generally Subcommittee.

Authority: Federal Claims Collection Act of 1966. Privacy Act of 1974. Claims Collection Act of 1977.

Abstract: As of September 30, 1977, the public owed the Government about \$118 billion resulting from tax assessments, sale of Government services and goods, overpayments, and loan programs. A large portion of this debt requires collection action, and a substantial amount will be uncollectible under existing collection methods. A review of Government accounts receivable revealed that collection action has been hindered by: lack of prompt and aggressive collection action, low or no interest charges being imposed on delinquent accounts, and inaccuracies in accounting for and reporting accounts receivable. Agencies have taken some corrective actions in response to GAO recommendations. The Federal Government could achieve significant improvement in debt collection by using selected private sector practices such as: reporting debts to credit bureaus, using the credit bureau debtor locator service to find delinquent debtors, improving the content of demand letters, and making greater use of automation. Recommendations were made to test these commercial practices through action on defaulted student loans and educational assistance overpayments.

108088

[Need for More Detailed Cost and Income Reporting for GSA's Public Buildings Operations]. LCD-78-342; B-118623. November 20, 1978. 12 pp.

Report to Joel W. Solomon, Administrator, General Services Administration; by Richard W. Gutmann, Director, GAO Logistics and Communications Division.

Citation Section

Issue Area: Facilities and Material Management: The Federal Buildings Fund (0711); Facilities and Material Management: The Federal Buildings Fund (0711); Accounting and Financial Reporting: Operations, Financial Position, and Changes in Financial Position (2802); Accounting and Financial Reporting: Reporting Systems' Adequacy To Disclose the Results of Government Operations and To Provide Useful Information (2811).

Contact: Logistics and Communications Division.

Organization Concerned: Public Buildings Service; General Services Administration; General Services Administration: Office of Plans, Programs, and Financial Management.

Congressional Relevance: House Committee on Public Works and Transportation; Senate Committee on Environment and Public Works.

Abstract: A survey of the financial management of the Federal Buildings Fund sought to determine if the accounting and financial reporting system for the Fund provides: full disclosure of the financial results of operations; adequate information needed for budgeting, management, and oversight of operations; and effective control over the Fund's income, expenses, and property.

Findings/Conclusions: The financial information available on the General Services Administration's (GSA) public buildings operations is not adequate for good internal management or proper disclosure. GSA management should prepare at least annually a statement of income and expenses from all sources of funds for each of its major buildings and leases, with small buildings and leases grouped within appropriate management areas. **Recommendation To Agencies:** The Office of Finance and the Public Buildings Service should: develop the appropriate formats and computer programs for preparation of periodic income and cost reports for each of the GSA property units and for preparation of financial statements on the Fund's condition and operating results. They should also prepare the necessary clarifying instructions and training program to assure accurate identification of expenditures that should be capitalized.

108237

[GSA's Administration of the Automatic Data Processing Equipment (ADPE) Interim Upgrade Acquisition Policy]. FGMSD-79-10; B-115369. December 28, 1978. 6 pp. plus 1 enclosure (1 p.).

Report to Jay Solomon, Administrator, General Services Administration; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Automatic Data Processing: Acquisition of ADP Resources Under the Brooks Act (0111).

Contact: Financial and General Management Studies Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: General Services Administration.

Congressional Relevance: House Committee on Appropriations; House Committee on Government Operations; Senate Committee on Appropriations; Senate Committee on Governmental Affairs.

Authority: F.P.M.R. 101-35.2.

Abstract: A review was made of the automatic data processing (ADP) equipment interim upgrade acquisition process at the General Services Administration (GSA) to evaluate the interim upgrade policy, the administration of the interim upgrade process, and the effect the interim upgrade policy has had on competition in ADP procurement. The interim upgrade process prescribed in the Federal property management regulations permits an agency to acquire ADP equipment under circumstances of limited competition, but only on a temporary basis pending fully competitive procurement. The process calls for an agency to document its ADP requirements and submit a request to GSA for procurement action or delegation of procurement authority. **Findings/Conclusions:** The written definition of the policy differed from

GSA practices in assigning the interim upgrade designation. It was found that agreements to procure on a competitive basis within specified time frames had not been enforced. The interim upgrade process as administered by GSA had not improved competition in ADP procurements. The application of criteria different from that in the regulations made it difficult to determine which situations qualified for interim procurements. The lack of an effective tracking and followup procedure by GSA has contributed further to the ineffectiveness of the interim upgrade process. **Recommendation To Agencies:** GSA should reexamine its ADP interim upgrade policy and clearly define: its purpose; the types of resources that qualify for such a procurement; the criteria to be applied by the agency in determining whether an interim upgrade procurement is appropriate; and the types of competitive procurement and administrative commitments the agency must accept to obtain approval of an interim upgrade request. In addition, GSA should: issue a revised regulation covering ADP interim upgrades; enforce the general criteria and any specific commitments applicable; and implement effective tracking and followup procedures.

108251

Labor Department Should Reconsider Its Approach to Employment Security Automation. HRD-78-169; B-133182. December 28, 1978. 39 pp. plus 1 appendix (2 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General, GAO Office of the Comptroller General.

Issue Area: Automatic Data Processing: Acquisition of ADP Resources Under the Brooks Act (0111); Federally Sponsored or Assisted Employment and Training Programs (3200).

Contact: Human Resources Division.

Budget Function: Education, Training, Employment and Social Services (0500).

Organization Concerned: Department of Labor; Employment and Training Administration.

Congressional Relevance: House Committee on Appropriations; House Committee on Government Operations; House Committee on the Budget; Senate Committee on Appropriations; Senate Committee on Appropriations: Labor, Health, Education, and Welfare Subcommittee; Congress.

Authority: Wagner-Peyser Act (29 U.S.C. 49). Social Security Act (42 U.S.C. 501).

Abstract: The Employment Security Automation Project has been proposed by the Department of Labor to coordinate the development, implementation, and operation of automated employment security systems nationwide. Labor believed that, by consolidating the automation activities of both the Employment Service and the Unemployment Insurance Service, greater efficiency and economy would be achieved. The project has experienced many problems since its inception. The estimated cost has risen and may go even higher, and the completion date has been extended 3 years and will probably need to be extended further. States have had difficulty in implementing their plans because of insufficient computer capacity and delays in acquiring new computers. **Findings/Conclusions:** The chief problem is that the methods of automation advocated by Labor have not been properly planned, tested, or evaluated for State use throughout the country. Although Labor justified the project by citing the advantages in combining the independent approaches to automation into one concerted effort, it is not clear that any real benefits are accruing from this approach. There is a general lack of criteria as to what the project should accomplish in any given State, and as a result, each State has a unique approach to automation. There is also a lack of management control. The project requires the participation of four separate organizations within Labor's Employment and Training Administration, but no one office or individual had overall authority and responsibility. Labor plans to have an outside contractor evaluate the project's

impact and it is estimated that it will take 2 years to complete the evaluation. **Recommendation To Congress:** Pending completion of the study, Congress should appropriate no further funds for the project expansion. Congress should direct the Secretary of Labor to commit no further funds for expanding the project, and only such funds for continuing the project that the Secretary finds are absolutely essential for States that have already signed agreements. **Recommendation To Agencies:** The Secretary of Labor should suspend the expansion of this project and direct that a comprehensive study be done to: establish measureable objectives; assess how successful the project has been in meeting these objectives; estimate the computer resources required; and estimate the project's total cost. No further expansion should take place unless and until the Secretary has adequate evidence from the study results that the project should continue. If the project continues, the Secretary should assign total project responsibility and authority to one office within the Department. The Secretary should: reevaluate the benefits that can be achieved from computerized job matching to determine whether it is cost effective and will result in more effective operations; review plans for such a reevaluation of computer matching to assure that other factors, such as major changes in the economy, and local office organizational and procedural changes that affect performance are identified and taken into account; review the concept of cost absorption to determine whether it is feasible; and evaluate the automation of routine Employment Service operations, other than job matching, for costs and benefits. In addition, the Secretary should: reevaluate the goal of installing computer terminals in all local offices to determine whether it is necessary and cost effective; provide States with appropriate assistance in design and implementation of automated systems if these systems are determined to be cost effective; evaluate the concept of cost recovery to determine whether staffing can be reduced while maintaining satisfactory levels of program quality control and service to claimants; and revise the methodology for preparing cost recovery schedules, to insure that the projected efficiencies are reasonable and can be achieved by the States.

108283

[Protest Alleging That GPO Overstated Minimum Needs]. B-191876. January 4, 1979. 4 pp.

Decision re: Tymshare, Inc.; by Robert F. Keller, Deputy Comptroller General, GAO Office of the Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Tymshare, Inc.; Government Printing Office; General Services Administration.

Authority: B-190331 (1978).

Abstract: The Government Printing Office (GPO), which contracts out certain work, proposed procurement of two teleprocessing applications for developing a sequence of prospective bidders for printing contracts to meet specific job characteristics, and for producing mailing labels for bid packages to be sent to those printing firms. Also, a data base is to be created, consisting of all firms invited to bid and those to which previous awards have been made. The GPO specifications require a response time of less than 4 seconds, 90 percent of the time. Tymshare, a prospective supplier of the necessary electronic data processing equipment, is protesting the response time requirement as too narrow, and guarantees a 5-second response time, 98 percent of the time. GPO says that equivalency of this criterion with its own requirement cannot be satisfactorily calculated. Furthermore, 13 firms have demonstrated an ability to meet the GPO response time demands. GAO will not question an agency's determination of its minimum needs unless they are shown to be unreasonable. Since that is not the case in the present instance, Tymshare's protest is disallowed.

108372

Social Security Administration Should Improve Its Recovery of Overpayments Made to Retirement, Survivors, and Disability Insurance Beneficiaries. HRD-79-31; B-164031(4). January 17, 1979. 28 pp. plus 3 appendices (3 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Income Security and Social Services (1300); Income Security and Social Services: Program Resource Allocation and Utilization (1310).

Contact: Human Resources Division.

Budget Function: Income Security: General Retirement and Disability Insurance (0601).

Organization Concerned: Internal Revenue Service; Social Security Administration.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Finance; Congress.

Abstract: The Social Security Administration (SSA) has made, and will continue to make, overpayments to individuals who receive retirement, survivors, and disability insurance benefits. Most overpayments are made to beneficiaries who earn more than the allowable limit set by law and who, despite the overpayments, continue to be eligible for benefits. Thus, the overpaid amounts are recoverable through adjustment against continuing benefits. Conversely, individuals who receive an overpayment and are subsequently removed from benefit status before repayment occurs represent a very difficult recovery problem for SSA. **Findings/Conclusions:** Recovery personnel at Social Security Program Service Centers attempting to recover overpayments are making questionable and, in many instances, erroneous decisions resulting in monetary losses to the Government. This is occurring because the managerial personnel responsible are neither technically proficient in recovery matters nor providing necessary guidance to those attempting the actual recovery work. Moreover, recovery of overpayments is only a small part of the duties of SSA personnel at the district offices, and they do not consistently use the most effective recovery techniques. In addition, the SSA management information system does not sufficiently provide the type of information needed by managers to evaluate recovery efforts. Some SSA policies and procedures governing recovery are not being properly and consistently applied. Until recently, SSA headquarters management has been slow to react to its mounting overpayment and recovery problems, and the approach to recovery has lacked overall direction. As a result, various SSA operating divisions have undertaken studies on diverse aspects of recovery and have had little or no communication or coordination with other interested divisions. **Recommendation To Agencies:** The Secretary of Health, Education, and Welfare should require the SSA Commissioner to: (1) determine to what extent full-time specialists in district offices could do a more effective job with recovering overpayments from beneficiaries and recipients; (2) require managerial personnel at district offices to provide service representatives with greater direction, supervision, and feedback on their recovery work; (3) immediately refine Recovery of Overpayments, Accounting, and Reporting system's output to define the exact composition of the outstanding balance on unsettled accounts; (4) assure that the task force report on recovery reviewer alternatives receives immediate attention; (5) examine recovery provisions of the claims manual to clarify procedures; and (6) reevaluate the computer program provision, which authorizes automatic termination of any account that is or drops below \$200 after one demand notice is issued.

108384

[Dismissal of Protest Alleging Wrongful Agency Action]. B-191949. January 18, 1979. 3 pp.

Citation Section

Decision re: KET, Inc.; by Milton J. Socolar, General Counsel.

Contact: Office of the General Counsel.

Organization Concerned: KET, Inc.; Control Data Corp.; Internal Revenue Service; United States Court of Appeals, District of Columbia Circuit; United States District Court: District of Columbia; General Services Administration.

Authority: B-190743 (1978). B-190772 (1978). B-191949 (1978).

Abstract: Protests that are similar to actions currently before Federal courts will not be reviewed by the GAO unless the court involved expresses an interest in the GAO decision. Therefore, regardless of the merit of the protester's case, it was dismissed without prejudice.

108385

[Protest Concerning Anticipated Requirement for Follow-On Contract]. B-193267. January 15, 1979. 2 pp.

Letter to Robert H. Koehler, Patton, Boggs & Blow; by Milton J. Socolar, General Counsel.

Contact: Office of the General Counsel.

Organization Concerned: KET, Inc.; Internal Revenue Service; General Services Administration.

108388

NAVSTAR Global Positioning System--A Program With Many Uncertainties. PSAD-79-16; B-163058. January 17, 1979. 18 pp. plus 2 appendices (4 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: General Procurement (1900); General Procurement: Providing Congress With Information on Individual Major Systems for Which Funds Are Being Requested (1907); Science and Technology (2000).

Contact: Procurement and Systems Acquisition Division.

Budget Function: National Defense: Weapons Systems (0057).

Organization Concerned: Department of the Air Force; Department of Defense.

Congressional Relevance: *House* Committee on Appropriations; *House* Committee on Armed Services; *Senate* Committee on Appropriations; *Senate* Committee on Armed Services; *Senate* Committee on Appropriations: Defense Subcommittee; Congress.

Abstract: The NAVSTAR Global Positioning System (GPS) is a space-based navigation system designed to provide users with worldwide three-dimensional position and navigation information. Almost all military aircraft, surface ships, and submarines are potential users of the system, as are some land vehicles and ground troops. Military allies and civilians could also use it. The system will consist of 24 satellites, ground control equipment, and user equipment. The Department of Defense's (DOD) justification for the program was to consolidate navigation satellite research programs, improve weapon system effectiveness by increasing navigation accuracy and global coverage, and promote potential cost savings.

Findings/Conclusions: The current program cost estimate for the GPS is \$1.7 billion. However, this does not include over \$2.5 billion estimated by DOD for the costs of user equipment, replenishment satellites, and space shuttle launch costs. In addition, an undetermined amount for escalation costs is not included in this \$2.5 billion estimate. Consequently, the estimated total program cost is in excess of \$4.25 billion. Potential cost savings from the GPS have not been identified. Available validation phase test results, although based on limited testing, are very promising and DOD believes the degree of accuracy envisioned with the GPS will probably be obtained. DOD is currently studying user needs, force effectiveness, replacement plans, and cost savings opportunities in preparation for a review scheduled for May 1979. In view of the

limited time remaining before the review has to be done, GAO is concerned about the completeness and depth of coverage of these DOD-wide studies. **Recommendation To Congress:** Congress should require the Secretary of Defense to identify the individual weapon systems that will use the GPS before it approves fiscal year 1980 full-scale engineering development funds. **Recommendation To Agencies:** Before deciding on whether to proceed into full-scale engineering development, the Secretary of Defense should determine that: the individual military users are identified and these users make specific commitments on how they will use the system; force effectiveness benefits cited in any justification for acquiring the GPS are supported by a well-defined need of significant savings; any cost savings attributed to replacing existing navigation systems are supported by specific commitments and plans for the phaseout of these systems; and all related system costs are computed and incorporated in the total estimated cost of the program. For each of the users identified, the Secretary of Defense should determine: what required force effectiveness improvements will result; what commitments have been made by the services to eliminate alternative navigation systems; and what net potential cost savings have been identified after all life-cycle costs have been considered.

108419

[Dismissal With Prejudice Operates as Final Adjudication on Merits]. B-192736. January 23, 1979. 1 p.

Decision re: Computer Products Unlimited, Inc.; by Milton J. Socolar, General Counsel.

Contact: Office of the General Counsel.

Organization Concerned: United States District Court: District of Columbia; Geological Survey; Computer Products Unlimited, Inc.

Authority: 4 C.F.R. 20.10. Computer Products Unlimited, Inc. v. Andrus, Civ. Act. No. 78-1852 (1978). B-178872 (1974). B-188130 (1978). B-191344 (1978).

Abstract: A protest that has been dismissed with prejudice by a district court will not be considered by GAO due to the fact that dismissal with prejudice operates as final adjudication on a protest's merits.

108420

Automated Systems Security--Federal Agencies Should Strengthen Safeguards Over Personal and Other Sensitive Data. LCD-78-123; B-115369, B-130441, B-173761. January 23, 1979. 52 pp. plus 4 appendices (22 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Design, Development, and Installation of Software (0106); Automatic Data Processing: Guidelines for ADP Management and Control (0110); Federal Information Management: Implementing the Privacy Act of 1974 (1401); Federal Information Management: Automated Systems Security (1403).

Contact: Logistics and Communications Division.

Organization Concerned: Department of Health, Education, and Welfare; Internal Revenue Service; National Bureau of Standards; Office of Management and Budget.

Congressional Relevance: *House* Committee on Government Operations; *House* Committee on Government Operations: Government Information and Individual Rights Subcommittee; *Senate* Committee on the Judiciary; Congress.

Abstract: GAO surveyed selected agencies in 1977 because of the generally high level of congressional interest in Federal information policies following the enactment of the Privacy Act and the Freedom of Information Act Amendments in 1974. Subsequently, GAO was specifically requested to examine and report on the status and effectiveness of major computer security programs.

Findings/Conclusions: At a time when increasing reliance is placed on computers and rapidly advancing ADP technology, security procedures for systems processing personal and other sensitive data generally were inadequate. The agencies: (1) lacked comprehensive computer security programs and technical, administrative, and physical safeguards; (2) did not place the computer security functions at a sufficiently high level, with independence from operating functions, to preclude preemption by operational priorities; (3) did not understand and employ risk management techniques for economic selection of safeguards; (4) did not take advantage of the technical guidance provided by the National Bureau of Standards; and (5) did not effectively use their internal audit resources. **Recommendation To Agencies:** All agencies should strengthen their computer data security and integrity. Computer security programs should be comprehensive. Agencies should establish a computer security administration function with independence from computer operations. Programs should provide for feedback for management control, both in routine monitoring and reporting and in independent internal audits. Risks management should be provided for and should be on the perspective of the total data systems. Security planning should anticipate training needs, particularly for risk management.

108436

[Protest Against Contract Award]. B-192800. January 25, 1979. 5 pp.

Decision re: DBS Corp.; Opportunity Systems, Inc.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Department of Health, Education, and Welfare; Opportunity Systems, Inc.; DBS Corp.; Killalea Associates, Inc.

Authority: F.P.R. 1-2.407.

Abstract: A protest against the award of a data processing contract on the grounds that the awardee did not fulfill two RFP specifications was denied due to evidence that: (1) the awardee was supplying required documentation in a timely manner; and (2) procurement records reflect that both party's were advised that data entry did not have to be performed using Government facilities.

108464

Veterans Administration Can Reduce the Time Required To Process Veterans' and Survivors' Initial Claims for Benefits. HRD-79-25; B-114859. December 27, 1978. Released January 26, 1979. 25 pp. plus 1 appendix (2 pp.).

Report to Rep. John E. Moss; Sen. Jacob J. Javits; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Income Security and Social Services (1300); Income Security and Social Services: Eligibility Determination (1301).

Contact: Human Resources Division.

Budget Function: Veterans Benefits and Services: Income Security for Veterans (0701).

Organization Concerned: Veterans Administration.

Congressional Relevance: *Rep.* John E. Moss; *Sen.* Jacob K. Javits.

Abstract: As a result of a congressional request, the Veterans Administration (VA) is seeking ways to improve their claims processing system for compensation and death benefits. In conjunction with a GAO review, a VA task force studied existing bottlenecks in the claims process, one being the VA medical facilities' untimely processing of physical examinations of claimants for disability benefits. Through computer-based systems, VA should increase its capacity to respond to claimant's needs. **Findings/Conclusions:** Many VA problems center at the regional office level. VA will soon initiate its Target System, a computerized system to expedite

the transfer of information on a claimant's health, income, and benefit status from the regional office level to the administrative levels of VA. This system should help minimize the number of piecemeal requests for information and help alleviate the present problem of backlogged work. These changes, if tied together by consistent management at the regional office level, should make the processing task more efficient and responsive. **Recommendation To Agencies:** The Administrator of Veterans Affairs should direct the Chief Benefits Director to issue appropriate instructions to the VA regional offices to ensure that adequate supervisory controls are exercised so that needed evidence for developing claims is requested promptly, piecemeal requests for information are minimized, and backlog work is reassigned when possible. An aggressive followup procedure is also needed on requests for information on claimants from VA medical facilities. Further, the goals for the Target System should be evaluated and pursued as the VA gains experience in using the claims processing system.

108466

Social Security Should Improve Its Collection of Overpayments to Supplemental Security Income Recipients. HRD-79-21; B-164031(4). January 16, 1979. Released January 26, 1979. 20 pp. plus 1 appendix (1 p.).

Report to Sen. William Proxmire; by Elmer B. Staats, Comptroller General.

Issue Area: Income Security and Social Services (1300).

Contact: Human Resources Division.

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604).

Organization Concerned: Department of Health, Education, and Welfare; Social Security Administration.

Congressional Relevance: *House* Committee on Ways and Means; *Senate* Committee on Finance; *Senate* Committee on Labor and Public Welfare; Human Resources Special Subcommittee; *Sen.* William Proxmire.

Authority: Social Security Amendments of 1972 (42 U.S.C. 1381). Social Security Act.

Abstract: Recovery or waiver by the Social Security Administration (SSA) of overpayments to Supplemental Security Income (SSI) recipients continues to be a problem. Additional improvements are needed if SSA is to achieve uniformity and objectivity in resolving overpayments and reduce an unresolved backlog of over 1.2 million overpayments. **Findings/Conclusions:** From January 1974 to September 1978, \$27.9 billion was paid in SSI benefits. The SSA identified 3.2 million instances of overpayments totaling about \$1.5 billion. Of the \$1.5 billion, about \$443 million was waived; \$295.8 million was collected; \$148.8 million of collections were in process; recovery efforts on \$147.7 million were suspended; incorrectly computed overpayments for about \$5.9 million were adjusted; and the remaining \$462.4 million had not been resolved. Efficient resolution of overpayments requires that they be quickly and uniformly processed to assure that the debts are promptly collected. SSA has not acted quickly or uniformly. SSA needs an automated overpayment notice at district offices to assure that an overpaid recipient is notified in a timely manner. A solution to collecting overpayments from former SSI recipients receiving other Federal benefits would be to offset or adjust the other Federal benefits at given rates until the debt is paid; however, SSA maintains that it has no legal authority to collect from benefits being paid to these recipients under other Federal programs. **Recommendation To Agencies:** SSA should get its SSI overpayment collection process functioning efficiently and uniformly before legislation is enacted authorizing SSA to collect SSI overpayments from funds due to recipients from other Federal benefit-paying programs. The Secretary of Health, Education, and Welfare should direct the Commissioner of SSA to adopt a stronger and more active management role in recovering SSI

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overpayments by: establishing standards for timely processing of SSI overpayments; developing a quality control mechanism designed to identify needed corrective actions and needed changes in policy and procedures, and to develop solutions to inequities; developing improved instructions and additional training in overpayment resolution for claims representatives; and developing an automated notice to inform overpaid recipients when they have been overpaid, the cause of the overpayment, proposed agency action, and the recipient's appeal rights. The Secretary should also direct the Commissioner to develop more useful and less subjective criteria for claims representatives to use in determining whether an overpaid recipient was with or without fault in causing the overpayment.

108523

[GAO's Need for an Interim Management Data System (MDS)]. B-161744. February 5, 1979. 1 p.
Letter to Computer Sciences Corp.; by Milton J. Socolar, General Counsel.

Contact: Office of the General Counsel.

Organization Concerned: Computer Sciences Corp.; General Services Administration.

108537

Welfare Payment Reduced: An Improved Method for Detecting Erroneous Welfare Payments. GGD-78-107; B-118638. February 5, 1979. 25 pp. plus 7 appendices (17 pp.).

Report to Joseph A. Califano, Jr., Secretary, Department of Health, Education, and Welfare; by Elmer B. Staats, Comptroller General.

Issue Area: Income Security and Social Services (1300).

Contact: General Government Division.

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604).

Organization Concerned: District of Columbia; District of Columbia: Department of Human Services; Department of Health, Education, and Welfare.

Congressional Relevance: *House* Committee on Government Operations: Intergovernmental Relations and Human Resources Subcommittee; *Senate* Committee on Governmental Affairs: Governmental Efficiency and the District of Columbia Subcommittee; *Senate* Committee on Appropriations: Labor, Health, Education, and Welfare Subcommittee; *Senate* Committee on Human Resources; *Joint Economic Committee*: Priorities and Economy in Government Subcommittee.

Abstract: The Department of Health, Education, and Welfare (HEW) requires that all Aid to Families with Dependent Children (AFDC) welfare cases be reviewed every 6 months to determine continued eligibility and correctness of payments. According to the District of Columbia, limited staff allowed only 20 percent on its AFDC cases to be reviewed. It needed an effective method to identify potential error cases to permit more efficient use of manpower, to increase the number of error cases reviewed, and to materially reduce errors and incorrect payments. **Findings/Conclusions:** Working with the District of Columbia's Department of Human Resources, GAO developed three formulas that assign computer-derived numerical scores to cases that need to be reviewed and rank them in order of their error potential. The methods will help the District make better use of staff by having them concentrate their reviews on cases most likely to be in error, remove ineligible recipients from the welfare rolls, correct overpayments and underpayments to eligible recipients, and accumulate information to increase caseworker productivity and generally improve welfare program administration. The District reviewed only 15 percent of its welfare cases from May 1977, when it started using one of the

formulas, through April 1978. During that period, erroneous welfare payments were reduced by \$3.5 million, or nearly double the amount that was possible using previous methods. Other results will be reductions in Medicaid and food stamp benefits paid to erroneous AFDC cases. Because conditions change over time, the formula must be updated to ensure its continued usefulness in identifying welfare cases with high potential for error. The formula should be used as a supplement, and not a substitute, for complying with HEW regulations requiring all cases to be reviewed every 6 months. **Recommendation To Agencies:** The Secretary of HEW should distribute this report to State and local governments and emphasize to them that using formulas similar to the ones GAO developed could help in reducing incorrect welfare payments.

108554

Guidelines for Model Evaluation. PAD-79-17; B-115369. January 1979. 26 pp. plus 1 appendix (5 pp.).

Report by Elmer B. Staats, Comptroller General.

A guidance document, PAD-76-9, contained requirements for evaluation and analysis to support decisionmaking.

Contact: Program Analysis Division.

Budget Function: General Government (0800).

Congressional Relevance: *House* Committee on Science and Technology.

Authority: Congressional Budget and Impoundment Control Act of 1974. Energy Conservation and Production Act (P.L. 94-385).

Abstract: A further study on model evaluation to assist policy analysts and decisionmakers in shaping their policy recommendations is presented. **Findings/Conclusions:** The basic steps are listed in the modeling process and provides a minimal set of criteria necessary for model evaluation. It is emphasized that good documentation is important to ensure that the model is thoroughly understood, operated, and maintained. The relationship of the main subcategories of validity; i.e., theoretical validity, operational validity, and computer model verification, are discussed. Review and updating are important aspects of maintainability. Some factors that affect a model's usability include availability of data, the understandability of the model's output, the presentation format chosen, the transferability of the model to another computer system, the accessibility of the model, the size of the model, the time of a typical run, and the costs to set up and run the model.

108556

Models and Their Role in GAO. PAD-78-84. October 1978. 12 pp. plus 4 appendices (15 pp.).

by Elmer B. Staats, Comptroller General.

Contact: Program Analysis Division.

Abstract: This paper was originally developed to serve as a discussion paper for a special Program Planning Committee session on "Models and Their Role in GAO." At the session, the Program Analysis Division was requested to revise the document and issue it to all GAO professional staff to familiarize them with the GAO previous involvement with models, to present some of the lessons learned from past GAO modeling efforts, and to identify some modeling areas which require further work.

108620

Erroneous Supplemental Security Income Payments Result From Problems in Processing Changes in Recipients' Circumstances. HRD-79-4; B-164031(4). February 16, 1979. 22 pp. plus 1 appendix (2 pp.).

Report to Joseph A. Califano, Jr., Secretary, Department of Health, Education, and Welfare; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Income Security and Social Services: Eligibility Determination (1301); Income Security and Social Services: Program Effectiveness (1302); Income Security and Social Services: Program Monitoring and Administration (1303).

Contact: Human Resources Division.

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604).

Organization Concerned: Department of Health, Education, and Welfare; Social Security Administration.

Congressional Relevance: *Rep.* L. H. Fountain; *Sen.* William Proxmire.

Authority: Social Security Act (42 U.S.C. 1381). Federal Records Act.

Abstract: Eligibility for federally administered Supplemental Security Income (SSI) benefits is based on a continuing need for financial assistance. Once eligibility for assistance is established, recipients must report changes in income, resources, or other circumstances that could affect the recipient's benefit payment amount or continued eligibility. If any of this information is not promptly and correctly processed, payment errors will occur. These changes are referred to as posteligibility changes. **Findings/Conclusions:** The Social Security Administration (SSA) estimates, based on its quality assurance data, that it erroneously overpaid about \$1 billion and underpaid about \$262 million in SSI benefits from January 1976 through March 1978. Most of the overpayments occurred were attributed to problems that SSA has experienced in processing reported changes. Most of the local offices' problems result from lost records and a lack of adequate processing procedures, controls, and timeframes. Controls needed to ensure that changes are either posted to Supplemental Security Records or rejected and later corrected by the field offices have not been established. **Recommendation To Agencies:** The Commissioner of SSA should improve the processing of changes to recipient payments by: establishing procedures, goals, and a system for controlling, processing, and monitoring posteligibility changes; developing pending files for controlling posteligibility changes that are not monitored through the District Office Workload Report; establishing procedures to insure that posteligibility information received is processed before it is filed; insuring that offices retain and dispose of documents in compliance with the SSA record retention and disposal schedule; requesting aid to develop an effective records management program; and assessing the records management program to determine compliance with the Federal Records Act. The Commissioner should also establish appropriate controls to minimize problems associated with processing posteligibility changes and provide added assurance that prompt, effective action is taken by: initiating controls in the computer system to assure field offices that all posteligibility changes transmitted by them are either posted to the record or rejected; establishing controls over rejects so that the system can notify field offices when information in reject messages has not been corrected; evaluating the alert system to insure its effectiveness; reemphasizing to field offices the need to process rejects and alerts; and monitoring the field offices to insure that rejects and alerts are promptly and effectively processed.

108707

IRS Inspection Service Functions: Management Can Further Enhance Their Usefulness. GGD-78-91; B-137762. January 30, 1979. Released March 1, 1979. 77 pp. plus 3 appendices (15 pp.). Report to Joint Committee on Taxation; by Elmer B. Staats, Comptroller General.

Issue Area: Internal Auditing Systems: Internal Audit Planning and Coordination (0202); Tax Administration (2700).

Contact: General Government Division.

Budget Function: General Government: Tax Administration (0807).

Organization Concerned: Internal Revenue Service.

Congressional Relevance: *House* Committee on Ways and Means; *Senate* Committee on Appropriations: Treasury, Postal Service, General Government Subcommittee; *Senate* Committee on Finance; *Joint* Committee on Taxation.

Abstract: The Internal Revenue Service (IRS) must maintain effective management control over its collections, returns, and investigations, and assure integrity among the staff involved. To do this IRS has a principle means of control, the Inspection Service. The Inspection Service is charged with keeping the agency's operations and management under continual scrutiny and appraisal.

Findings/Conclusions: Although the internal audit staff is complying with management's directives and contributing to more efficient operations, its role and usefulness are limited in meeting management's needs. The audit staff must direct its efforts primarily to continually monitoring field activities, an unrealistic goal which hinders effective audit planning. The audit approach basically restricts the scope of most audits to a single field office, limits the purpose to determining whether specific operations at that office comply with written instructions, and results in audit reports to field management. The internal audit staff's own efforts for improvement are a step in the right direction, but management needs to supplement these actions. **Recommendation To Agencies:** The Commissioner of Internal Revenue should: (1) modify policy requiring annual audits of all major field activities and establish an audit goal which encourages the most effective use of resources; (2) direct the Assistant Commissioner of Inspection to develop audit plans and periodically discuss with the Commissioner and other Assistant Commissioners the level of resources devoted to centrally planned, directed, and controlled audits; (3) clarify the role and responsibilities of regional analysts; (4) determine the extent the Office of Personnel Management can assume additional responsibility for personnel investigations presently being conducted by IRS criminal investigators; (5) provide general investigators to conduct noncriminal investigations; (6) establish criteria delineating matters to be investigated and assign responsibility for handling administrative matters to line management; (7) review the investigator and caseload relationships to provide a reasonable investigator caseload balance; and (8) establish uniform standards to monitor the timeliness with which investigations are being completed.

108714

Naval Reserve Drill and Personnel Field Reporting System Needs Improvement. FPCD-79-12; B-125037. March 6, 1979. 32 pp. plus 2 appendices (4 pp.).

Report to W. Graham Claytor, Jr., Secretary, Department of the Navy; by Hyman L. Krieger, Director, GAO Federal Personnel and Compensation Division.

Contact: Federal Personnel and Compensation Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of the Navy: Bureau of Naval Personnel; Department of the Navy: Naval Reserve; Department of the Navy: Naval Reserve Personnel Center, New Orleans, LA; Department of the Navy: Naval Reserve Center, Philadelphia, PA; Department of the Navy.

Congressional Relevance: *House* Committee on Armed Services; *Senate* Committee on Appropriations: Defense Subcommittee; *Senate* Committee on Armed Services.

Abstract: The Naval Reserve Drill and Personnel Field Reporting System has not yet overcome many of the inadequacies of the previous system. **Findings/Conclusions:** System defects are extensive and result in many reservists receiving erroneous payments and incorrect retirement credits. Management also receives inaccurate, untimely, and insufficient pay and personnel information which adversely affects efficient and responsive decisionmaking. Reservists are overpaid, underpaid, or not paid at all. Personnel and drill

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reporting procedures need modification. **Recommendation To Agencies:** The Secretary of the Navy should direct the Naval Reserve Personnel Center and the Naval Finance Center to make the following changes to guarantee that reservists are paid correctly and on time, and to insure that management has current, accurate information on which to formulate decisions: improve reporting system programs, simplify operating and reporting procedures, and upgrade system edits and tests. Specific recommendations include: modification of data entry forms and methods to record drill and personnel information; improvement of system edits performed by the Reserve Personnel Center; reconciliation of Reserve Personnel Center and Finance Center personnel and payroll files; additional testing to detect and correct system deficiencies and to test standards to be developed for future systems; and studies on the feasibility of consolidating Reserve Personnel Center processing activities at the Finance Center. In addition, the Naval Audit Service should investigate servicewide procedures for observing, recording, and reporting drill attendance.

108721

[*Review of the Department of State's Computer Operations*]. February 27, 1979. 3 pp.

Report to John Thomas, Assistant Secretary for Administration, Department of State; by Frank M. Zappacosta, Assistant Director, GAO International Division.

Contact: International Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: Department of State; Agency for International Development; International Communication Agency.

Abstract: A limited review of the Department of State's computer operations was made. **Findings/Conclusions:** The large number of operational systems or subsystems and the development of more such systems suggests that an analysis is needed to eliminate systems duplication and proliferation. GAO has advocated for a number of years a merger of the data processing facilities of the State Department, Agency for International Development, and the International Communications Agency, for more economical and effective use of computer hardware without unnecessary proliferation. Based on the review, it is now suggested that top level management of the respective agencies move ahead with the merger, starting with the computer hardware.

108778

Government Can Be More Productive in Collecting Its Debts by Following Commercial Practices. FGMSD-78-59; B-163762. February 23, 1979. 33 pp. plus 5 appendices (15 pp.).

Report to Sen. Bob Packwood, Senate Committee on Finance: Taxation and Debt Management Generally Subcommittee; Sen. Russell B. Long, Chairman, Senate Committee on Finance; by Elmer B. Staats, Comptroller General.

Issue Area: Education, Training, and Employment Programs (1100); Income Security and Social Services: Program Monitoring and Administration (1303); National Productivity: Productivity for Common Government Functions (2902).

Contact: Financial and General Management Studies Division.

Budget Function: General Government: Executive Direction and Management (0802).

Organization Concerned: Department of Health, Education, and Welfare; Department of Justice; Department of the Treasury; Veterans Administration; Small Business Administration; Farmers Home Administration; Social Security Administration; Office of Education; New Jersey: Higher Education Assistance Authority.

Congressional Relevance: House Committee on Veterans' Affairs; Senate Committee on Finance; Senate Committee on Finance: Taxation and Debt Management Generally Subcommittee; Senate

Committee on Appropriations: HUD-Independent Agencies Subcommittee; Rep. L. H. Fountain; Sen. William Proxmire; Sen. Bob Packwood; Sen. Russell B. Long.

Authority: Federal Claims Collection Act of 1966 (31 U.S.C. 951). Tax Reform Act of 1976. Privacy Act (5 U.S.C. 552a). 4 C.F.R. 61-105. 38 U.S.C. 3301.

Abstract: GAO was requested to study Government debt collection practices and compared them with the methods used by commercial firms. This issue is becoming critical because of the rapidly rising number of debts owed to the Government, now increasing at a rate of 21 percent annually. Debts include student loans, overpayments of supplemental security income benefits and veterans educational assistance, royalties, and payments for various goods and services. While most of these obligations will be paid routinely, many will require collection action and a considerable portion will be written off as uncollectible. **Findings/Conclusions:** Of 12 Federal agencies checked by GAO, only 3 were found to have provided for uncollectible accounts, writing off amounts not expected to be recovered. Among the agencies reviewed, GAO found that between 25 and 60 percent of the obligations were considered uncollectible. Naturally, this lost revenue must be replaced by increased taxes or charges against budget deficits, but graver concerns include the receipt of benefits without entitlement, conversion of self-help programs into grant programs without congressional approval, and the effect of the knowledge that payment can be avoided with impunity on those still discharging their debts voluntarily. Debts have outrun collections because many agencies have been laggard in pursuing repayment and present methods are slow, costly, and unreliable when compared with commercial practices. Clear comparisons between Federal and commercial practice are difficult, but one striking discrepancy was found in the amount of debt for which court judgment is sought. Commercial firms have accepted \$25 as the cost-effective cutoff for court action, whereas the customary Federal limit is \$600. Government collection expenses and time expended run more than double the commercial rate, measured on a per-case basis. **Recommendation To Agencies:** Government agencies should report delinquent debts and loans to credit bureaus, use available locator services to trace delinquent debtors, and increase use of automation in the debt collection process. Demand letters should outline payment due dates, interest rates, consequences of nonpayment, and means for debtors to demonstrate their willingness to make payments. The Secretary of Health, Education, and Welfare and the Administrator of Veterans' Affairs should report loan delinquencies to credit bureaus and arrange to use debtor locator services to collect student loans and educational assistance overpayments.

108789

Improved Executive Branch Oversight Needed for the Government's National Security Information Classification Program. LCD-78-125; B-179296. March 9, 1979. 33 pp. plus 2 appendices (5 pp.). Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Federal Information Management: National Security Information (1404).

Contact: Logistics and Communications Division.

Organization Concerned: Department of Defense; National Security Council; General Services Administration; Department of Energy; Department of Justice; Department of State; Central Intelligence Agency; Interagency Classification Review Committee.

Congressional Relevance: House Committee on Government Operations: Government Information and Individual Rights Subcommittee; Senate Committee on Governmental Affairs: Intergovernmental Relations Subcommittee; Joint Economic Committee: Priorities and Economy in Government Subcommittee; Congress.

Authority: Atomic Energy Act of 1954. Executive Order 12065. Executive Order 11652.

Abstract: There is a need for better control of the Government's classification program, particularly as to classifying less information and declassifying it sooner. The National Security Council (NSC) was directed to monitor implementation of the National Security Information Classification Program with the assistance of an Interagency Classification Review Committee (ICRC). An evaluation of the ICRC monitoring system was made. **Findings/Conclusions:** Oversight of the program has been ineffective because NSC and ICRC did not enforce compliance and the ICRC staff did not make indepth reviews of the classification process. The total number of classification actions is at least 70 million, but it could be over 100 million. The declassification status of the 4.5 million actions the Committee reported was not shown, but review indicated that most were exempt from the general declassification schedule. **Recommendation To Agencies:** The Administrator of General Services Administration (GSA), in consultation with NSC, should: require the Information Security Oversight Office to report to the Administrator and NSC when an agency fails to comply with significant provisions of Executive Order 12065 concerning the national security information program; and provide the Oversight Office with sufficient staff to develop and carry out a strong program of indepth, onsite reviews at major installations that classify national security information. The Administrator of GSA, in consultation with NSC, should also direct the Information Security Oversight Office to: (1) require agencies, except those specifically exempted by NSC, to submit statistical reports on their classification actions, actions exempted from declassification within the prescribed 6-year period, classification abuses and unauthorized disclosures of classified information, authorized classifiers, and annual physical inventories of top secret material; (2) fully disclose the amount and significance of statistical information not included in its annual reports and the reasons for the omission; and (3) require that personnel who apply derivative classification markings be identified on the documents.

108823

Action Being Taken To Correct Weaknesses in the Rehabilitation Loan Program. FGMSD-79-14; B-114860. March 14, 1979. 19 pp. plus 1 appendix (3 pp.).

Report to Patricia Roberts Harris, Secretary, Department of Housing and Urban Development; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Accounting and Financial Reporting (2800); Accounting and Financial Reporting: Systems To Insure That Amounts Owed the Federal Government Are Fully and Promptly Collected (2803).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101).

Organization Concerned: Department of Housing and Urban Development; Department of Housing and Urban Development: Federal National Mortgage Association.

Congressional Relevance: House Committee on Appropriations; House Committee on Government Operations; Senate Committee on Appropriations; Senate Committee on Governmental Affairs; Senate Committee on Appropriations: HUD-Independent Agencies Subcommittee.

Authority: Housing Act of 1964. Housing and Community Development Act of 1977. 4 C.F.R. 102.10. 24 C.F.R. 445.1.

Abstract: The Department of Housing and Urban Development (HUD) has outstanding loans of almost \$334 million under its Rehabilitation Loan Program. Of the \$334 million, over \$53 million has already been returned to HUD as defaulted delinquent accounts and approximately \$49 million may ultimately be returned as defaulted delinquent. The Rehabilitation Loan Program provides direct low-cost loans to property owners for the rehabilitation of

basically sound structures. Loans are initially serviced by the Federal National Mortgage Association (FNMA). When a borrower becomes 6 months delinquent or is at least 3 months delinquent and misses 3 consecutive payments, the loan is returned to HUD for servicing. **Findings/Conclusions:** HUD did not maintain proper control over defaulted loans returned by FNMA. Some loans were delinquent for years, yet loan servicers had not recommended foreclosure or contacted the defaulted borrowers to arrange for loan payment. The manual recordkeeping system used by HUD cannot adequately handle the volume of defaulted loans on hand. The loan servicing activity has been hampered by a general lack of management attention. HUD has established a special task force under the supervision of the Under Secretary of HUD to study all aspects of the program and recommend needed changes. HUD has never developed and submitted the design of the accounting system for rehabilitation loans to the Comptroller General for approval. **Recommendation To Agencies:** The Secretary of HUD should direct the HUD Office of Financing and Accounting to develop and submit the design of the revised accounting system for rehabilitation loans to the Comptroller General for approval; and direct the HUD Inspector General to review the suggestions of GAO and the task force, and ensure that adequate system changes are implemented.

108825

Fragmented Management Delays Centralized Federal Cataloging and Standardization of 5 Million Supply Items. LCD-79-403; B-146778. March 15, 1979. 96 pp. plus 3 appendices (11 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Facilities and Material Management (0700).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Defense-Related Activities (0054).

Organization Concerned: Department of Defense: Defense Electronics Supply Center; Defense Audit Service; Defense Logistics Agency; Federal Aviation Administration; Department of Transportation; General Services Administration.

Congressional Relevance: Congress.

Authority: DOD Instruction 4120.19. H. Rept. 91-1718. Military Standard 965. 10 U.S.C. 2451.

Abstract: The Federal cataloging, engineering standardization, item entry control, and item deletion programs used by Government agencies to manage required parts were reviewed. **Findings/Conclusions:** It has been nearly 30 years since the Federal Catalog System was created, yet congressional intent has not been fully achieved. Notable progress has been made, but duplication of supply items continues to hamper effective Government logistics. **Recommendation To Agencies:** The Secretary of Defense should make the Joint Logistics Commanders of the military services members of the Defense Materials Specifications and Standards Board. The Secretary of Defense and Administrator of General Services administration should take the following actions: (1) work with industry to explore ways that designers can best learn about preferred items that may already be in the Government's supply system; (2) make clear to contractors that engineering standardization is a priority concern in Government procurements; (3) explore various incentive programs that could lead to greater parts standardization in Government weapon systems and related equipment; (4) assume a more definite role in parts control monitoring by involving Military Parts Control Advisory Groups in the earliest phase of equipment design; (5) modify the definition of a standard item so that it describes only those items governed by an existing Government specification; (6) monitor procurement activity performance to be sure that technical data, including true vendor and alternate manufacturers' part numbers, are obtained so that proper cataloging and item entry control can work; and (7) supplement

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current, automated item entry controls with manual reviews by experienced equipment or item technicians.

108829

Does the Federal Incentive Awards Program Improve Productivity? FGMSD-79-9; B-163762. March 15, 1979. Released March 15, 1979. 38 pp. plus 7 appendices (50 pp.). Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: National Productivity: Productivity Impact of Federal Personnel Policies, Procedures, and Controls (2904).

Contact: Financial and General Management Studies Division.

Budget Function: General Government: Central Personnel Management (0805).

Organization Concerned: Office of Personnel Management.

Congressional Relevance: Congress.

Authority: Civil Service Reform Act of 1978. Government Employees' Incentive Awards Act of 1954. Federal Salary Reform Act of 1962 (P.L. 87-793; 5 U.S.C. 5336). F.P.M., ch. 451. F.P.M., ch. 273.

Abstract: The Federal Government uses incentive awards and quality step increases (QSI) to encourage employees to improve their work performance and, consequently, Government operations, by recognizing work exceeding normal performance requirements. **Findings/Conclusions:** A questionnaire sent to Federal employees revealed that many felt unmotivated by their agencies' incentive programs and believed that the workers most deserving of cash awards were often passed over. Other comments identified the failure of awards programs to increase productivity and the feeling that improvements in efficiency were not recognized with awards. An analysis of incentive awards programs revealed that some workers receiving awards were rated as below-average performers. These problems exist because agency programs overlook the following basic components: linkage to agency goals, systems for setting work expectations and measuring performance, motivation of managers to use awards programs, timely and relevant awards separated from the basic salary rate, and an annual evaluation of program results. Most employees questioned believed that an improved incentives system would improve their performance. In most agencies surveyed, GAO found an excessive use of the QSI as the most commonly granted form of cash recognition, rather than the generally preferable promotion. The Civil Service Reform Act of 1978 helps associate incentive awards and employee performance, although the Act provides only the framework for change; the responsibility for accomplishment lies with supervisors and managers. **Recommendation To Congress:** Congress should require the Director of the Office of Personnel Management to ensure the granting of QSI's in accordance with the Federal Personnel Manual and demonstrate that this has been accomplished. If this cannot be demonstrated, the Director should be required to terminate quality step increases altogether and merge funds set aside for this purpose with incentive awards program funds for employees not covered by the Senior Executive Service and Merit Pay provisions of the Civil Service Reform Act. **Recommendation To Agencies:** The Director, Office of Personnel Management, should revise Chapter 451 of the Federal Personnel Manual to require the review and approval of agency incentive award plans, provide that agencies take necessary corrective actions if plans do not comply with Office guidelines, establish appropriate award scales for different grade levels, and offer alternatives to conventional cash and honorary awards.

108833

[Need for Improved Administration of Military Identification System To Prevent Improper CHAMPUS Payments]. HRD-79-58; B-133142. March 16, 1979. 6 pp. Report to Harold Brown, Secretary, Department of Defense; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Health Programs: Fraud and Abuse Exist in the Financing Program (1206).

Contact: Human Resources Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of Defense; Veterans Administration.

Congressional Relevance: House Committee on Appropriations; House Committee on Government Operations; Senate Committee on Appropriations; Senate Committee on Appropriations: Defense Subcommittee; Senate Committee on Governmental Affairs.

Abstract: A review of the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) revealed that many erroneous benefit payments were made to ineligible persons. Deficiencies in the military identification card system continue, even though a 1971 report discussed many of the same problems. **Findings/Conclusions:** Improper payments resulted from the lack of an eligibility verification system and weak controls over the issuance and retrieval of identification cards. The identification cards were not always recovered from active duty members and their dependents when the members separated from the service. Many identification cards were issued to replace cards reported lost or stolen; a former service member, however, could retain one card for later use after separation. It was estimated that as much as \$12 million may have been paid erroneously, including \$3.3 million that should have been paid through the Veterans Administration rather than CHAMPUS. The Department of Defense plans to implement a centralized enrollment system to verify the eligibility of program beneficiaries, but the system is not expected to be fully operational for about 4 to 5 years. **Recommendation To Agencies:** The Secretary of Defense should require the uniformed services to implement more stringent regulations and procedures governing the issuance and retrieval of military identification cards.

108864

National Bureau of Standards--Information and Observations on Its Administration. CED-79-29; B-114821. March 21, 1979. 43 pp. plus 17 appendices (24 pp.).

Report to Senate Committee on Commerce, Science, and Transportation; Senate Committee on Commerce, Science, and Transportation: Science, Technology, and Space Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Program and Budget Information for Congressional Use (3400).

Contact: Community and Economic Development Division.

Budget Function: General Science, Space, and Technology (0250).

Organization Concerned: National Bureau of Standards; Office of Management and Budget.

Congressional Relevance: Senate Committee on Commerce, Science, and Transportation: Science, Technology, and Space Subcommittee; Senate Committee on Commerce, Science, and Transportation.

Authority: 31 Stat. 1449.

Abstract: Information and observations on the more important aspects of National Bureau of Standards (NBS) administrative practices are presented in response to Senate committee concerns about persistent reports of a decline in NBS scientific capabilities and ability to respond adequately to specific congressional assignments. **Findings/Conclusions:** The Office of Management and Budget has not allowed NBS to use its appropriations to perform work which is the primary responsibility of other Federal agencies, even though specific legislation requires that NBS perform the work or it should be performed under the NBS regulations. Procedures have not been established to monitor the need for new equipment or the use being made of existing equipment. Scientists

have been required to perform work formerly done by technicians, resulting in reduced time available for work at a higher level. A major reorganization of NBS in April 1978, combined with functional changes and legislative requirements, may require accounting system revision. Application of complex three-tiered overhead costs could be improved. NBS long-range planning lacked an overall conceptual framework to relate its programs to its major mission or to the needs of national scientific, governmental, and industrial communities.

108890

The Defense Department's Systems of Accounting for the Value of Foreign Military Sales Need Improvement. FGMSD-79-21; B-174901. March 16, 1979. Released March 22, 1979. 22 pp. plus 5 appendices (12 pp.).

Report to Rep. Lee H. Hamilton, Chairman, House Committee on Foreign Affairs; Europe and the Middle East Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: International Affairs: Foreign Military Sales and Other U.S. Military Assistance (0605); Accounting and Financial Reporting: Reporting Systems' Adequacy To Disclose the Results of Government Operations and To Provide Useful Information (2811).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101).

Organization Concerned: Department of Defense; Defense Security Assistance Agency; Arms Export Control Board; Defense Security Assistance Agency; Security Assistance Accounting Center.

Congressional Relevance: House Committee on Foreign Affairs: Europe and the Middle East Subcommittee; Rep. Lee H. Hamilton.

Abstract: The procedures by which the Department of Defense (DOD) computes the value of foreign military sales agreements and the yearly foreign military sales ceiling were reviewed.

Findings/Conclusions: Approximately \$1.1 billion of inconsistencies and errors in accounting for fiscal year 1977 arms sales were identified. Had the correct sales figures been known, the President's fiscal 1978 arms sales ceiling, based on fiscal 1977 sales, might have been set \$420 million lower. **Recommendation To Agencies:** The Secretary of Defense should require that the Defense Security Assistance Agency and the Security Assistance Accounting Center closely coordinate actions to improve their automated systems of accounting for the value of foreign military sales. A single system which would include adequate automated computer controls should be developed to eliminate the maintenance of duplicate systems. DOD should also: (1) make its accounting practices for price changes consistent; (2) correct its accounting records, taking into account the errors GAO identified; and (3) have its internal auditors review from time to time the accounting for foreign sales values to assure the effectiveness of efforts by the Agency and Center to improve their system.

108920

Auditing Computer-Based Systems: Additional GAO Audit Standards. March 1979. 15 pp.

by Elmer B. Staats, Comptroller General.

Contact: Office of the Comptroller General.

Abstract: Since the audit coverage accorded computer-based systems often does not measure up to the quality needed to assure proper results, these standards were issued as a supplement to the 1972 pamphlet entitled "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions." To maintain professionalism in the performance of audit work, the auditor should: (1) actively participate in reviewing the design and development of new data processing systems or applications, and

significant modification thereto, as a normal part of the audit function; (2) review general controls in data processing systems to determine that controls have been designed according to management direction and legal requirements and that such controls are operating effectively to provide reliability of the data being processed; and (3) review application controls of installed data processing applications to assess their reliability in processing data in a timely, accurate, and complete manner.

108948

[Protest Alleging That Solicitation Requirement Was Unreasonably Restrictive of Competition]. B-193126. March 28, 1979. 13 pp.

Decision re: On-Line Systems; by Robert F. Keller, Acting Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: On-Line Systems; Boeing Computer Services, Inc.; Computer Network Corp.; Office of Education; National Bureau of Standards.

Authority: 38 Comp. Gen. 190. 55 Comp. Gen. 1365. B-191224 (1978). B-174140 (1972). B-174205 (1972). B-179762 (1974). B-178718 (1974). B-174775 (1972). B-187513 (1976). B-183639 (1975). B-187338 (1977). 40 U.S.C. 759 (f).

Abstract: On-Line Systems, Inc. protested that a solicitation to provide data processing and information support services for the Guaranteed Student Loan Program of the Office of Education unduly restricted competition. A principal requirement of the request for proposals (RFP) was for a transportable software system design that should be written in Common Business Oriented Language (COBOL). An amendment to the RFP specified that offerors choosing to use a data base management system (DBMS) as part of their proposed system must use a DBMS resembling the one defined by the Committee for Standards of Data Systems Language. On-Line Systems, the incumbent contractor, alleged that this requirement precluded it from using the computer language that it owns and is currently using for the program. This allegation was rejected because the use of a DBMS was optional and the RFP allowed the submission of alternate proposals. GAO held that the solicitation was not restrictive of competition, that the agency validly needed a transportable system, and that COBOL is the only Federal standard transportable language.

108983

Resources Devoted by the Department of Justice To Combat White-Collar Crime and Public Corruption. GGD-79-35; B-179296. March 19, 1979. Released April 3, 1979. 3 pp. plus 8 appendices (41 pp.).

Report to John Conyers, Jr., Chairman, House Committee on the Judiciary: Crime Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Law Enforcement and Crime Prevention: White-Collar Crime (0509).

Contact: General Government Division.

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751).

Organization Concerned: Department of Justice; Federal Bureau of Investigation.

Congressional Relevance: House Committee on the Judiciary: Crime Subcommittee; Rep. John Conyers, Jr.

Abstract: Both the Department of Justice and the Federal Bureau of Investigation (FBI) have designated white-collar crime and public corruption as a top priority area along with narcotics, organized crime, and foreign counterintelligence. As a result of this priority designation, GAO was requested to undertake a comparative study of the total Federal law enforcement resources utilized in the detection, investigation, and prosecution of the so-called index crimes as opposed to the Federal resources utilized in the detection,

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investigation, and prosecution of white-collar crime and political corruption. **Findings/Conclusions:** Because most index or street crimes are investigated and prosecuted by State and local resources, the study could only determine the resources devoted by the various components of the Justice Department to the investigation and prosecution of white-collar crime and public corruption. In fiscal years 1977 and 1978, the expenditures by the Justice Department components to white-collar crime and public corruption was approximately 5.1 percent of the Department's total budget each year. The planned expenditures in 1979 by five of the six components of the Justice Department is approximately 4.2 percent of the total 1979 budget for the Justice Department, exclusive of the United States attorneys. The appendices contain the specific statistics for each Justice component and the FBI.

109023

Federal Productivity Suffers Because Word Processing Is Not Well Managed. FGMSD-79-17; B-163762. April 6, 1979. 25 pp. plus 6 appendices (21 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: National Productivity: Productivity for Common Government Functions (2902).

Contact: Financial and General Management Studies Division.

Budget Function: General Government: Other General Government (0806).

Organization Concerned: National Archives and Records Service; General Services Administration; Office of Personnel Management.

Congressional Relevance: House Committee on Government Operations; Senate Committee on Appropriations; Senate Committee on Appropriations: Treasury, Postal Service, General Government Subcommittee; Senate Committee on Governmental Affairs: Permanent Subcommittee on Investigations; Congress.

Authority: Federal Records Act of 1950.

Abstract: The Federal Government employs over 171,000 secretaries, stenographers, and typists at an annual salary outlay of over \$1.5 billion. Word processing can help reduce the size and cost of this workforce. This report discusses the management and productivity of word processing in some of the largest Federal agencies. It also assesses the work being done by the General Services Administration (GSA) through its National Archives and Records Service (NARS) in their central management role for word processing. **Findings/Conclusions:** Most departments and agencies were not complying with regulations covering management of word processing equipment and could not show that their word processing systems have increased productivity or are cost effective. The agencies did not conduct feasibility studies, cost-effectiveness studies, planning studies of the new system's effect on personnel, or post-installation reviews comparing new productivity statistics with the baseline data. No leadership has been provided to help Federal agencies in developing word processing systems; as a result, each department and agency is individually going through the same learning process when acquiring equipment. This means that there has been unchecked equipment proliferation and duplication of effort in preparing or contracting for word processing handbooks. **Recommendation To Congress:** GSA is planning to begin a Government-wide inspection of word processing systems in the agencies, and Congress may wish to obtain the results of these inspections for use during oversight and authorization hearings with the agencies. **Recommendations To Agencies:** The Administrator of GSA should upgrade and accelerate efforts to assist and monitor agencies' efforts by: making available the standards and guidelines necessary to develop, operate, and evaluate word processing systems; analyzing agencies' practices to ascertain efficient and cost-effective conditions for operation; developing criteria to help agencies determine whether to lease or buy equipment; conducting

periodic reviews of management of word processing systems by the agencies; and acting as a clearinghouse for agency development and review of their processing activities. The Administrator should also expedite issuance of a word processing handbook to aid agencies, and this handbook should include sections on equipment and productivity standards and should be updated periodically. GAO further recommends that the Administrator review agency guidelines for implementing and monitoring word processing systems. Finally, GSA should work with the Office of Personnel Management to point out to agencies any potential human relations pitfalls in the development and operation of word processing equipment.

109068

[Efforts of the Department of Labor To Develop a Computer System To Support the Federal Employees' Compensation Act Program]. April 10, 1979. 18 pp.

Testimony before the House Committee on Government Operations: Manpower and Housing Subcommittee; by Philip A. Bernstein, Deputy Director, GAO Human Resources Division.

Contact: Human Resources Division.

Organization Concerned: Employment Standards Administration; Planning Research Corp.; Mitre Corp.; Department of Labor.

Congressional Relevance: House Committee on Government Operations: Manpower and Housing Subcommittee.

Authority: Federal Employees' Compensation Act.

Abstract: Due to an increasing claims workload, the Employment Standards Administration (ESA) of the Department of Labor has been attempting since 1974 to develop a computer system to administer the Federal Employees' Compensation Act (FECA) program in its 15 district offices. Although over \$6 million has been spent and there have been three separate attempts to develop the system, only 2 of the 28 processing steps have been computerized. The following deficiencies in program implementation were identified: ESA management has not exercised sufficient contracting and procurement monitoring in its automatic data processing contracting activity; ESA management has failed to control and direct the automatic data processing operations effectively; and ESA has not addressed the total development costs of the project. The Secretary of Labor should direct the Assistant Secretary for ESA to place responsibility and authority for the overall direction of the system developmental effort on one person or organizational entity, and a cost-benefit analysis should be conducted. If it is determined that a computer system will be cost beneficial, ESA should: develop an overall plan detailing the direction the project should take; use contracting methods that provide incentives to deliver an acceptable product; and monitor contractor performance closely.

109080

Oil and Gas Royalty Collections--Serious Financial Management Problems Need Congressional Attention. FGMSD-79-24; B-118676. April 13, 1979. 46 pp. plus 1 appendix (14 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting: Conformity With Comptroller General's Principles, Standards, and Related Requirements (2801); Accounting and Financial Reporting: Systems To Insure That Amounts Owed the Federal Government Are Fully and Promptly Collected (2803); Accounting and Financial Reporting: Sound Cash Management (2805); Accounting and Financial Reporting: Reporting Systems' Adequacy To Disclose the Results of Government Operations and To Provide Useful Information (2811).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101).

Organization Concerned: Bureau of Land Management; Geological Survey; Bureau of Indian Affairs; Department of the Interior; Department of Energy.

Congressional Relevance: Senate Committee on Energy and Natural Resources; Congress.

Authority: Accounting and Auditing Act of 1950 (31 U.S.C. 66a). Department of Energy Organization Act (91 Stat. 578). Mineral Leasing Act of 1920. 10 C.F.R. 212. 25 C.F.R. 171. 25 C.F.R. 172. 30 C.F.R. 225. 43 C.F.R. 3106. 30 U.S.C. 181. 30 U.S.C. 187. 30 U.S.C. 192. 30 U.S.C. 275. 43 U.S.C. 29.

Abstract: A significant portion of domestically produced oil and natural gas comes from Federal and Indian lands leased to the private sector. During 1977, the Geological Survey collected about \$1.2 billion in royalties on these lands from the oil and gas industry. Extensive congressional interest in Government debt collection procedures prompted a review of the system and related controls used by the agency in collecting these royalties. **Findings/Conclusions:** Serious deficiencies in the way the Geological Survey maintained records of amounts due the Government under the leases resulted in losses of millions of dollars. Statements of lease accounts contained numerous errors and omissions. Failure to perform an adequate number of lease account reconciliations and audits meant that the agency had to rely on unverified data from the oil and gas industry to compute and collect royalties due. Lack of interest charge provisions resulted in delayed receipt of payments. Understaffing was a chronic condition. Many factors beyond the control of the agency contributed to the breakdown in the collection system. **Recommendation To Agencies:** For the short range, the Secretary of the Interior should require the Director of the Geological Survey to: inform field personnel of the need to determine the reasonableness of inventory and sales data shown on production reports, making accounting personnel aware of any discrepancies; include on lease account records codes identifying reasons for account adjustments on lease; provide for and charge appropriate administrative fees and interest on delinquent accounts; and encourage companies with computer capabilities to provide direct tape input of report data. For the long range, the Director should: modify or redesign the collection system to reduce the volume of reports submitted by the industry for processing; consider lessee dependability and prior reporting and paying record in selecting accounts for reconciliation and audit; provide for cross-service audit agreements with the Department of Energy; and designate one office as responsible for establishing agencywide collection policies.

109103

National Bureau of Standards Needs Better Management of Its Computer Resources To Improve Program Effectiveness. CED-79-39; B-114821. April 17, 1979. 52 pp. plus 2 appendices (6 pp.).

Report to Senate Committee on Commerce, Science, and Transportation: Science, Technology, and Space Subcommittee; Senate Committee on Commerce, Science, and Transportation; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Use of Computer Systems for Agency Mission Requirements and Support Functions (0108).

Contact: Community and Economic Development Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: National Bureau of Standards.

Congressional Relevance: Senate Committee on Commerce, Science, and Transportation; Senate Committee on Commerce, Science, and Transportation: Science, Technology, and Space Subcommittee.

Abstract: Pursuant to congressional request, an evaluation was conducted to determine how effectively the computer resources at the National Bureau of Standards (NBS) support NBS scientists and administrators in carrying out their mission and program responsibilities. **Findings/Conclusions:** Computer hardware at NBS is

obsolete, resulting in increased operating costs, an inability to handle certain sophisticated problems, and a lack of available computer time for users. NBS has decentralized the management of its computer resources, and has no effective long-range plan to justify needed acquisitions. An Automatic Data Processing (ADP) Policy Committee was established, but no Executive Board member is represented. A computer requirements study was conducted, but did not develop NBS computer needs or evaluate all cost and benefit alternatives. Software support also needs improvement. Estimated costs for computer-related services, including programming time spent by scientists, amount to 14 percent of NBS annual budget. **Recommendation To Agencies:** The Secretary of Commerce should direct the NBS to: conduct a new requirements study to justify the acquisition of needed computer resources, furnishing data processing policies and objectives as well as adequate staff resources to carry out the study, and appointing at least one member of the Executive Board to serve on the committee; establish better management controls over computer resources, including a central computer management office, a long-range planning process, and a Computer Performance Management program with clearly defined policies and manageable objectives; strengthen the existing ADP committee by appointing members of the Executive Board to serve and establishing a written charter setting forth its authority and responsibilities; and establish a permanent computer users group reporting to the Executive Board.

109129

Developing a National Airport System: Additional Congressional Guidance Needed. CED-79-17; B-164497(1). April 17, 1979. 54 pp. plus 3 appendices (10 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Transportation Systems and Policies: Air Transportation System (2413).

Contact: Community and Economic Development Division.

Budget Function:

Organization Concerned: Federal Aviation Administration.

Congressional Relevance: House Committee on Public Works and Transportation; Congress.

Authority: Airport and Airway Development Act of 1970 (P.L. 91-258, tit. 1; 49 U.S.C. 1701) Airport and Airway Revenue Act of 1970 (P.L. 91-258, tit. 2; 49 U.S.C. 1742).

Abstract: The Federal Aviation Administration (FAA) issued a national airport system plan which showed that over \$10 billion will be needed in the next decade to improve 3,100 of the Nation's airports and to build almost 500 new ones. The national plan includes about \$2.9 billion to improve some 2,600 general aviation airports. FAA defined general aviation airports having significant national interest as those with 10 based aircraft and situated 30 minutes from another airport in the national plan. This definition was to provide as many citizens as possible with reasonable access to a safe and adequate airport. **Findings/Conclusions:** Using this definition, FAA reduced by about 400 the number of general aviation airports included in the 1978 national plan as compared to the old national plan. However, this reduction may not have been as large as Congress intended. An additional 500 general aviation airports could have been eliminated had FAA used 20 based aircraft in its definition of significant national interest. FAA recognizes the importance of airport planning and has developed basic planning guidelines. However, airport master plans are not required as a condition for Federal airport development grants. Improvements in FAA planning and guidelines are needed to focus greater attention on the merits of regional airports and to assure that airport noise problems are adequately considered and plans are fully coordinated with State and local interests. Airport development grants are adequate to cover only half of the needs. Under current legislation, FAA was not been able to carry out the national plan or assure that

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important airport needs, such as safety, were met. **Recommendation To Congress:** Congress should review the FAA definition to determine its acceptability. If unacceptable, Congress should incorporate an acceptable definition in the authorizing legislation. Congress should: require airports to have an approved master plan and be included in an acceptable State or regional system plan as a condition for eligibility to receive Federal airport development grants; determine whether funding will be sufficient to pay for a higher level of planning; and require future provisions in the national plan to be based on FAA approved or acceptable State-local airport plans. In addition, Congress should establish priorities to distribute airport development grants.

109146

[Claims of Savings and Improved Service in DOD's Competitive Rate Program for Shipments of Household Goods Overseas]. LCD-78-232; B-159390. March 20, 1979. Released April 20, 1979. 7 pp. Report to Rep. John M. Murphy, Chairman, House Committee on Merchant Marine and Fisheries; by Elmer B. Staats, Comptroller General.

Issue Area: Facilities and Material Management (0700); Facilities and Material Management: Shipments of Material To Achieve Lowest Overall Cost (0720).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of Defense.

Congressional Relevance: House Committee on Merchant Marine and Fisheries; Rep. John M. Murphy.

Abstract: Claims made by the Department of Defense (DOD) concerning improved materials transport service and savings being achieved under its Competitive Rate Program (CRP) were reviewed. **Findings/Conclusions:** The methodology DOD used to calculate savings resulting from CRP was acceptable, and its estimate of dollar savings was as accurate as possible considering the information available at the time of preparation. Claims by DOD of improved service could not be verified because the methodology used to measure such improvements was poorly designed and documented.

109172

[Problems Associated With the Worldwide Military Command and Control System]. April 23, 1979. 28 pp.

Testimony before the House Committee on Armed Services: Research and Development Subcommittee; by Richard W. Gutmann, Director, GAO Logistics and Communications Division.

Contact: Logistics and Communications Division.

Organization Concerned: Department of Defense.

Congressional Relevance: House Committee on Armed Services: Research and Development Subcommittee; House Committee on Appropriations.

Authority: DOD Directive 5100.30. DOD Directive 5100.79. B-163074 (1971).

Abstract: The World Wide Military Command and Control System (WWMCCS) is intended to provide national command authorities with the capability to: receive warning and intelligence information; apply the resources of the military; assign military missions; and provide direction and support to the Joint Chiefs of Staff. During the 1960's the WWMCCS structure consisted of a loosely knit federation of 158 different computer systems, using 30 different general purpose software systems in operation at 81 separate locations. This review evaluated the current program in an effort to determine the extent to which the Department of Defense (DOD) has been able to improve the computer and data communication support of command and control activities. Little, if any, improve-

ment was noted. The main problems include a lack of definition for the information requirements needed, and fragmented planning and program management. Planned future expenditures of the DOD will not resolve the problems unless major changes are initiated. To continue the program, DOD requested more than \$140 million for 1980; however, funds are being expended in so many areas involving computer and data communications equipment and software development that the full magnitude of the sums expended or requested could not be determined.

109189

[Protest of Service Contract Act Application in Army IFB]. B-194363. April 23, 1979. 3 pp.

Decision re: Digital Equipment Corp.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Department of the Army: White Sands Missile Range, NM; Digital Equipment Corp.

Authority: Service Contract Act. D.A.R. 12-1005.2. B-194055 (1979). B-191554 (1978). B-179501 (1974). 41 U.S.C. 353.

Abstract: A company protested the inclusion of Service Contract Act (SCA) coverage in an invitation for bids (IFB) issued by the Department of Army for the lease, maintenance, and option to purchase Gaming Support Minicomputer System Equipment to support the Army's combat battlegame facility. The protester asserted that the contract was not covered by SCA because the principal purpose of the contract was the procurement of computers, not the furnishing of computer services; and even assuming coverage, the Department of Labor (DOL) prevailing wage determination in the IFB was defective because no job title or job description described the computer jobs called for in the IFB. However, the contractor was responsible for maintenance which is subject to SCA under DOL regulations and there was no basis to conclude that the actions were contrary to law. Furthermore, nothing deficient was found in the wage determination. Inasmuch as the protester's initial submissions clearly indicate that the protest was without legal merit, the protest was denied.

109195

[Labor's Employment Security Automation Project]. HRD-79-71; B-133182. April 26, 1979. 10 pp.

Report to Ray Marshall, Secretary, Department of Labor; by Gregory J. Ahart, Director, GAO General Government Division.

Issue Area: Automatic Data Processing: Acquisition of ADP Resources Under the Brooks Act (0111); Federally Sponsored or Assisted Employment and Training Programs (3200).

Contact: Human Resources Division.

Budget Function: Education, Training, Employment and Social Services (0500).

Organization Concerned: Department of Labor.

Authority: Comprehensive Employment and Training Act of 1973, as amended (29 U.S.C. 880).

Abstract: The Department of Labor (DOL) responded to the draft of a report which discussed problems with the planning, management, and implementation of the DOL Employment Security Automation Project and which recommended that Labor halt the expansion of the project until the problems were solved. Although DOL agreed with parts of the report, it strongly objected to the conclusions concerning the problems and their causes. Despite the disagreement by DOL with the report, the Administration's budget proposal for fiscal year 1980 provided for no expansion of the project and indicated that during fiscal years 1979 and 1980 no agreements will be signed with additional states. In addition, evaluations will be used to determine the direction and scope of future automation. **Findings/Conclusions:** A thorough review of the DOL response indicated that the positions contained in the original

report were sound. While the actions outlined in the budget proposal and DOL recent letters, if carried out, appear to be steps toward implementing the report's recommendations, the nature of the initial response by DOL raises serious doubt about its commitment to these actions and its interest in solving the problems which it has recognized for years. The Labor Department should reconsider how and to what extent it wishes to fund States to automate employment security operations. Recent budget proposals and the decision to halt the expansion of the project through the current and next fiscal years are encouraging signs that DOL recognizes the need to reevaluate the project in the light of known problems.

109197

Improvements the Department of Health, Education, and Welfare Has Made in Its Payroll System. FGMSD-79-22; B-164031. April 25, 1979. 4 pp. plus 1 appendix (22 pp.).

Report to Joseph A. Califano, Jr., Secretary, Department of Health, Education, and Welfare; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division

Budget Function: Financial Management and Information Systems (1100).

Organization Concerned: Department of Health, Education, and Welfare.

Abstract: The Department of Health, Education, and Welfare (HEW) has taken a variety of actions to improve its centralized payroll system through which about 160,000 employees are paid about \$2.9 billion annually. The completed actions relate to many recommendations for improving the system which were made by GAO, by HEW internal auditors, and by a blue-ribbon panel formed to evaluate the system's problems. **Findings/Conclusions:** HEW has made a number of system improvements that should provide for more prompt and accurate payments to employees, including improved internal control over time and attendance reports, pay adjustments, supplemental payments, and returned checks; creation of a single data base for use by the personnel and payroll systems; and automation of many functions of the military pay subsystem. Although these actions clearly indicate that HEW management is currently emphasizing the need to improve its payroll system, other efforts to improve the system's operations have often been started but not completed, and serious problems with the system have continued. **Recommendation To Agencies:** The Secretary of HEW should instruct the Inspector General's office to review the payroll system on a cyclical basis for adherence to established policies and procedures and to assist in developing needed edits; ensure that adequate edits are established to control the propriety and validity of data entered into the combined payroll-personnel data system; take actions to ensure that the system edits cannot be improperly bypassed; and establish a system to provide for close monitoring and review of progress made in implementing improvements to the payroll system.

109295

Ineffective Management of GSA's Multiple Award Schedule Program--A Costly, Serious, and Longstanding Problem. PSAD-79-71; B-114807. May 2, 1979. 50 pp. plus 2 appendices (12 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: General Procurement: Assuring That Only Those Quantities of Goods Are Procured That Are Needed To Accomplish Agencies' Missions (1912); General Procurement: Improving the Effectiveness of Civilian Agencies' Procurement Activities (1916).

Contact: Procurement and Systems Acquisition Division.

Budget Function: Procurement--Other Than Defense (1007).

Organization Concerned: General Services Administration; Federal Supply Service.

Congressional Relevance: *House* Committee on Appropriations; *House* Committee on Government Operations; *Government* Activities and Transportation Subcommittee; *Senate* Committee on Governmental Affairs; *Federal* Spending Practices and Open Government Subcommittee; *Senate* Committee on Governmental Affairs; *Permanent* Subcommittee on Investigations; *Congress*; *Rep.* John L. Burton.

Authority: Property and Administrative Services Act.

Abstract: The General Services Administration (GSA), through its Federal Supply Service (FSS), makes common-use items available to Federal agencies through three basic buying programs: stores, non-stores, and Federal Supply Schedules. The multiple award program is the largest FSS program, with 53 percent of total FSS sales. Under the multiple award program, a number of commercial firms are awarded indefinite quantity contracts for a particular product category. Prices are based on a negotiated minimum discount off the vendors commercial prices. Agencies select the particular product that best meets their needs and order directly from the vendor. The purpose of the multiple award program is to decrease agency open market purchases by offering a wide selection of commercial products at prices lower than available through open market purchases, and make commercial items available when it is impractical to draft adequate specifications for bids. **Findings/Conclusions:** The GSA multiple award schedule program cannot be effectively managed in its present form. It is intended to make a wide variety of commercial products available to Federal agencies, but there are too many items on the schedules, too many suppliers of similar items, and GSA does not have the capability to make sure that the Government's interests are protected. In addition, there is little or no price competition in the negotiations or monitoring of items ordered by the agencies, and little or no assurance that suppliers offer items at prices that reflect the Government's volume purchases. GAO found that the Government sometimes pays more for identical items, and gets less favorable warranty and payment terms than other purchasers. Studies have focused on the problems since 1971. However, GSA management has not taken any substantive corrective actions. GAO believes this inaction has been due to: the GSA traditional view that it is only a service organization to provide what the users want; GSA management's reluctance to become involved in controversy with industry and trade associations; and Federal agencies who want to maintain the existing non-competitive process of awarding contracts, as well as the numerous products offered through the program. **Recommendation To Congress:** Congress should enact legislation which would put GSA under a mandatory timeframe for accomplishing management improvements. The posture of GSA should be strengthened as a primary supplier of products to Federal agencies. **Recommendation To Agencies:** The Administrator of GSA should take the following actions: (1) reconsider the GSA service-oriented approach of trying to satisfy the unique needs of Federal agencies; (2) develop criteria for use of multiple award schedules; (3) review all multiple award items and eliminate those not meeting the established criteria; (4) intensify efforts to identify products which can be competed, develop commercial item descriptions for these products, and apply market research techniques to determine acquisition strategy; (5) define overall management responsibility for the multiple award schedule program; (6) improve training of contracting officers; (7) refine existing management information systems to provide better data by product; and (8) increase the emphasis on the GSA audits of vendors.

109326

[Protest of Contract Award by Securities and Exchange Commission]. B-193287. May 8, 1979. 12 pp.

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Decision re: Tymshare, Inc.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Securities and Exchange Commission; Office of the Comptroller; Tymshare, Inc.; Federal CSS, Inc.

Authority: F.P.M.R. Temporary Reg. E-47.

Abstract: A company protested a contract award by the Securities Exchange Commission (SEC) for teleprocessing services for budget application in the SEC Office of the Comptroller. All Federal agencies must acquire teleprocessing services under the General Services Administration's teleprocessing services program by Multiple Award Schedule Contracts (MASC) or other methods. The principal evaluation criterion for teleprocessing systems is the lowest system life cost. Government agencies selecting a source for a particular order should prepare a description of the services needed, develop and apply technical and cost evaluation criteria and eliminate from consideration sources which fail to meet the requirements. The protester contended that the SEC omitted or misapplied various cost factors in the protested solicitation, resulting in an erroneous award, and called for an immediate award cancellation and new cost evaluation by the SEC. GAO found the SEC procurement practices to be correct inasmuch as benchmarking is not mandatory in awards totaling less than \$200,000 annually, and the protest was denied.

109397

[Grumman Corporation Computer Software Development Costs and Licensing Fees Paid by the Government]. PSAD-79-69; B-163074. May 18, 1979. 13 pp.

Report to Harold Brown, Secretary, Department of Defense; by Jerome H. Stolarow, Director, GAO Procurement and Systems Acquisition Division.

Issue Area: Automatic Data Processing: Acquiring and Using Resources (0102); General Procurement (1900).

Contact: Procurement and Systems Acquisition Division.

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058).

Organization Concerned: Department of Defense; Department of the Navy; Grumman Aerospace Corp.; National Aeronautics and Space Administration; Defense Contract Audit Agency; Department of the Air Force.

Congressional Relevance: *House* Committee on Appropriations; *House* Committee on Government Operations; *Senate* Committee on Appropriations; *Senate* Committee on Appropriations: Defense Subcommittee; *Senate* Committee on Governmental Affairs.

Authority: D.A.R. 9-602.

Abstract: According to Defense Acquisition Regulations, the Government is to have unlimited rights in computer software required to be developed under or generated as a necessary part of performing a Government contract. No license fees payment is to be made where the Government has obtained unlimited rights.

Findings/Conclusions: The Government paid \$1,858,000 for the use of special-purpose computer software packages called Telescope 340, Telescope 350, and TeleDynamic, even though these packages had been developed primarily at Government expense. Additionally, these packages were acquired with restricted rights. This occurred because the Defense Acquisition Regulations did not provide adequate guidance on ownership rights in computer software developed under a Government contract and because contracting officials did not enforce certain provisions of the acquisition regulations. In addition, the regulations provide no guidance about the Government's rights in computer software developed for support of Government work and indirectly charged to Government contracts. The Government also paid license fees and costs on software so developed and charged by Grumman Data and Grumman Aerospace. **Recommendation To Agencies:** The Secretary of

Defense should determine the extent to which the Navy and Air Force may have acquired unlimited rights to Telescope software developed under their contracts, and determine whether any equitable adjustments may be due in license fees or in restrictions on using Telescope software. The Secretary should coordinate with the Administrator of the National Aeronautics and Space Administration to seek and obtain any appropriate adjustments for the license fee and restrictions on using TeleDynamic software. The Secretary should alert the procuring activities of the possibility that similar situations may exist with other contractors who are doing substantial amounts of Government work and who are supplying special-purpose software packages. Finally, the Secretary of Defense should consider the need to modify the Defense Acquisition Regulations to provide clear guidance as to the Departmental policy in obtaining rights in, and paying license fees for, software developed by contractors through overhead costs charged to Government work.

109505

New Alien Identification System--Little Help in Stopping Illegal Aliens. GGD-79-44; B-125051. May 30, 1979. 35 pp. plus 1 appendix (5 pp.).

Report to Rep. Elizabeth Holtzman, Chairman, House Committee on the Judiciary: Immigration, Refugees and International Law Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Law Enforcement and Crime Prevention (0500).

Contact: General Government Division.

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751).

Organization Concerned: Department of Justice; Immigration and Naturalization Service.

Congressional Relevance: *House* Committee on Appropriations; *House* Committee on the Judiciary: Immigration, Refugees and International Law Subcommittee; *Senate* Committee on Appropriations: State, Justice, Commerce, the Judiciary Subcommittee; *Senate* Committee on the Judiciary; *Senate* Committee on Governmental Affairs; *Rep.* Elizabeth Holtzman.

Authority: Immigration and Nationality Act (8 U.S.C. 1101 et seq.).

Abstract: In recent years there has been increased entry of illegal aliens into the United States. A review was made of the new system used by the Immigration and Naturalization Service (INS) for documenting legal aliens. The system, called the Alien Documentation, Identification, and Telecommunication (ADIT) System, is intended to prevent aliens from using fraudulent identity cards to enter the United States. By using a machine-verifiable card with features making it hard to tamper with, the INS hopes to detect illegal entry more easily. Another feature will be a central data base containing additional data which Federal inspectors can use to question aliens. INS statistics for fiscal years 1974 through 1977 show that 89 percent of the deportable aliens who were apprehended had entered without inspection. **Findings/Conclusions:** There is little likelihood that the new system will control the entry of illegal aliens, however. For the most part, the new system will simply be an inconvenience for aliens who would illegally enter anyway. Projected development and operating costs for the new system are \$67 million through 1984, which is the date the system cards are to replace existing ones. The system is a long way from completion, however. Production problems have included: inability to develop computer software necessary to meet production goals; inability to produce a functional camera for use at ports of entry to photograph data for use on the front of the system card; and problems with production processes which forced a move to another facility. In addition, the machine verification feature could cause problems at ports of entry by slowing traffic flow. GAO concluded that system automation has not been justified, and that the card with machine verification features may be too sophisticated. In any case, the fraud-resistant card will not be effective until it replaces existing cards, but wheth-

er the 1984 replacement target date will be met is questionable. **Recommendation To Agencies:** The Attorney General should direct the Commissioner of the INS to cease further development of the automated verification portion of the ADIT system, and determine the cost effectiveness of retaining the machine verification features of the identification card.

109514

[Review of the National Recipient System]. HRD-79-88; B-164031(4). May 29, 1979. 12 pp.

Report to Joseph A. Califano, Jr., Secretary, Department of Health, Education, and Welfare; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Income Security and Social Services (1300).

Contact: Human Resources Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: Social Security Administration; Department of Health, Education, and Welfare.

Congressional Relevance: *House* Committee on Government Operations; *Senate* Committee on Appropriations; *Senate* Committee on Appropriations: Labor, Health, Education, and Welfare Subcommittee; *Senate* Committee on Governmental Affairs; *Senate* Committee on Governmental Affairs: Permanent Subcommittee on Investigations.

Abstract: The Department of Health, Education, and Welfare (HEW) has proposed implementing a computerized National Recipient System (NRS) to help States reduce fraud, abuse, and error in the Aid to Families with Dependent Children (AFDC) program. NRS will match applicant-recipient identification data supplied by the States with records from other sources to identify overpaid or ineligible program participants. Total estimated Federal and State systems costs for the first 5 fiscal years of NRS implementation and operations are about \$38 million. This will cover only the costs of implementation, technical assistance, and operation and maintenance. No estimates have been made of the followup investigative costs associated with using the system. **Findings/Conclusions:** There is a need for further study before a decision is made to implement the system. The question is raised as to whether there is a need for a new system to perform functions which may be performed by existing systems. Before the system is implemented, an expanded initial evaluation, more user input, and a reconsideration of the NRS data searching technique are needed. **Recommendation To Agencies:** The Commissioner of the Social Security Administration should be directed by the Secretary of HEW assess the need for NRS to perform a nationwide search of AFDC rolls to detect duplicate payments rather than State-initiated matches with neighboring States using the Interjurisdictional Data Exchange model or other appropriate techniques. In this regard, SSA should analyze the results of Project Match to determine the extent to which duplicate payments occurred in neighboring States. It should be determined whether there is a need for a new system to verify social security numbers (SSN) for the current AFDC caseload, or whether alternate means of verifying accretions, such as the Electronic Verification of Alleged Numbers System, could be utilized. Consideration should be given to the need for a new and separate file being provided to the States that will duplicate currently provided information and burden the States with additional verification and records security responsibilities. The complete process from systems implementation to verification of output should be tested. States should be provided with enough information about NRS and associated costs so that they can make their own cost and savings projections. The opinions of the States should be solicited about the need for and cost effectiveness of NRS. The feasibility of using the SSN rather than the name for file searching in NRS should be fully assessed.

109516

The Interstate Organized Crime Index. GGD-79-37; B-171019. May 25, 1979. 22 pp. plus 4 appendices (31 pp.).

Report to House Committee on Interstate and Foreign Commerce: Oversight and Investigations Subcommittee; House Committee on the Judiciary: Crime Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Law Enforcement and Crime Prevention: Impact of Federal Efforts To Strengthen State and Local Capabilities (0512).

Contact: General Government Division.

Budget Function: Administration of Justice: Criminal Justice Activities (0754).

Organization Concerned: Law Enforcement Assistance Administration; Department of Justice: Office of the Attorney General.

Congressional Relevance: *House* Committee on the Judiciary: Crime Subcommittee; *House* Committee on Interstate and Foreign Commerce: Oversight and Investigations Subcommittee.

Abstract: The Law Enforcement Assistance Administration (LEAA) has provided grants to develop a computerized register of persons involved in organized crime. Although funds awarded for the Interstate Organized Crime Index have been spent, the system is not in operation, only a manual system is being maintained. **Findings/Conclusions:** It is difficult to measure whether the index is directly responsible for increasing the number of indictments, arrests, and convictions. In many cases, contributing member agencies did not provide public record support for entities in the index, although a special condition of the grants required entities to be based on such information. Verifying information stored in the index and discarding outdated and inaccurate data has been primarily the responsibility of each contributing member agency. The grantee said that it would verify the information being computerized, but it has not yet done so. Controls exist to assure that information in the index is provided only to authorized representatives of member agencies. There is a need for LEAA to monitor intelligence-related projects. **Recommendation To Agencies:** The Attorney General should require LEAA to monitor the project to be sure that updating and verification procedures are done before the system becomes operational. In the future, the operation of other such projects should be closely monitored.

109519

[Need for Internal Audit and Improved ADP Controls of the Export-Import Bank of the United States]. ID-79-34; B-114823. June 1, 1979. 6 pp.

Report to John L. Moore, Jr., President and Chairman, Export-Import Bank of the United States; by J. Kenneth Fasick, Director, GAO International Division.

Issue Area: Accounting and Financial Reporting (2800).

Contact: International Division.

Budget Function: International Affairs: Foreign Economic and Financial Assistance (0151).

Organization Concerned: Export-Import Bank of the United States. **Congressional Relevance:** *House* Committee on Government Operations; *Senate* Committee on Governmental Affairs.

Abstract: In a recent audit of the Export-Import Bank's (Eximbank) fiscal year 1978 financial statements, GAO noted several ways Eximbank could improve its internal accounting controls and operational efficiency. **Findings/Conclusions:** These means include establishing an internal audit function and an automatic data processing (ADP) steering committee, strengthening the security controls for computerized systems, and improving ADP disaster recovery controls. Since 1975, GAO has recommended that Eximbank set up an internal audit system as an integral part of a sound management system. Eximbank has had an ADP steering committee but it was disbanded for ineffectiveness, concentration on minor

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details, and ignoring management oversight and evaluation. In regard to computer-generated data, Eximbank could improve controls over console and operations logs and the tape library. The disaster recovery controls which were lacking included remote storage of, and limited access to, program documentation; backup program procedures with duplicate data files; and periodic procedure tests at the backup data center. **Recommendation To Agencies:** The Chairman of Eximbank should initiate the formation of an internal audit function to review and evaluate the agency's operations and its financial and ADP systems. Eximbank should revise current procedures and use a separate computer operations log to identify all jobs, errors, and reruns. After each shift, the supervisor should review the log and write a description of actions taken during error conditions, and a tape librarian should be designated to strengthen controls over data tapes. The Eximbank Chairman should also provide for the storage of critical documentation at another location and periodically test disaster recovery procedures at the backup data center.

109644

[*Veterans Administration's Plans To Noncompetitively Upgrade Its Austin, Texas, Data Processing Center*]. FGMSD-79-27; B-115369. May 23, 1979. Released June 7, 1979. 8 pp. Report to Rep. Jack Brooks, Chairman, House Committee on Government Operations; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Acquisition of ADP Resources Under the Brooks Act (0111).

Contact: Financial and General Management Studies Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: Veterans Administration: Office of Data Management and Telecommunications; Veterans Administration: Data Processing Center, Austin, TX; Veterans Administration: Data Processing Center, Chicago, IL.

Congressional Relevance: House Committee on Government Operations; Rep. Jack Brooks.

Authority: P.L. 89-306.

Abstract: GAO was requested to review the Veterans Administration's (VA) plans to upgrade noncompetitively its Austin, Texas Data Processing Center (DPC), and the agency's management and use of its automated data processing (ADP) services. Based on its review, GAO concluded that the planned replacement of current equipment of the Austin DPC was not warranted because the VA requirements analysis understated the current system capacity and proposed no means of minimizing computer resource requirements, operational and procedural changes can achieve gains beyond system performance improvements already in effect, and interim solutions less costly than noncompetitive replacement can meet current VA data processing needs. **Findings/Conclusions:** Therefore, GAO made a number of proposals to aid VA in reducing its ADP resource requirements at the Austin Center. If accepted, these suggestions would permit VA to do no more than supplement the Austin configuration. The GAO proposals included instituting changes which would reroute work to the Chicago DPC, eliminating marginally productive functions and on-line updates, and acquiring additional main memory or peripheral devices. The VA Office of Data Management and Telecommunications officials concurred with these proposals and agreed to cancel acquisition of a new multi-processor, consider implementation of the proposals made by GAO, and pursue a long-term solution for the Austin Center's situation. The VA requirements analysis for the Center showed that by late 1979 the workload would reach 160 percent of the system's theoretical capacity and that operation was already near saturation level. Despite the projected workload increases, full noncompetitive replacement of the Austin system was not necessary since the combined economies of the changes suggested by GAO would provide less costly solutions.

109647

[*IRS Can Better Plan for and Control Its ADP Resources*. GGD-79-48; B-137762. June 18, 1979. 28 pp. plus 1 appendix (2 pp.). Report to Jerome Kurtz, Commissioner, Internal Revenue Service; by Allen R. Voss, Director, GAO General Government Division.

Issue Area: Automatic Data Processing (0100); Tax Administration: Management Information Used in Measuring Tax Program Effectiveness and in Allocating Resources (2706).

Contact: General Government Division.

Budget Function: General Government: Tax Administration (0807).

Organization Concerned: Internal Revenue Service.

Abstract: The Internal Revenue Service (IRS) is one of the largest users of computers in the Federal Government. The annual processing of millions of tax returns is highly dependent on automatic data processing (ADP). Almost a quarter of IRS total operating costs are ADP expenses. Proper management of the ADP resources of IRS is crucial for assuring that the nation's tax laws are administered in the most efficient and effective manner. **Findings/Conclusions:** IRS has shown considerable initiative and concern in evaluating its ADP operations and moving to take corrective action. As a result, IRS is in a better position than it was several years ago to plan, develop, and implement new ADP systems. IRS plans to implement a cost accounting system that will measure how ADP staff resources are utilized to develop and implement new systems. Despite recent improvements, IRS needs to make further efforts to encourage adequate competition when procuring ADP equipment. **Recommendation To Agencies:** The Commissioner of Internal Revenue should: develop and implement a cost accounting system to measure all of the ADP resources of IRS by user and specific application; formalize standard system development procedures for data services and user organizations to serve as a control mechanism; require that project managers be formally designated for major systems development activities; and establish a comprehensive ADP performance management program to evaluate and improve the efficiency and effectiveness of IRS computer operations.

109702

[*Acquisition of ADP Resources by the Federal Judicial Center and by the Administrative Office of the U.S. Courts*]. FGMSD-79-30; B-193861. June 21, 1979. 8 pp.

Report to A. Leo Levin, Director, Federal Judicial Center; William E. Foley, Director, Administrative Office of the United States Courts; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Use of Computer Systems for Agency Mission Requirements and Support Functions (0108); Automatic Data Processing: Acquisition of ADP Resources Under the Brooks Act (0111).

Contact: Financial and General Management Studies Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: Administrative Office of the United States Courts; Federal Judicial Center.

Congressional Relevance: House Committee on the Judiciary; Senate Committee on the Judiciary.

Authority: Speedy Trial Act of 1974 (P.L. 93-619).

Abstract: A survey was conducted of the acquisition of automatic data processing (ADP) resources for use in both research and court case management by the Federal Judicial Center and by the Administrative Office of the U.S. Courts. The Federal Judicial Center claims exemption from established Federal acquisition policies and procedures when acquiring ADP equipment and services. **Findings/Conclusions:** The Federal Judicial Center is defined as a Federal agency within the judicial branch and, therefore, is not exempt from procurement regulations. The Center must comply with regulations in all ADP equipment and services procurement. The criminal case flow management segment of the COURTRAN

II system, which could help facilitate compliance with the Speedy Trial Act of 1974, has not yet been widely implemented in the U.S. courts. The automation of the fiscal operation in the U.S. courts has been considered for only one U.S. district court. If each U.S. court conducts a separate, fully competitive procurement to automate its own fiscal operation, the probability of standardizing fiscal operations nationwide becomes more remote. The Administrative Office should initiate the development of a standard fiscal system design concept. **Recommendation To Agencies:** The Director of the Administrative Office, working with the Director of the Federal Judicial Center, should conduct a study to determine the most cost effective method of implementing a standard fiscal operation system in all U.S. courts where automation is warranted.

109750

[Protest of Contract Award Based on Allegation of Procedural Errors in Selection Process]. B-194464. June 27, 1979. 2 pp.

Decision re: Bowne Information Systems; by Milton J. Socolar, General Counsel.

Contact: Office of the General Counsel.

Organization Concerned: Department of State; Bowne Information Systems.

Authority: 4 C.F.R. 20.2(b).

Abstract: A company protested a contract award, alleging deficiencies in the technical specifications and improper evaluation of cost reports. Since the protest was not filed within 10 days of the last telephone conversation between the company and the procuring agency, the protest was dismissed.

109764

[Protest Against Bid Rejection]. B-193817(3). June 28, 1979. 5 pp.

Decision re: Systems Engineering Laboratories; by Robert F. Keller, Acting Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Systems Engineering Laboratories; General Services Administration.

Authority: 4 C.F.R. 20.2(b)(1). 52 Comp. Gen. 425. B-187455 (1977). B-187534 (1977).

Abstract: An engineering laboratory firm protested the decision by the General Services Administration (GSA) not to award it an automated data processing schedule contract for computer equipment and associated communications devices. The agency declined to award a contract to the protester because it determined that the discounts offered were not as favorable as those available to the protester's commercial customers. The protester argued that the system of awarding contracts based on evaluation of discounts was unfair and did not result in the Government getting the lowest price and, second, GSA mishandled the negotiations by using an auction technique and an invalid estimate of the expected volume of orders. The first protest was untimely as the solicitation clearly stated that the contracts would be awarded on the basis of discount evaluations. GSA did not engage in improper auction procedures. Auction connotes direct price bidding between two competing offerors, not price negotiation between offeror and agency. The agency's projection of future sales volume based on an increase in volume in the year proceeding negotiation was not arbitrary or unreasonable.

109767

Data Base Management Systems--Without Careful Planning There Can Be Problems. FGMSD-79-35; B-115369. June 29, 1979. 32 pp. plus 3 appendices (16 pp.).

Report to Congress; by Robert F. Keller, Acting Comptroller General.

Issue Area: Automatic Data Processing: User Requirements and Systems Specifications for Software (0105).

Contact: Financial and General Management Studies Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: General Services Administration; Department of Commerce; National Bureau of Standards.

Congressional Relevance: *House* Committee on Appropriations; *House* Committee on Government Operations; *Senate* Committee on Appropriations; *Senate* Committee on Governmental Affairs; *Senate* Committee on Governmental Affairs: Permanent Subcommittee on Investigations; Congress.

Authority: P.L. 89-306.

Abstract: A study was made to determine the problems encountered by agencies in acquiring and using database management system (DBMS) technology and what impact DBMS technology has had on agency operations. The General Services Administration (GSA) is responsible for developing, implementing, and monitoring Government-wide policy for the acquisition, use, and management of automatic data processing resources. The Department of Commerce, primarily through the National Bureau of Standards, is responsible for providing scientific and technological advisory services and for developing Federal Information Processing Standards. The DBMS will provide: ability to better respond to changing information needs; effective support of on-line access to a database from remote terminals for data retrieval or processing; ability to develop programs in response to ad hoc requests for information; and reduction in redundant data. Efficient and successful implementation of a DBMS requires careful planning, which should begin with a comprehensive evaluation of user information processing requirements. **Findings/Conclusions:** Of the 16 agencies visited that had acquired a DBMS, only 5 had implemented a true database processing system in which the data is integrated across functional lines and shared by multiple users. The other agencies continued to operate using traditional file-oriented processing techniques and used the DBMS primarily as an improved file access method. At many of the agencies, the DBMS accounted for only a small portion of the total data processing workload. The five agencies which had adopted the database approach had developed database implementation plans; however, not all the plans were comprehensive. It was apparent that most of the agencies had not adequately planned before acquiring a DBMS; consequently, they may have spent substantial amounts for automatic data processing resources that they did not need. The Federal agencies have not received adequate technical assistance from the National Bureau of Standards. Increasing efforts by Federal agencies to use the DBMS technology without adequate procurement policies and procedures are creating DBMS acquisition problems. In addition, the lack of DBMS standards could cause a Federal agency to invest in database applications that would lock it in to one vendor. **Recommendation To Agencies:** To improve the acquisition of DBMS software, the Administrator of GSA should establish clear and concise procurement policy and procedures that: (1) recognize the importance of DBMS software when an agency needs both the computer equipment and a DBMS, and (2) deal with DBMS application software conversion costs in evaluating competing vendor proposals in the computer system acquisition process. To insure that DBMS technology is properly applied and Federal agency investment in database applications is protected from being locked in to any one vendor, the Department of Commerce, through its National Bureau of Standards, should develop technical guidelines in collaboration with GSA to help Federal agencies: (1) determine when to use a DBMS, and (2) evaluate and select a DBMS on a competitive procurement basis. A family of DBMS standards should also be developed that recognizes diverse user needs.

109780

More Can Be Done To Achieve Greater Efficiency in Contracting for

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Medicare Claims Processing. HRD-79-76; B-164031(3). June 29, 1979. 148 pp. plus 11 appendices (73 pp.).

Report to Congress; by Robert F. Keller, Acting Comptroller General.

Issue Area: Automatic Data Processing: Agencies' Efforts To Convert Software (0107); Health Programs (1200); General Procurement: Contractor's Operations' Efficiency and Economics (1914).

Contact: Human Resources Division.

Budget Function: Health: Health Care Services (0551).

Organization Concerned: Health Care Financing Administration; Blue Cross Association; Mutual of Omaha Insurance Co.; Railroad Retirement Board; Department of Health, Education, and Welfare.

Congressional Relevance: House Committee on Ways and Means; Senate Committee on Finance; Congress.

Authority: Medicare-Medicaid Anti-Fraud and Abuse Amendments. Social Security Amendments of 1972. P.L. 92-603, §222. S. 489 (96th Cong.).

Abstract: Most Medicare benefits are administered by the Department of Health, Education, and Welfare (HEW) through contracts with private insurance companies called intermediaries, which pay bills for services provided by health care facilities, and other contractors called carriers, which pay claims for services from doctors and suppliers. These contracts have been on a cost reimbursable basis, with neither profit nor loss realized by the contractors. Congress directed GAO to conduct a comprehensive study of the claims processing system under Medicare and determine necessary modifications for more efficient administration.

Findings/Conclusions: There are 46 carriers and 77 intermediaries now administering Medicare. Past studies have shown that significant savings would result from merging their workloads and redistributing them among fewer contractors, which would also provide an opportunity to terminate the less efficient among them. While many organizations are both intermediaries and carriers, only rarely does one contractor perform both functions within a single region. Because of the similarity of the carrier and intermediary roles, combining their functions under one contractor could improve coordination of program benefits, eliminate duplication, and reduce overhead, chiefly by establishing an integrated claims processing system. HEW has announced that it will propose legislation to replace cost reimbursement contracts with competitive fixed-price contracts, a change which GAO concluded would reduce costs about 20 percent, but whose effects on the quality of service are unknown. A comparable Federal program has shown poor to adequate results. If the proposed contracting change is made, standards should be set and marginal contractors terminated. Incentive contracting is another possibility which HEW should explore. The functions of the Railroad Retirement Board (RRB), which processes Medicare claims for its client beneficiaries, could be shifted to HEW at an annual savings of about \$6.6 million to the Government. The processing of crossover claims, with Medicare and Medicaid jointly liable for beneficiary services, includes costs and delays which could be cut by using integrated processing systems. **Recommendation To Congress:** Congress should enact legislation to withdraw authority from RRB for the selection of a nationwide carrier to process part B Medicare claims and should transfer responsibility for claims processing and payment to the area carriers handling those claims for other Medicare beneficiaries. Congress should also amend the Social Security Act to require Medicare contractors to process Medicaid liability for crossover claims using integrated data processing systems unless a State can present the Secretary of HEW with evidence that another system is equally efficient and effective. **Recommendation To Agencies:** The Secretary of HEW should direct the Administrator of the Health Care Financing Administration (HCFA) to evaluate experimental fixed-price contracts as to their advantages and disadvantages, incorporate performance standards in all Medicare contracts,

implement a policy of contract termination for unsatisfactory performance, conduct experiments to test the feasibility of merging contractor functions under a single contractor and the effectiveness of an integrated software system, and evaluate the possible implementation of Medicare performance incentives. The Secretary should also reduce immediately the number of contractors in the Medicare program and determine which ones to eliminate by directing the HCFA Administrator to decide on the most efficient caseload and territorial configuration, based on an identification of the most competent contractors and those which can best handle large caseloads.

109782

[The Earnings Test for Social Security Beneficiaries]. HRD-79-89; B-164031(4). July 2, 1979. 9 pp.

Report to Joseph A. Califano, Jr., Secretary, Department of Health, Education, and Welfare; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Income Security and Social Services (1300).

Contact: Human Resources Division.

Budget Function: Income Security: General Retirement and Disability Insurance (0601).

Organization Concerned: Social Security Administration; Department of Health, Education, and Welfare.

Congressional Relevance: House Committee on Appropriations; House Committee on Government Operations; Senate Committee on Appropriations; Senate Committee on Appropriations: Labor, Health, Education, and Welfare Subcommittee; Senate Committee on Governmental Affairs; Senate Committee on Governmental Affairs: Permanent Subcommittee on Investigations.

Authority: Social Security Act.

Abstract: An analysis was made of the procedures used by the Social Security Administration (SSA) in adjusting the benefits of persons who earn more than the allowable amount. The benefits of persons under age 72 must be reduced if they work and have earnings that exceed an annual exempt amount. For beneficiaries age 65 and over, the 1978 exempt amount was set at \$4,000, but this will increase by \$500 each year through 1982. The 1978 exempt amount for beneficiaries under age 65 was \$3,240. **Findings/Conclusions:** Weaknesses in controls of SSA over earnings enforcement cases resulted in SSA failing to follow through on an estimated 83,000 cases involving about \$39 million in overpayments and \$5 million in underpayments. About 76 percent of the cases with potential overpayments or underpayments involved beneficiaries still receiving payments in August 1978. Overpayments to such beneficiaries should be readily collectible. An additional \$8.9 million in overpayments went undetected because of practices that disregarded enforcement cases involving terminated student beneficiaries. Overall, the Social Security Trust Fund could lose about \$43 million because SSA did not take proper action on these earnings enforcement cases. **Recommendation To Agencies:** The Secretary of Health, Education, and Welfare should monitor the efforts of the SSA Commissioner to resolve all uncleared 1974 through 1977 earnings enforcement cases identified by the uncleared earnings enforcement field on the individual beneficiaries' records. Cases involving terminated students should be followed up only if information reported by the employer indicates the student had earnings in a quarter preceding the quarter in which his or her benefits were terminated. The SSA Commissioner should also improve the control system for earnings enforcement cases so that such cases continue to be periodically called up until they are resolved.

109798

[Comments on the "Alternate Methods of Transmitting Machine-Readable Bibliographic Data: A Feasibility Study"]. LCD-79-116; B-115369. July 6, 1979. 4 pp.

Report to Sen. Jim Sasser, Chairman, Senate Committee on Appropriations: Legislative Branch Subcommittee; Rep. Adam Benjamin, Jr., Chairman, House Committee on Appropriations: Legislative Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Federal Information Management: Automated Systems Security (1403).

Contact: Logistics and Communications Division.

Budget Function: Congressional Information Services (1008).

Organization Concerned: Library of Congress.

Congressional Relevance: *House* Committee on Appropriations: Legislative Subcommittee; *Senate* Committee on Appropriations: Legislative Branch Subcommittee; *Rep.* Adam Benjamin, Jr.; *Sen.* Jim Sasser.

Abstract: The Library of Congress conducted a feasibility study of the alternatives available to accomplish an efficient exchange of bibliographic material with other libraries. GAO was consulted in regards to the methodology to be used in conducting the study and was asked to validate the study results. **Findings/Conclusions:** The Library examined three basic alternatives and chose the last configuration, the Separate System, a modification of the Library's present Cataloging Distribution System to allow for online interactive processing. Although this system would cost more to implement, the Library determined that (1) the availability of the Library's automated resources to congressional and internal Library users would not be adversely affected, (2) the number of external online users would be controlled so that the existing Separate System processing unit would be adequate for at least 3 years, and (3) the security of the present congressional and Library data bases would not be jeopardized. GAO agreed that the potential benefits as defined by the Library were significant. The Library plans to make additional studies before implementing the Separate System, if approved by Congress. GAO recommended that the Library evaluate costs, benefits, and revenues periodically to determine the need for management actions to improve system performance; make a thorough risk analysis before implementing the Separate System; and justify the cost of any new procurements.

109802

[Protest Alleging RFP Did Not Provide Sufficient Information To Permit Preparation of Proposal]. B-193329. July 3, 1979. 5 pp.
Decision re: California Computer Products, Inc.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: California Computer Products, Inc.; National Aeronautics and Space Administration: Lewis Research Center, Cleveland, OH.

Abstract: The terms of a NASA request for proposals (RFP) were protested. The protester alleged that NASA did not provide sufficient information to permit preparation of a proposal. In addition, the protester contended that NASA included requirements in the RFP which were unduly restrictive of competition. GAO found that the solicitation did not explain the need for some stated features and left uncertain whether the requirements were fully described. It was also found, however, that this uncertainty was resolved by the agency's written answers furnished in response to the protester's preproposal questions. Moreover, NASA advised the protester in writing that alternative approaches would be considered to the particular feature that the protester complained of as being unduly restrictive. The protest was denied.

109837

Improved Management of Maintenance Manuals Needed in DOD. LCD-79-105; B-165961. July 10, 1979. 29 pp.

Report to Harold Brown, Secretary, Department of Defense; by Richard W. Gutmann, Director, GAO Logistics and Communications Division.

Issue Area: Federal Information Management (1400).

Contact: Logistics and Communications Division.

Budget Function: National Defense (0050); National Defense: Department of Defense - Procurement & Contracts (0058).

Organization Concerned: Department of Defense.

Congressional Relevance: *House* Committee on Appropriations; *House* Committee on Government Operations; *Senate* Committee on Appropriations; *Senate* Committee on Appropriations: Defense Subcommittee; *Senate* Committee on Governmental Affairs; *Senate* Committee on Governmental Affairs: Permanent Subcommittee on Investigations.

Abstract: The Department of Defense (DOD) spends over \$20 billion annually to maintain systems and equipment, and it also spends hundreds of millions of dollars to procure, distribute, and update maintenance manuals. The manuals, sometimes called technical orders, generally include books and microforms, such as microfilm and microfiche. DOD has allowed each of the services to manage its own programs and design and develop independently its own systems for issuing and updating its manuals. **Findings/Conclusions:** Maintenance manuals frequently are not easy to use and are not current or accurate. These deficiencies prevent maintenance personnel from doing the most efficient job and could affect the safety of equipment, systems, and personnel. The problems have existed for many years and are increasing because the complexities of new weapons systems have caused substantial increases in the data needed for maintenance. The increase in the size of the manuals has caused a corresponding increase in the cost of issuing and revising them. Unlike the commercial airlines, the Army, Navy, and Air Force have been unable to fully correct maintenance manual deficiencies through use of microfilm. The Army, Navy, and Air Force all have significant improvement efforts underway with similar features or objectives, thus setting the scene for continued duplication in their maintenance manual programs. This decentralized concept has already resulted in a proliferation of complex and costly maintenance manual systems and duplication of effort. **Recommendation To Agencies:** The Secretary of Defense should assign responsibility for the management of all maintenance manual programs to one office at the DOD level. That office should have the authority to provide overall program policy and guidance to minimize duplication of efforts and direct research, development, testing, and evaluation efforts to change or improve technical manual programs. As a prerequisite to placing overall responsibility in one office, however, a central manager should be established in each of the military services, similar to the Army's central manager, with management responsibility over all manuals within each service.

109839

[Who's Not Filing Income Tax Returns? IRS Needs Better Ways To Find Them and Collect Their Taxes]. GGD-79-69; B-137762. July 11, 1979. 71 pp. plus 4 appendices (43 pp.).
Report to Congress; by Robert F. Keller, Acting Comptroller General.

Issue Area: Tax Administration: IRS Efforts To Identify Nonfilers and Underreporters (2701).

Contact: General Government Division.

Budget Function: General Government: Tax Administration (0807).

Organization Concerned: Department of the Treasury; Internal Revenue Service.

Congressional Relevance: Congress.

Authority: Internal Revenue Code (IRC). 26 U.S.C. 6072(a). 26 U.S.C. 6081. 26 U.S.C. 6651(a).

Abstract: Each year many taxpayers do not file tax returns, and as a result, the Internal Revenue Service (IRS) is not able to collect bil-

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lions legally owed to the United States. The primary means for detecting and investigating nonfilers used by IRS is the Taxpayer Delinquency Investigation Program (TDIP). Its major weaknesses result from criteria for selecting potential nonfilers for investigation, policies and procedures restricting the investigation of those selected, and various practices in managing nonfiler cases. Selection of potential nonfilers is based generally on whether a person's income indicates a predetermined tax liability, rather than on whether a person is required to file. Because resources are limited, IRS policies and procedures for investigating potential nonfilers intentionally limit the extent to which they are pursued. Delays in processing tax refunds to delinquent filers are also costly to the Government because interest must be paid on those returns which are not processed within 45 days. Furthermore, regulation does not impose a penalty to delinquent taxpayers if they are due refunds.

Findings/Conclusions: Certain differences such as education level and self-employment help explain the identity of nonfilers and the reasons they do not comply. Occupations with the highest nonfiling rates were laborers, service workers, craftsmen, and clerical workers. The only active IRS program to date is directed at some self-employed professionals who make up less than 1 percent of the estimated nonfiler population. IRS needs to be more systematic and vigorous in detecting and pursuing nonfilers. To determine the number and identity of these nonfilers, their reasons for not filing, and the action needed to promote compliance with the laws, it is necessary to estimate the nonfiler population and analyze its characteristics. A model needs to be developed which could be used to assure that individuals selected for investigation are indeed required to file returns. IRS can improve its TDIP by making a number of improvements in its caseload management practices. Using State tax-related data on Federal nonfilers would also help identify nonfilers that are not easily detected through its TDIP. Additional resources alone will not increase program effectiveness. Improvement needs to be made in the way IRS uses the money and people it has.

Recommendation To Congress: Congress should request IRS to develop and provide to the appropriate congressional committees information on the amount of additional funds needed to improve the effectiveness of IRS nonfiler efforts. This information should include cost estimates for (1) estimating and analyzing the nonfiler population, (2) developing a better nonfiler case selection method, and (3) investigating thoroughly all nonfilers selected. Congress then can decide whether additional funds are needed.

Recommendation To Agencies: To further reduce the delinquency gap created by the nonfiler population, the Commissioner of the IRS, given available resources, should consider establishing more Returns Compliance Programs directed at specific groups of individual nonfilers deserving concentrated attention because of their tendency toward nonfiling. Any selection of such programs should be based on periodic IRS estimates and analyses of the nonfiler population. In the interim, however, selection could be based on the characteristics of our estimated population, or random samples of persons not covered under the TDIP. The Commissioner should attempt to use tax and other data available from the States to help detect more nonfilers and establish a priority system to ensure that delinquent tax returns involving refund claims are processed within the 45 day statutory limitation.

109861

Endangered Species--A Controversial Issue Needing Resolution. CED-79-65; B-118370. July 2, 1979. 94 pp. plus 12 appendices (29 pp.).
Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Environmental Protection Programs: Social and Economic Effects on the Public and Private Sectors (2209); Environmental Protection Programs: Institutional Arrangements for Implementing Environmental Laws and Considering Trade-Offs (2210);

Land Use Planning and Control: Management of Federal Lands (2306).

Contact: Community and Economic Development Division.

Budget Function: Natural Resources and Environment (0300).

Organization Concerned: Department of the Interior; Environmental Protection Agency; Council on Environmental Quality; United States Fish and Wildlife Service; Tennessee Valley Authority.

Congressional Relevance: Senate Committee on Environment and Public Works; Congress.

Authority: Endangered Species Act of 1973 (16 U.S.C. 1531). Land and Water Conservation Fund Act of 1965. Endangered Species Conservation Act of 1969. National Environmental Policy Act of 1969. P.L. 91-135. P.L. 89-669.

Abstract: The endangered species program is administered by the U.S. Fish and Wildlife Service (FWS). Its goals are to prevent endangerment and extinction of plant and animal species caused by man's influence on existing ecosystems and to return threatened and endangered species to the point where they are no longer threatened or endangered. The Department of the Interior must improve the management of the endangered species program to provide greater protection while minimizing their impact on Federal, State and private projects and programs.

Findings/Conclusions: The listing process is the cornerstone of the endangered species program because it sets in motion all the other provisions of the act, including the protective regulations, consultation requirements, and recovery funding. However, deficiencies in FWS's listing process threaten effective implementation of the entire endangered species program. The consultation process still has conflicts involving ongoing and planned Federal projects and programs. Further improvements could avoid unnecessary project delays and adverse impacts on endangered and threatened species and their critical habitats. Improvements are needed in the FWS recovery program, land acquisitions, state participation and Federal enforcement and prosecution as well.

Recommendation To Congress: Congress should not increase funding for consultation with other Federal agencies to resolve potential conflicts between endangered-threatened species and Federal projects and programs until FWS demonstrates that it needs the resources. In addition, Congress should no longer fund endangered species land acquisitions inconsistent with FWS policies and program criteria. Congress should further amend the Endangered Species Act to limit the act's protection to species endangered or threatened throughout all or a significant portion of their ranges; state clearly that the Endangered Species Committee is authorized to grant permanent exemptions from the act's protective provisions to Federal projects committed to or under construction before November 1, 1978 and to all Federal programs not involving construction; and require Federal agencies to consider a project's or program's impact on species suspected of being endangered or threatened, but not yet listed officially.

Recommendation To Agencies: The Secretary of the Interior should direct the Director of FWS to: apply the same listing policies and criteria to all biologically eligible species; decide the types of information needed to list species as endangered or threatened and reclassify or delist species when their futures are reasonably secure; develop adequate procedures to identify, review, and act on petitions to change the status of species; establish a system to exchange information on listed, proposed, and candidate species among Federal agencies and states; identify and include in regulations the minimum biological data required to render biological opinions; approve and implement the draft recovery priority system to be used as a guide for recovery planning and resource allocations; reassess the process of developing, approving, implementing, and evaluating recovery plans and take the actions necessary to make the process more timely; see that land purchases are consistent with FWS policies and program criteria; reassess what actions can be taken to increase state participation in the endangered species program; and strengthen enforcement and prosecution.

109884

Excessive Truck Weight: An Expensive Burden We Can No Longer Support. CED-79-94; B-164497(3). July 16, 1979. 95 pp. plus 4 appendices (36 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Intergovernmental Policies and Fiscal Relations: Federal, State, Area-Wide, and Local Coordination (0402); Transportation Systems and Policies: National Highway System (2409).

Contact: Community and Economic Development Division.

Budget Function:

Organization Concerned: Office of Management and Budget; Department of Transportation; American Association of State Highway and Transportation Officials; Federal Highway Administration.

Congressional Relevance: House Committee on Public Works and Transportation; House Committee on Ways and Means: Oversight Subcommittee; Senate Committee on Environment and Public Works; Congress.

Authority: Federal Aid Highway Act of 1978.

Abstract: The Nation's highways are deteriorating at an accelerated pace and sufficient funds are not available to cope with current needs or meet future requirements. Excess truck weight is one cause that can be controlled. By strictly enforcing their weight laws, states could virtually eliminate the damage being caused by overweight trucks. While controlling truck weights will not eliminate highway deterioration, applying Federal weight limits to all trucks on Federal-aid highways could substantially reduce this deterioration. **Findings/Conclusions:** National statistics show that at least 22 percent of all loaded tractor-trailers exceed state weight limits. This percentage is even higher for other types of large trucks. Although the Department of Transportation (DOT) supported the 1975 increased Federal weight limits, it has no program sufficient to offset related increased costs to preserve the quality of the highways. While the 1975 weight increases were made to save fuel for heavy trucks, all vehicles use more fuel on deteriorated roads, heavier trucks use more fuel, and additional highway repairs require more fuel. DOT has not determined whether there has been an overall fuel saving since the higher limits were allowed. A good weight enforcement program requires effective enforcement techniques, stringent penalties, and adequate staff and funds. States need standards to evaluate their program to enforce weight limits that will enable them to identify problems and reliable alternative solutions. **Recommendation To Congress:** Congress should amend highway legislation to make Federal weight limits also apply to noninterstate Federal-aid highways in all states; terminate current exceptions in Federal law that allow higher limits on some interstate highways; and prohibit overweight permits and exemptions when loads can be reduced to meet normal state weight limits. **Recommendation To Agencies:** The Secretary of DOT should include the following in the weight limit study: determine the net fuel consumption resulting from the impact of heavier truck weights; identify the economic effect of changes in weight laws, the cost and benefits, who will pay the costs, and who will receive the benefits; and determine the impact of any weight limit change on the current highway user tax structure and what changes may be needed to assure equitable allocation of costs. The Secretary should direct the Administrator of the Federal Highway Administration (FHA) to: establish criteria for evaluating weight enforcement certifications and programs that will assure as much uniformity as practical; develop, in coordination with each state, a long-range plan for improving enforcement programs; include in the state model program those state enforcement elements that constitute an effective legal framework to provide viable alternatives to apprehend violators and deter overweight operations; establish a permanent national weight enforcement operating group within the FHA to administer the certification requirement and act as a focal point for gathering and disseminating information; and develop cri-

teria for using Federal funds to construct permanent scales to insure effective placement and operation of these facilities.

109887

The General Services Administration Should Improve the Management of Its Alterations and Major Repairs Program. LCD-79-310; B-95136. July 17, 1979. 30 pp. plus 1 appendix (2 pp.).

Report to Rowland G. Freeman, III, Administrator, General Services Administration; by Richard W. Gutmann, Director, GAO Logistics and Communications Division.

Issue Area: Facilities and Material Management: Operation and Maintenance of Government Facilities in the Most Cost-Effective Manner (0713).

Contact: Logistics and Communications Division.

Budget Function: General Government: General Property and Records Management (0804).

Organization Concerned: General Services Administration; Public Buildings Service.

Authority: Public Buildings Act of 1959 (40 U.S.C. 601 et seq.).

Abstract: The General Services Administration (GSA) manages an alterations and major repairs program for 3,300 Federal buildings. As of May 1979, estimated costs of all work requirements in the program were about \$1.4 billion. In fiscal year 1978 GSA obligated about \$212 million for alterations and repairs, and it plans to obligate about \$203 million in fiscal year 1979. GSA also performs alterations work on a reimbursable basis over and above what it provides through direct appropriations, for which \$46 million was obligated in fiscal year 1978. **Findings/Conclusions:** The present inventory of work requirements is not a reliable basis for establishing the funding need, setting priorities, scheduling the work, and measuring results. GAO found instances in which the individual building inventories were overstated or understated by millions of dollars. Most cost estimates for individual work items were not supportable and many were inaccurate. Furthermore, the total inventory provided to congressional committees did not include unscheduled or unprogrammed work requirements. There is a critical need for an accurate computerized inventory of alterations and repairs work requirements in order to justify annual requests for new obligation authority, for congressional oversight of the reduction of the backlog which led to a substantial increase in funding, and for management of the program. Numerous improvements are needed in the management control of GSA to promote efficiency, economy, and achievement of planned results. Some of the problems noted were: (1) the regions deviate from approved work programs without Central Office's authority; (2) the regional offices are unduly retaining authority for prospectus projects by improperly charging the cost of work to non-prospectus projects; (3) the accomplishment of work is not measured and reported by the same types; (4) regional offices do not have an efficient system of matching obligations with work requirements by building; and (5) GSA charges tenant agencies on a reimbursable basis for work that apparently should be included in their rental payments for the space. **Recommendation To Agencies:** The Administrator of GSA should direct the Public Buildings Service to: (1) review each work item to assure it is accurate, current, and represents a valid requirement; (2) develop a system for the Central Office to track inventory requirements and building inspections on a continuing basis; and (3) report in subsequent congressional budget presentations the total inventory, including requirements unscheduled or unprogrammed. Specific cost estimating procedures should be developed and sufficient documentation should be required to adequately determine their implementation. These procedures should include criteria on deriving cost estimates for labor, material, overhead, design, and supervision. The inventory computer program should be revised so that work items reflect the estimated cost of the program year. Criteria on the nature, scope, frequency, procedures, and practices for carrying out comprehensive building inspections

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should also be developed, as well as a standard format providing for inspection documentation. The Administrator should direct the Public Buildings Service and other appropriate GSA offices to: (1) issue clarifying instructions to the regional offices on, and exercise better oversight over, the approval requirement for major projects; (2) establish tighter controls over charging the costs of work to outstanding prospectus expenditure authority, with the Central Office clearly defining and communicating to the regional offices what work should be charged to existing prospectus authority; and (3) provide specific criteria and educate the regional offices and tenant agencies on what constitutes direct-funded and reimbursable repair and alteration work. The regional offices should not charge tenants for work which is provided through rental payments to GSA. These offices should also consult with alterations and major repairs program managers and develop the appropriate computerized system modifications that will enable them to: (1) match and efficiently track by building the work requirements, work programmed, work-in-process, obligations, and other necessary factors; and (2) relate the costs of work accomplished to the total inventory requirements and annual budget and program objectives by the major categories of work. In this regard, subsequent congressional budget presentations should reflect such program results information on the previous year's approved budget request.

109931

Air Quality: Do We Really Know What It Is? CED-79-84; B-166506. May 31, 1979. Released July 19, 1979. 31 pp. plus 1 appendix (1 p.).

Report to Rep. A. Toby Moffett, Chairman, House Committee on Government Operations: Environment, Energy and Natural Resources Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Environmental Protection Programs: Environmental Protection Regulatory Strategies (2208); Data Collected From Non-Federal Sources: Reliability and Accuracy of Information (3101).

Contact: Community and Economic Development Division.

Budget Function: Natural Resources and Environment: Pollution Control and Abatement (0304).

Organization Concerned: Environmental Protection Agency.

Congressional Relevance: House Committee on Government Operations: Environment, Energy and Natural Resources Subcommittee; Rep. A. Toby Moffett.

Authority: Clean Air Act. Clean Air Act Amendments of 1970. Clean Air Act Amendments of 1977.

Abstract: Reliable and comparable air quality data are critical to Environmental Protection Agency (EPA) regulation and enforcement efforts. Through 1986, an estimated \$248 billion will be expended for air pollution abatement programs. **Findings/Conclusions:** Although progress has been made in improving air quality, EPA efforts to develop a standardized, comprehensive air monitoring system have been slow and often ineffective. Because of a delay in the promulgation of recent regulations, implementation of such a system will probably not be achieved until the mid-1980's. The reliability of some of the air quality data currently used to assess national progress toward standards, develop trends, and establish control strategies is questionable. Of 243 monitoring stations reviewed, 81 percent had one or more problems, such as incorrect situation of the monitors or equipment in use which was not EPA-certified, which could adversely affect the reliability of data. These problems stem from the fact that monitoring is being carried out by State and local agencies, using systems originally designed to meet their individual needs. **Recommendation To Congress:** The appropriate congressional committees or subcommittees should hold oversight hearings to explore the progress being made in implementing the air monitoring regulation issued by EPA in May 1979 and to identify the additional actions needed to assure successful completion of the goals of clean air

legislation. **Recommendation To Agencies:** EPA should: conduct a thorough evaluation of current air monitoring systems; provide technical assistance to State and local agencies in preparing their implementation plans; and concentrate its efforts and resources in areas most adversely affected by air quality designations, taking necessary precautions in decisionmaking until sufficient, accurate data are available.

109955

[Immigration and Naturalization Service Proposed Procurement of Automated Data Processing Equipment To Streamline and Update Office Procedures]. July 23, 1979. 10 pp.

Testimony before the House Committee on Government Operations: Government Information and Individual Rights Subcommittee; by Walter L. Anderson, Senior Associate Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Organization Concerned: Immigration and Naturalization Service; Department of Justice; Office of Management and Budget; General Services Administration.

Congressional Relevance: House Committee on Government Operations: Government Information and Individual Rights Subcommittee.

Authority: OMB Circular A-109.

Abstract: The Immigration and Naturalization Service (INS) plans to install minicomputers in its 49 offices. At present INS has six minicomputers. A review showed that INS did not comply with many guidelines and regulations in procuring its minicomputers; five were procured through sole source, noncompetitive actions. INS did not study the alternative methods of acquisition to determine the least cost or greatest advantage to the Government over the estimated life of the minicomputers. Leasing instead of purchasing the equipment may prove to be more costly to the Government. Another compliance violation is the use of a vendor specific programming language in place of the Federal Standard. The proposed installation of minicomputers in INS will result in a total life cycle expenditure far in excess of the \$5 million threshold level that has been established for the Department of Justice. According to the Office of Management and Budget regulations, Government agencies should accomplish system acquisition planning based on analyses of agency missions; however, there was no evidence that this process was considered. The system development concept of the Integrated Case Control System by INS was also reviewed. A major defect is that the INS lacks a long-range automatic data processing (ADP) plan, and this lack of planning has partly come about because the INS does not have an established top-level ADP steering committee with active participation by users and management. It is noted that INS is a relative neophyte in its attempt to automate its program compared to other Federal agencies. For this reason, INS should be guided by Congress, the Department of Justice, and the General Services Administration in its development of an effective and efficient ADP operation.

109978

Reliable Local Unemployment Estimates: A Challenge for Federal and State Cooperation. GGD-79-79; B-133182. July 27, 1979. 40 pp. plus 3 appendices (22 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Data Collected From Non-Federal Sources: Reliability and Accuracy of Information (3101).

Contact: General Government Division.

Budget Function: General Government: Other General Government (0806).

Organization Concerned: Bureau of Labor Statistics; Bureau of the Census; Department of Labor.

Congressional Relevance: Congress.

Abstract: Monthly estimates of unemployment in thousands of counties, cities, and towns by the Bureau of Labor Statistics (BLS) are not reliable. Congress requires BLS to provide local unemployment estimates for use by Federal agencies to allocate funds for jobs programs and other economic assistance to local areas. Potential error in estimating local unemployment cannot be measured. Where potential errors in statistics cannot be measured, amounts misallocated cannot be determined. **Findings/Conclusions:** Developing reliable unemployment statistics for thousands of localities is a formidable assignment, far from being accomplished. Sampling such a large number of areas to obtain monthly unemployment estimates would be very costly. Although BLS has research under way on new methods, the only alternative to sampling now is to improve the present system. Local statistics are developed through a composite technique. The composite technique produces unreliable figures principally because of the methods used to estimate the amount of local labor force outside the unemployment insurance system and break down labor market statistics to smaller areas. Breakdown of labor market statistics to small areas also lacks precision. Using population is unsatisfactory because the ratios of employment or unemployment to population are not likely to be the same in all areas. BLS has taken some actions necessary to improve its statistics. However, BLS has not developed procedures for better estimating proportions in uninsured employment and unemployment in local labor forces. **Recommendation To Agencies:** The Secretary of Labor should initiate a Federal-State review of the problems experienced in estimating employment and unemployment in local areas. The Department of Labor and States should also agree on procedures to be followed in proposing and evaluating changes in the methods used to estimate local unemployment and the most efficient way of funding the cost of the program in the States.

110000

[Protest Alleging That Equipment Lease With Competitor Is Prohibited by Federal Procurement Regulations]. B-193565. July 27, 1979. 3 pp.

Decision re: Xerox Corp.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Xerox Corp.; Department of Commerce; General Services Administration; International Business Machines Corp.

Authority: 54 Comp. Gen. 196. 43 Fed. Reg. 40015. B-186501 (1977). F.P.R. 1-4.1107-6(b)(3). F.P.R. 1-4.1103-1(c)(3).

Abstract: Xerox Corporation protested the placement of an order for the lease of a high speed printer by the Department of Commerce (DOC) with the International Business Machines Corporation under its automated data processing (ADP) Schedule contract with the General Services Administration (GSA). Xerox contended that regulations prohibit placement of orders against ADP Schedule contracts when the purchase price of the items ordered exceeds \$300,000, which was the case in this instance. DOC argued that another regulation permits the use of ADP Schedule contracts for the continued lease or rental of installed equipment even if the purchase price exceeds \$300,000, so long as a central processing unit is not involved. GSA took the position that the section cited by DOC applied only to contracts for the continued lease or rental of installed equipment, not to situations where the installed equipment is being replaced. In agreeing with GSA, GAO held that DOC had improperly procured the printers. The protest was sustained.

110011

IRS Can Improve Its Process for Deciding Which Corporate Returns To Audit. GGD-79-43; B-137762. August 3, 1979. 82 pp. plus 5 appendices (31 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Tax Administration: Selecting and Auditing Tax Returns (2708).

Contact: General Government Division.

Budget Function: General Government: Tax Administration (0807).

Organization Concerned: Internal Revenue Service.

Congressional Relevance: Congress.

Abstract: A vital part of the Internal Revenue Service's (IRS) program for auditing corporate tax returns is the process for deciding which ones to audit. Because IRS does not have unlimited audit staff, it must have a way of identifying returns most in need of audit while maximizing revenue, treating taxpayers equally, and promoting voluntary compliance. **Findings/Conclusions:** The first step in selecting corporate returns for audit is the development of long- and short-range plans for determining how many to audit and where those audits should be done. Although the planning process is conceptually sound, the annual plan could be enhanced if more definitive data were available to assess (1) the relationship between audit coverage and voluntary compliance; (2) the validity of examination rates, which specify the average number of returns that can be audited in a direct examination staff-year and which form the cornerstone of the annual plan; and (3) the adequacy of audit attention to miscellaneous corporate returns, such as those filed by life insurance companies and homeowners associations. IRS has developed a system directed at identifying those returns most worthy of audit. A primary concern with any such system is whether it adequately protects against returns being audited or not audited for reasons other than audit potential. A major aspect of the corporate selection system, whereby classifiers evaluate returns for audit potential, has not been very effective. IRS has little assurance that the corporate returns most in need of audit are being addressed or that the most productive issues are being addressed during the audit process. The IRS process for determining which corporate income tax returns to audit could be more effective and equitable. **Recommendation To Agencies:** The Commissioner of IRS should: define a quality audit and then determine the time required to do such an audit in each corporate asset class; modify the planning process by limiting changes from year to year; require examiners to adequately explain in writing why they need the returns so that the requests can be properly evaluated; reconsider criteria for deciding which noncomputer-scored returns have to be manually screened for audit potential; revise the management information system to generate data that would help management assess the effectiveness of its classification process; issue detailed guidelines to help classifiers select corporate returns for audit; revise procedures to require that classifiers scrutinize the entire return and note all significant audit issues; and require classifiers to explain the issues they have identified.

110086

Flaws in Controls Over the Supplemental Security Income Computerized System Cause Millions in Erroneous Payments. HRD-79-104; B-164031(4). August 9, 1979. 31 pp. plus 3 appendices (7 pp.). *Report to Patricia Roberts Harris, Secretary, Department of Health, Education, and Welfare;* by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Automatic Data Processing: Use of Computer Systems for Agency Mission Requirements and Support Functions (0108); Income Security and Social Services: Program Monitoring and Administration (1303).

Contact: Human Resources Division.

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604).

Organization Concerned: Department of Health, Education, and Welfare; Social Security Administration.

Abstract: Internal control weaknesses over the Social Security Administration's (SSA) computer system have resulted in over \$25

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million in erroneous benefit payments to Supplemental Security Income recipients. Administration of the Supplemental Security Income program depends on a highly complex computerized system. **Findings/Conclusions:** Currently, over 4 million persons receive Supplemental Security Income benefits that are automatically computed based on the information housed in the computerized system's automated records. Since recipient information can change monthly, it must be closely controlled to make sure that correct benefit payment amounts are made. The SSA designed an automated exception control process to help assure that all Supplemental Security Income claims and post eligibility events are accurately entered and correctly posted to the computerized system's automated data base. However, the process does not always work, and inaccurate beneficiary data can be entered and used to compute benefit payment amounts. Instructions are inconsistent concerning the appropriate actions needed to correct inaccurate beneficiary data, thus causing confusion at field offices. Based on recipient records existing as of September 1978, it is estimated that about \$20 million in erroneous payments have occurred in the Supplemental Security Income program because of inadequate controls in the automated data exchange with the Retirement, Survivors, and Disability Insurance computerized system. **Recommendation To Agencies:** The Secretary of the Department of Health, Education, and Welfare should direct the Commissioner of SSA to improve controls over the Supplemental Security Income program's computerized system by: (1) correcting deficient exception controls in the system; (2) improving the documentation of the system's exception control process at the field office level; (3) restricting the system override capability to supervisory personnel with appropriate authority to make these override decisions; (4) removing the data exchange override capability and the default on verification provision from the computerized system; (5) modifying the Retirement, Survivors, and Disability Insurance computer system to provide a complete payment record history; (6) modifying the Supplemental Security Income system to properly post Retirement, Survivor, and Disability Insurance eligibility decisions to all appropriate data segments in the computerized master record; (7) removing system limitation that necessitate the manual calculation and control of forced payment cases; (8) establishing more controls over forced payment cases, assuring that all posteligibility events affecting these cases are processed in a timely manner; and (9) reviewing existing forced payment cases to identify reasons for forced payment, verify accuracy of all payments made, and return cases not required to forced payment status as soon as possible.

110096

[ADP Standards]. May 21, 1979. 14 pp.
Speech before the Conference on Data Systems Languages; by Elmer B. Staats, Comptroller General.

Contact: Office of the Comptroller General.

Authority: P.L. 89-306.

Abstract: As a matter of public policy, the Government strives to obtain full competition on all procurements, and standards are one of the key ingredients for a meaningful level of competition. In the last few years automatic data processing (ADP) standards have been receiving increased attention, primarily because of the role they can play in increasing competition and in reducing conversion costs when changing vendors. Computer language standards are often cited as particularly important in reaching these goals. As a result of a weak Federal ADP Standards Program, competitive procurements of ADP by the Federal Government are at a very low level and conversion costs are high. The Executive Branch is now undertaking several initiatives to strengthen the Program. However, one problem is the difficulty of assuring an adequate level of user participation in the standards-making process. Active participation by users is critical to the successful and timely development

of standards. To realize more fully the potential benefits that standards can provide, the following steps must be taken: (1) identify and develop specifications for language standards that will minimize conversion costs and increase competition; (2) develop ways and means for creating specifications and standards more swiftly without compromising quality and the achievement of user and manufacturer consensus; and (3) find ways to provide greater user participation and to assure that the standards requirements of small users are met.

110148

Weaknesses in Servicing and Accounting for Home Mortgages Held by HUD. FGMSD-79-41; B-114860. August 16, 1979. 17 pp. plus 1 appendix (4 pp.).

Report to Congress; by Robert F. Keller, Acting Comptroller General.

Issue Area: Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101).

Organization Concerned: Department of Housing and Urban Development.

Congressional Relevance: Congress.

Abstract: The number and value of mortgages held by the Department of Housing and Urban Development (HUD) increased from 8,103, valued at about \$117 million in 1977, to 10,022 valued at over \$151 million in 1979. HUD did not have adequate plans for such a sizable workload increase, and consequently, the program has been hampered by accounting and mortgage servicing problems. **Findings/Conclusions:** As a result of the HUD accounting problems, over \$17 million in delinquent mortgage payments have not been collected, interest free escrow advances amounting to almost \$2.7 million are outstanding, and delinquent mortgagors have been over or under charged as much as \$3 million for such items as interest and tax penalties. Part of the undercharge resulted from problems with the design of the HUD computerized mortgage notes accounting system. Homeowner's were overcharged because HUD did not promptly post payments, often charged tax penalties to the mortgagors, and did not reduce interest charges for prepayments. The HUD mortgage servicing efforts have been hampered by outdated procedures and ineffective collection practices, such as untimely foreclosure actions. These conditions contribute to the high volume of delinquent mortgage payments. Due to the accounting and servicing weaknesses, delinquent mortgagors have little incentive to pay off their mortgages. While HUD has made a number of changes to improve its activities, additional changes are needed to reduce the mortgage payment delinquency rate and to promptly collect funds due to the Government. **Recommendation To Agencies:** The Secretary of HUD should direct the Assistant Secretary for Administration to incorporate the following procedures in the accounting system: (1) accrue interest on delinquent principal balances and assess penalties for late payments; (2) calculate realistic escrow requirements, charge interest on escrow advances, and collect escrow advances from payments before reducing the mortgage balance; (3) promptly and accurately post all collections and disbursements to the individual mortgagors' accounts; (4) provide adequate accounting data for field offices to properly monitor mortgages and thereby eliminate the need for duplicate collection records; and (5) promptly reconcile differences disclosed by the semi-annual inventories of Secretary-held mortgages. It is also recommended that the Secretary: (1) issue new guidelines and procedures for the servicing of Secretary-held mortgages which emphasize the need to take effective action to collect mortgage payments when due or, when appropriate, to promptly recommend foreclosure; (2) develop a monitoring system that will ensure that HUD field offices comply with the servicing guidelines to assure prompt payments; (3) assume the servicing and collection

activity currently performed by the Office of General Counsel so that the General Counsel can promptly initiate foreclosure on cases recommended by the field offices; and (4) have the Inspector General review changes to improve the accounting and mortgage servicing systems to ensure that they are adequate, promptly completed, and closely followed.

110149

Implementation of Major System Acquisition Process--A-109--Is Inconsistent Among Civil Agencies. PSAD-79-89; B-189355. August 14, 1979. 49 pp. plus 5 appendices (21 pp.). Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: General Procurement: Notifying the Congress of Status of Important Procurement Programs (1905).

Contact: Procurement and Systems Acquisition Division.

Budget Function: Procurement--Other Than Defense (1007).

Organization Concerned: Office of Management and Budget; Department of Transportation; National Aeronautics and Space Administration; Office of Federal Procurement Policy; Department of Energy; General Services Administration; Commission on Government Procurement; Federal Aviation Administration; Public Buildings Service; United States Coast Guard; National Highway Traffic Safety Administration.

Congressional Relevance: Congress.

Authority: OMB Circular A-109. DOE Order 4240.1. DOE Interim Management Directive 0207. DOT Order 4200.14. DOT Order 4200.9. DOT Order 4200.9A. DOT Order 4200.14A. FAA Order 1810.1A. USCG P.P.M. App. S. GSA ADM 5400.33. GSA PBS 5400.18. NASA Management Instruction 7100.14.

Abstract: The Office of Management and Budget's (OMB) Circular A-109, the major Federal acquisition process, has been implemented slowly by four major agencies and sometimes inconsistently with the concepts set out by the Commission on Government Procurement. Of the agencies reviewed, only National Aeronautics and Space Administration (NASA) officials have seemed to support the concepts and have given high priority to revising their acquisitions policies. The new policy specifies systematic determination of budgeting, contracting, and managing problems, and mission needs; direction of agency-related research and development; top-level management involvement in setting needs and goals; communication with Congress early in the procurement process; and correlation of agency needs and goals with acquisitions. The policy also requires improvement of opportunities for innovation in new systems design by the private sector; fostering contractual competition as long as possible in the procurement process; and avoiding premature commitments to full-scale development and production. In addition to an unenthusiastic reception, there have also been acquisition directives by the agencies which have conflicted with Circular A-109. **Findings/Conclusions:** The Department of Transportation (DOT) has not implemented A-109, but has listed 11 major systems which are to follow it, although these omit the encouragement of private industry initiatives. The General Services Administration (GSA) has a budget structure incompatible with a mission-budgeting approach and not made for identifying and exploring alternative solutions. The Department of Energy (DOE) has not yet applied its implementing directives to day-to-day operations. While NASA has issued such a directive, approved four mission need statements, and conducted extensive A-109 training, it has fallen short of A-109 objectives in its reassignment of program managers, communication of in-house feasibility studies to contractors, and permitting winning contractors to borrow features from losing designs. The Office of Federal Procurement Policy (OFPP) of OMB is responsible for overseeing A-109 implementation; it was established for prestige in dealing with executive agencies and to enable it to meet its responsibilities, but A-109 realization has been extremely slow. GAO feels that agencies with significant technology-based activities could compromise A-109 activities by

anticipating mission approval and developing systems to provide solutions. **Recommendation To Agencies:** The Secretary of DOT should revise directives to conform more closely with the A-109 acquisition approach, coordinating revisions with OFPP. The Administrator of GSA should continue to stress A-109 implementation, particularly in daily operations, and develop a presentation consistent with the agency's missions to segregate funding requests for identifying and exploring alternative solutions to satisfy needs. The Administrator of NASA should also remember A-109 objectives during procurement activities. The Secretary of DOE should resolve the OFPP objections to the current DOE implementation directive, and evaluate and revise the agency's planned acquisition process in order to preserve competition and opportunities for innovation when identifying and evaluating alternatives before the approval of a mission. The Director of OMB and the Administrator of OFPP should require awareness and consideration by their staffs, of elements in DOE and NASA budget requests and programs which could permit actions contrary to A-109. They should also emphasize continued cooperation with executive agencies for A-109 implementation, direct heavily technology-based agencies to pursue only appropriate activities, and review requests for technology-based activities to prevent inclusion of items which are design efforts for solutions to perceived mission needs.

110202

Status, Progress, and Problems in Federal Agency Accounting During Fiscal Year 1978. FGMSD-79-40; B-115398. August 24, 1979. 48 pp. plus 3 appendices (33 pp.). Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting (2800).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems (1100).

Organization Concerned: District of Columbia; Office of Management and Budget; Department of Health, Education, and Welfare; Department of Defense; Department of the Treasury; Department of State; Department of Agriculture; Department of Commerce; Department of Energy; Department of Housing and Urban Development; Department of the Interior; Department of Justice; Department of Labor.

Congressional Relevance: House Committee on Appropriations; House Committee on Government Operations; Senate Committee on Governmental Affairs: Reports, Accounting and Management Subcommittee; Senate Committee on Appropriations: Defense Subcommittee; Senate Committee on Governmental Affairs; Senate Committee on Governmental Affairs: Permanent Subcommittee on Investigations; Congress.

Authority: Accounting and Auditing Act of 1950 (31 U.S.C. 66a). Arms Export Control Act. P.L. 94-399. H. Rept. 90-1159. 31 U.S.C. 841 et seq. 31 U.S.C. 66(c).

Abstract: 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. This report covers fiscal year 1978. The accounting principles and standards established by each agency as the basis for its accounting system are examined, and an effort is also made to determine whether the procedures and practices used in the agency's accounting system also will conform to the approved principles and standards prescribed by the Comptroller General. After the design of a system is implemented, GAO reviews the accounting system in operation from time to time to see that it is being operated in accordance with the approved design and is serving management's needs. **Findings/Conclusions:** As of September 30, 1978, GAO had approved principles and standards for all but three of the executive agencies' 326 accounting systems and had approved 60 percent of the accounting system designs. The 40 percent unapproved comprise 131 accounting systems in 13 departments and 13 inde-

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pendent agencies and the District of Columbia government. The Departments of Defense (DOD) and of Health, Education, and Welfare (HEW) account for 95 of the unapproved systems, or 72 percent. Of the 70 DOD systems that are unapproved, work has been completed on 15, which were found acceptable except for two major problems: (1) the account controls over such assets as equipment, weapons, and furniture were not adequate, and (2) the systems used to account for major appropriations do not have a system of subsidiary accounts that can be used to record and systematically accumulate the cost of specific items purchased and expenses incurred in carrying out specific operations. No accounting systems were qualified for approval by HEW in fiscal year 1978. This agency has concentrated on recording accounting information to show expenditures in relation to appropriations, but the information did not provide the necessary cost data to allow agency managers to base decisions on lowest cost alternatives. The following three requirements have been ignored by many agencies in designing their accounting systems: effective control over and accountability for property; maintenance of agency accounts on an accrual basis to show the resources, liabilities, and costs of operations; and use of cost-based budgets. **Recommendation To Congress:** Congress should ensure that agencies have adequate resources to improve their accounting systems, but that no funds are used to develop and design systems which do not conform with the Comptroller General's principles and standards.

110220

[*Protest Involving Teleprocessing Services*]. B-192987. August 28, 1979. 12 pp.

Decision re: Tymshare, Inc.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Tymshare, Inc.; Control Data Corp.; General Services Administration; United States Coast Guard.

Authority: 57 Comp. Gen. 627. F.P.M.R. Temp. Reg. E-47.

Abstract: Tymshare, Inc. protested further consideration and evaluation of Control Data Corporation (CDC) by the United States Coast Guard in the selection of a vendor for teleprocessing services under the General Services Administration (GSA) Teleprocessing Services Program (TSP). TSP is the mandatory means by which Federal agencies acquire teleprocessing services from the private sector. Tymshare based its protest on the Coast Guard's decision to permit CDC to perform a second benchmark after the deadline for such tests had expired. Tymshare and other companies entered into Multiple Award Schedule Contracts (MASC) under TSP. Vendors found to meet certain technical requirements after evaluation of their current TSP-MASC were required to process a benchmark program as part of the selection and evaluation procedures. The cost evaluation formula provided that each vendor's computer input-output resource cost should be determined by computing the number of system resource units (SRU) which the vendor required for particular functions. Thus, the cost evaluation formula consisted of the evaluated cost of performing the various functions based on the number of SRU's consumed by each function during the vendor's benchmark performance. Even if only one SRU is eliminated in performing a task which is a heavily weighted cost evaluation factor, a vendor can reduce significantly its cost evaluation. The protester argued that CDC was given a substantial competitive advantage over all other vendors since it was the only vendor permitted to conduct a benchmark after the deadline for retesting had passed. A vendor can reduce its evaluated costs if given extra time to prepare for the benchmark; Tymshare argued that an initial benchmark failure was rewarded by a competitive advantage in having a second benchmark opportunity, while the remaining vendors are locked in. CDC attributed the untimely second benchmark to Coast Guard administrative delays. GAO agreed, and the pro-

test was denied. It was noted, however, that the notice and the benchmark procedures employed by the Coast Guard should be improved.

110238

Unnecessary Procurement of an Aviation Weather and Notice to Airmen System by the FAA. PSAD-79-94; B-164497(1). August 8, 1979. Released August 22, 1979. 10 pp. plus 1 appendix (7 pp.). Report to Rep. John L. Burton, Chairman, House Committee on Government Operations: Government Activities and Transportation Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: General Procurement (1900); General Procurement: Providing Congress With Information on Individual Major Systems for Which Funds Are Being Requested (1907); Transportation Systems and Policies (2400).

Contact: Procurement and Systems Acquisition Division.

Budget Function: Procurement--Other Than Defense (1007).

Organization Concerned: Federal Aviation Administration.

Congressional Relevance: House Committee on Government Operations: Government Activities and Transportation Subcommittee; Rep. John L. Burton.

Authority: OMB Circular A-109.

Abstract: The procurement of two Aviation Weather and Notice to Airmen Systems (AWANS) by the Federal Aviation Administration (FAA) cost about \$6.3 million. AWANS is a computerized system designed to aid flight service station specialists in briefing pilots and filing flight plans. AWANS was developed because of the need to modernize the labor intensive and paper-oriented flight service station. According to FAA, AWANS demonstrates that a station can be automated and that a specialist using the system can improve the quality of pilot briefings. **Findings/Conclusions:** However, AWANS has presented some problems. The operation at the Atlanta station, the test site, was not very reliable. From the beginning of AWANS operations, FAA experienced numerous problems with flight plan processing. FAA decided to buy the second AWANS even though the first prototype performed unsatisfactorily during a factory demonstration and continued to experience major deficiencies during the factory acceptance tests 1 year later. Since the installation of AWANS in Indianapolis, State and Federal officials have been concerned about pilot complaints regarding the long waits required to obtain a briefing or to file a flight plan. FAA was able to automate the functions of flight service stations, however, the time required for briefings increased and the reduction in manual functions was offset by an increase in the number of personnel needed to operate the computer system. Although there may have been a need to establish a consolidated facility to demonstrate AWANS feasibility, purchasing a second AWANS for this purpose after a demonstration that major problems still existed was unjustified. The acquisition of major systems by the Department is a critical function requiring proper consideration by the Secretary throughout the acquisition process.

110248

Better Information Management Policies Needed: A Study of Scientific and Technical Bibliographic Services. PSAD-79-62; B-133183. August 6, 1979. 37 pp. plus 8 appendices (24 pp.). Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Federal Information Management (1400); Science and Technology: Improving Federally Sponsored Services Essential to Policy Determination, Resource Allocation, and Program Planning (2007).

Contact: Procurement and Systems Acquisition Division.

Budget Function: General Science, Space, and Technology: General Science and Basic Research (0251).

Organization Concerned: Office of Management and Budget; Office of Science and Technology Policy; Committee on Scientific and

Technical Information; Institute for Scientific Information; National Science Foundation; National Technical Information Service; National Aeronautics and Space Administration.

Congressional Relevance: Congress.

Authority: National Health Planning and Resources Development Act of 1974 (P.L. 93-641) OMB Circular A-25. OMB Circular A-76. 20 U.S.C. 1221c. 20 U.S.C. 1221e(e).

Abstract: The Federal Government needs to recognize the value of the scientific, technical, and other specialized information it produces and take steps to manage it as carefully as it does other valuable resources. A study was made of the bibliographic systems of 38 information centers in five agencies. The study confirmed the need for better information management cited in many reports over the past decade, and identified problems of duplication of services and facilities and failure to recover costs in the operation of scientific and technical bibliographic information systems.

Findings/Conclusions: Despite the recommendations of numerous reports over the years, managing information does not have a high priority within Federal departments and agencies. Agencies generally have not designated a single, high-level official responsible for managing and coordinating information activities. Little attention is paid to coordinating scientific and technical information activities across agency lines. Absence of a Government-wide coordinating committee may have resulted in a lower concern for managing scientific and technical information. The Office of Management and Budget (OMB) and the Office of Science and Technology Policy question the need for a permanent coordinating committee. However, to be effective, the committee must have some degree of permanence and continuity, have a formal channel to a strong focal point, and receive strong support and leadership from the policymaking level. Agencies' policies and practices for recovering the cost of providing bibliographic services to public and private-sector users are not consistent with Federal policies and OMB guidance.

Recommendation To Congress: When enacting legislation establishing information centers or clearinghouses, Congress should require the agency head to use existing systems in the Federal agencies or private sector at lesser cost to the extent possible. Congress also should provide more specific guidance with respect to information services which should be exempted from the general policy of cost recovery.

Recommendation To Agencies: The Director of OMB should direct each department and agency to designate a high-level official responsible for information management; establish an interagency coordinating committee for scientific and technical information management; coordinate with the Office of Science and Technology Policy; include scientific and technical information management in developing approaches to better information resources management; work with the executive departments to develop a clear policy of cost recovery consistent with applicable statutes; require each department and agency to develop information on the cost of bibliographic and other information services to serve as a basis for carrying out an effective cost recovery program; require each department and agency to implement the guidance in a manner which will achieve prescribed cost recoveries; and examine special cost recovery problems which may be involved in pricing Government services to information retailers.

110267

[Protest of Procurement for Teleprocessing Services]. B-193703. September 4, 1979. 13 pp.

Decision re: Tymshare, Inc.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Tymshare, Inc.; Boeing Computer Services, Inc.; Department of Defense: Defense Supply Service.

Authority: 55 Comp. Gen. 1151. 55 Comp. Gen. 1155. 56 Comp. Gen. 245. 56 Comp. Gen. 694. 58 Comp. Gen. 119. 58 Comp. Gen.

128. 56 Comp. Gen. 505. B-181806 (1974). B-193487 (1979). B-186660 (1976). B-192193 (1979). B-191797 (1978).

Abstract: The procurement for teleprocessing services was conducted pursuant to the Teleprocessing Services Program. Under this program, Tymshare, Boeing Computer Services (BCS) and other companies hold Multiple Award Schedule Contracts (MASC). The contracting agency reviewed 38 MASC's to determine which contractors could meet the technical requirements, and found that Tymshare, BCS, and one other company did. BCS and Tymshare responded to the agency's "Memorandum for Teleprocessing Services Vendor." Both companies passed the benchmark tests. A delivery order was placed with BCS and Tymshare protested to GAO on the same date. The main issue in this case involved the interpretation of the solicitation requirements. Tymshare contended that the solicitation clearly established a mandatory requirement that vendors propose basic hardware which had been in operation for a minimum of 12 months, and noted that the IBM 3033 central processing unit proposed by BCS could not possibly meet this requirement because it was not available from IBM until several months prior to the solicitation. The agency maintained that vendors were not precluded from offering upgraded or enhanced versions of the basic hardware which had not been in operation for 12 months; the agency interpretation was supported by the language of the solicitation and GAO cannot conclude it lacked reasonable basis. The protester initially asserted that the vendor, to receive the order under MASC, was nonconforming in one technical requirement. After receiving the agency report, including a copy of the successful proposal evaluation, the protester asserted that the contractor's MASC showed nonconformity in two additional areas. As the protester failed to diligently pursue information which would have revealed later grounds for protest, protests were untimely. Additional protest grounds were based upon the contractor's publicly available MASC; the contractor's proposal did not depart from MASC, and the record indicated no attempt by the protester to obtain a copy of the proposal from the agency. The protest was denied.

110271

Progress in Improving Program and Budget Information for Congressional Use. PAD-79-79; B-115398. August 31, 1979. 34 pp. Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Program and Budget Information for Congressional Use. Non-Line-of-Effort Assignments (3451).

Contact: Program Analysis Division.

Budget Function: Impoundment Control Act of 1974 (1005).

Organization Concerned: Office of Management and Budget; Department of Agriculture.

Congressional Relevance: Congress.

Authority: Congressional Budget and Impoundment Control Act of 1974. OMB Circular A-11.

Abstract: By law the Comptroller General of the United States develops standard terms and classifications for Federal fiscal, budgetary, and program-related information; identifies congressional needs for such information; monitors recurring reporting requirements of Congress; and makes recommendations for changes in the reporting requirements. Standardizing information facilitates its usefulness to Congress. This requires analysis of Federal concepts and practices to identify inconsistent and confusing procedures and usages. **Findings/Conclusions:** The GAO analyses of budget concepts and practices over the past year have covered a wide range of questions in several studies and reports to congressional committees including funding procedures and the recording of budget authority in Federal programs, zero-base budgeting analysis, budget outlays, offsetting receipts and collections, and entitlements. Parallel work is being done in developing standard program and budget descriptions. Development of classifications for report-

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ing fiscal, budgetary, and program-related information included the following efforts: (1) continued development, refinement, and revision of an inventory of Federal programs and activities with associated legislative authorization and budget classifications and selected information to support the congressional authorizing committees and other program analysis groups; (2) determination of technical feasibility for a mission budget structure for the Department of Agriculture; and (3) initial compilation of a 359-item Government-wide nutrition, food, and agriculture information base incorporating information on enabling legislation, budget authority, outlays, obligations, program objectives and accomplishments, and user and agency contact points. Work has been aimed at assisting both congressional authorizing and appropriations committees. There is a need for greater participation by the executive branch in compiling, processing, and transmitting to committees information used in preparing the March 15 views and estimates reports. Improvement remains to be done in accounting systems designs.

110274

Weaknesses in the Selective Service System's Emergency Registration Plan. FPCD-79-89; B-162111. August 29, 1979. 3 pp. plus 1 appendix (7 pp.).

Report to Rep. G. V. Montgomery; by Elmer B. Staats, Comptroller General.

Issue Area: Personnel Management and Compensation (0300).

Contact: Federal Personnel and Compensation Division.

Budget Function: National Defense (0050).

Organization Concerned: Selective Service System; Department of Defense.

Congressional Relevance: Rep. G. V. Montgomery.

Abstract: The Selected Service System has been developing an emergency plan to meet the Department of Defense's (DOD) manpower requirements without the use of continuous registration of America's youth. In recent testimony the Selected Service System stated that if it were provided the \$9.8 million budget requested, it could meet DOD requirements without returning to peacetime registration. **Findings/Conclusions:** The Selective Service System would use the State election machinery in combination with a system of highly automated data processing equipment to conduct a mass 1-day registration. The Selective Service must also take numerous other actions before and after mobilization day to meet DOD requirements. These include prepositioning supplies and equipment, recruiting and training local and appeal board members, identifying sites for registration, and arranging the delivery of induction notices. It is questionable whether the procedures being developed for the emergency registration plan can be fully implemented. Formal arrangements have not been made with States for using their election machinery, nor have States been formally asked if they could begin registration in M plus 10 days; the data processing equipment tested was not representative of the equipment necessary to handle the workload in an actual situation; and logistical arrangements for distributing prepositioned supplies and equipment have not been developed. Another overriding issue centers around the concept of equity. Should any one of the planned procedures fail, serious legal questions could arise concerning fair and equitable treatment of those involved. In view of all the uncertainty, the lack of complete staff work, the assumptions that everything will work as conceived, and that all barriers are surmountable, reinstating some form of national registration will best meet DOD manpower requirements and carries with it the least amount of risk for the nation in the event of war or national emergency.

110292

Improvements Needed in the Tennessee Valley Authority's Management and Use of Its Automatic Data Processing Resources. EMD-

79-102; B-115369. September 6, 1979. 15 pp. plus 1 appendix (2 pp.).

Report to S. David Freeman, Chairman, Board of Directors, Tennessee Valley Authority; by J. Dexter Peach, Director, GAO Energy and Minerals Division.

Issue Area: Automatic Data Processing: Use of Computer Systems for Agency Mission Requirements and Support Functions (0108); Energy: Non-Line-of-Effort Assignments (1651).

Contact: Energy and Minerals Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: Tennessee Valley Authority.

Abstract: The management and use of general purpose automatic data processing (ADP) resources in the Tennessee Valley Authority (TVA) were reviewed. The primary purpose of the review was to evaluate the effectiveness of agency policies and procedures for (1) planning, controlling, and reviewing ADP activities and systems; and (2) identifying and acquiring ADP hardware and related services. Ineffective use of computers, people, and other ADP resources translates into wasted time and dollars and could result in higher utility rates for TVA customers. **Findings/Conclusions:** TVA manages ADP hardware and software differently. Each office and division of TVA is responsible for planning, developing, and maintaining its own information systems. In contrast, the Computer Services Branch Division of Property and Services has centralized responsibility for planning, acquiring, and operating TVA general purpose ADP hardware. TVA does not have the degree of top-management involvement; central-management direction, coordination, and control; or planning process needed to increase effectiveness and achieve significant savings. TVA does not have an agencywide plan which can be used as a management tool for measuring and controlling ADP activities. Top management has not supported the development of agencywide ADP systems which offer the potential for substantive cost savings. Management has not required all office and divisions to use available management systems which offer the opportunity to better control ADP system design and development. Procedures are not adequate to ensure compliance with applicable laws and regulations governing acquisitions of ADP-related services. The adequacy of the justification for future ADP equipment is questionable. Additional emphasis is needed on the organization, authority, and responsibility of the ADP audit function. **Recommendation To Agencies:** In order to manage its ADP more effectively and economically, TVA should: establish a formal planning process that will provide top-management involvement in the development of an agencywide ADP plan; develop agencywide policies for encouraging and ensuring that organizations develop and implement interdivisional systems; establish agencywide goals and priorities; develop and enforce procedures for ensuring compliance with regulations for obtaining delegation of procurement authority for ADP-related services; review the existing studies in support of fiscal year 1980 computer procurement to determine compliance with the intent of Federal property management regulations; and review the adequacy of the internal audit coverage of ADP activities and commit, as appropriate, additional resources to this function.

110295

[Interim Measures To Realign the Department of Defense Material Distribution System]. LCD-79-227; B-168700. August 8, 1979. Released September 10, 1979. 4 pp.

Report to Sen. John H. Glenn; by Richard W. Gutmann, Director, GAO Logistics and Communications Division.

Issue Area: Logistics Management: Sound Logistics Policies (3802).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Defense Logistics Agency; Department of

the Army; Department of Defense: Assistant Secretary of Defense (Manpower, Reserve Affairs and Logistics); American Management Systems, Inc.

Congressional Relevance: *Sen.* John H. Glenn.

Abstract: In an effort to integrate, consolidate, and standardize military service or agency distribution system functions and facilities, the Department of Defense (DOD) initiated a material distribution system (MDS) study in 1975. The study employed computer models capable of showing where depots should be located, what commodities each depot should carry, and which customers each depot should support. In early 1978 the study group issued a draft report recommending the elimination of the distribution function from three Army depots and from six depots of the Defense Logistics Agency (DLA). As a result of criticism of the study methodology by the Army and DLA, and the potential impact of the recommendations on the DOD distribution system's efficiency and effectiveness, DOD officials asked DLA and a team of independent operations research analysts to evaluate the study report. Because of problems encountered with the study and a desire to begin some realignment action quickly, the Assistant Secretary of Defense established a steering group to identify and evaluate alternatives to the existing material distribution system in terms of budgetary cost implications, workloads and capacities, employment levels, and military construction requirements. The steering group assigned the task to the American Management Systems, Inc., and this study effort was referred to as the material distribution system study, or MDS. The MDS study group directed most of its effort toward developing an alternative depot structure for the DLA and was therefore limited in scope. **Findings/Conclusions:** Since the MDS study group concluded that the present management, control, and communications systems did not enable an inventory manager of one service to operate from the depot of another service, the study group avoided realignment actions requiring the crossing of service lines. Depots collocated with major maintenance activities were also excluded from realignment consideration. Although the techniques used in developing savings, costs, and depot capacity data included in the MDS report were generally acceptable, GAO believed that the optimum DOD material distribution system still needs to be designed. To do this, DOD will first have to address and resolve issues relating to standardization of military services' supply management policies and procedures and consolidation of maintenance functions.

110313

[Review of the House of Representative Electronic Voting System]. FGMSD-79-60; B-115369. August 31, 1979. 3 pp.

Report to Rep. Frank Thompson, Jr., Chairman, House Committee on House Administration; by Elmer B. Staats, Comptroller General.

Contact: Financial and General Management Studies Division.

Budget Function: Automatic Data Processing (1001).

Congressional Relevance: *House* Committee on House Administration; *Rep.* Frank Thompson, Jr.

Abstract: To provide technical assistance in identifying any electronic or mechanical problem with the computerized House of Representatives' Electronic Voting System, GAO performed the following: an inspection of the equipment and its environment, an evaluation of its hardware and software, a review of the information developed by the House Information Systems staff regarding potential technical problems with the system, a review of the system's documentation, an evaluation of the operational procedures used to insure system reliability, a review of the controls over the production and issuance of identification cards to members of the House, and a review of the security and operational controls of the computer center. In addition, the system's equipment was tested and validated while in operation, control reports provided by the voting system were analyzed, and information was obtained

from officials responsible for operating the voting system and controlling admission to the House chamber. **Findings/Conclusions:** The tests of the House voting system have shown that all 44 voting stations were properly recognized by the computer and appear to have been functioning properly on the day the reported anomalies occurred. A subsequent review of data signals to and from the voting stations and the computer showed no irregularities, and signal and noise levels were satisfactory. Hardware and software controls provided an appropriate level of technical security. GAO found no indication that any of the voting system equipment was malfunctioning on the day reported. GAO believes that the Electronic Voting System is basically well designed and incorporates appropriate safeguards.

110322

[Followup on Computer Security at the Social Security Administration]. HRD-79-114; B-164031(4). September 4, 1979. 3 pp.

Report to Sen. Abraham A. Ribicoff, Chairman, Senate Committee on Governmental Affairs; by Gregory J. Ahart, Director, GAO Human Resources Division.

Contact: Human Resources Division.

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604).

Organization Concerned: Social Security Administration; Department of Health, Education, and Welfare.

Congressional Relevance: *Senate* Committee on Governmental Affairs; *Rep.* Charles Rose; *Rep.* John E. Moss; *Sen.* Abraham A. Ribicoff.

Abstract: A followup review was made of the management of computer security at the Social Security Administration (SSA) headquarters. **Findings/Conclusions:** GAO found several management problems in computer security at the SSA headquarters leading to possible misuses, abuse, or destruction of social security beneficiary records. SSA provides limited safeguards to protect both automated beneficiary records and documents supporting beneficiary claims. The Secretary of Health, Education, and Welfare notified GAO of corrective actions being taken to solve the problems identified. Hopefully, GAO reports will not only result in corrective action being taken at SSA, but also provide the impetus for correcting similar problems at other Federal agencies.

110333

[Review of Selected Contracts Awarded by NASA's Goddard Space Flight Center]. PSAD-79-103; B-133394. September 12, 1979. 2 pp. plus 1 enclosure (10 pp.).

Report to Robert A. Frosch, Administrator, National Aeronautics and Space Administration; by Jerome H. Stolarow, Director, GAO Procurement and Systems Acquisition Division.

Issue Area: General Procurement: Improving the Effectiveness of Civilian Agencies' Procurement Activities (1916).

Contact: Procurement and Systems Acquisition Division.

Budget Function: Procurement--Other Than Defense (1007).

Organization Concerned: National Aeronautics and Space Administration; National Aeronautics and Space Administration: Goddard Space Flight Center, Greenbelt, MD.

Authority: Small Business Act.

Abstract: A survey was made of contract administration at the Goddard Space Flight Center. **Findings/Conclusions:** Three service contracts out of the nine reviewed were either written improperly or appeared to lack the essential internal controls for minimizing fraud and assuring that contracted services are actually provided. The administration of a sole-source painting contract had the following faults: (1) the specifications in the contract did not adequately define the work to be performed; (2) the Goddard estimate of the work to be performed was incorrect; (3) the painters did not meet contract qualification requirements; (4) the contractor's request for

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payment appeared excessive; (5) the calculation of actual square feet of surface area painted was incorrect; and (6) one building may not have needed painting. The award of a cost-plus-award-fee contract for health services was found to be inappropriate, and Goddard failed to verify that the services paid for were actually received. A computer support contract was found to have the potential for fraud because of a lack of security procedures to detect and prevent fraudulent or unauthorized use of the computers. **Recommendation To Agencies:** Goddard officials should terminate or renegotiate the painting contract with new specifications; determine why the imperfections in this contract were not detected during the contract review process; remove the technical monitor on the contract; determine whether the contractor has received any excess payments and, if so, recover them; and determine whether one building needs to be painted before doing so. The following recommendations were made concerning the health services contract: (1) the option to renew the contract should not be exercised and the renewal contract should be converted back to a fixed-fee contract; (2) NASA procurement regulations should be amended to incorporate the limitation contained in the NASA handbook, and exceptions should require approval from NASA headquarters; (3) NASA headquarters should determine if any NASA centers have similar award-fee contracts in which most of the award fee is paid automatically, and any such contracts should be reviewed to determine their potential for conversion to a fixed-fee or some other more appropriate contract; (4) Goddard's policy prohibiting technical monitors from performing periodic floor checks should be reevaluated; (5) the technical monitor in this contract should periodically perform floor checks to verify the accuracy of contractor-submitted time and attendance reports and the monitor should document his observations and use this data in approving the contractor's invoices; (6) all NASA centers should be informed that technical monitors should perform periodic floor checks often enough to act as a deterrent to false contractor claims; and (7) if a NASA center relies partially on Defense Contract Audit Agency auditors to perform floor checks, center management should assure that floor checks are performed often enough to act as an effective deterrent. It was also recommended that the NASA risk assessment program be applied to the computer facility as soon as possible to determine what threats exist, their significance, and the cost of any additional controls needed to prevent unauthorized or fraudulent use. If the risk assessment shows that the additional security procedures needed are not cost effective, NASA should consider using Goddard employees to provide these services.

110348

Iranian Oil Cutoff: Reduced Petroleum Supplies and Inadequate U.S. Government Response. EMD-79-97; B-178205. September 13, 1979. 39 pp. plus 6 appendices (12 pp.).
Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: International Affairs: Non-Line-of-Effort Assignments (0651); Energy: Role of Fossil Fuels in Meeting Future Energy Needs (1609).

Contact: Energy and Minerals Division.

Budget Function: Energy: Energy Information, Policy, and Regulation (0276).

Organization Concerned: Department of Energy; American Petroleum Institute; Energy Information Administration; International Energy Agency; Organization of Petroleum Exporting Countries.

Congressional Relevance: *House* Committee on Interstate and Foreign Commerce; *Senate* Committee on Energy and Natural Resources; *Sen.* Henry M. Jackson.

Authority: Department of Energy Organization Act (42 U.S.C. 7101). Energy Policy and Conservation Act (42 U.S.C. 6261).

Abstract: A review was made of how the Iranian oil shortfall affected U.S. oil companies and what the Department of Energy (DOE) did to monitor the situation and deal with its effects. The 19 major

U.S. oil companies from which GAO obtained information account for about 75 percent of U.S. refining capacity, oil imports, and gasoline sales. The information included monthly inventory levels, gasoline production and sales figures, and refinery operating levels. **Findings/Conclusions:** The estimated net reduction in U.S. petroleum supplies due to the Iranian situation was between 600,000 and 700,000 barrels a day during the first 4 months of 1979. The multinational oil companies' crude oil allocation procedures which caused a further loss of 200,000 barrels a day, the unusually large reduction in U.S. crude oil production, and decisions of the larger companies not to purchase crude oil on the spot market all helped to further tighten the U.S. crude oil supply. Other factors such as DOE regulations caused the companies to reduce gasoline allocations beyond the amount of their Iranian imports. The shortfall was further exacerbated by government-mandated reductions in production by several other oil-producing countries, who also took advantage of the tight supply to increase their oil prices 54 percent. The DOE lack of adequate energy planning and data has led to inconsistent and conflicting administration statements and policies on the U.S. oil shortfall. While the overall shortage contributed to companies not increasing their production, no evidence was found that the 19 companies' stocks of crude oil, gasoline, and distillates exceeded normal operating levels. **Recommendation To Agencies:** The Secretary of Energy should develop the following: (1) a comprehensive plan for dealing with energy shortages such as the Iranian situation which should include, as much as possible, the specific actions or options available for monitoring and responding to the shortage, so that ad hoc reactions are kept to a minimum; (2) a system for better identifying demand and consumption of petroleum products on a national and regional basis, in order to determine the extent of supply shortages; and (3) a reliable system for gathering, verifying, and publishing accurate and complete energy data in a timely manner with the system including information not only on refinery stocks and operations, but also on the stocks at the middle-man level such as wholesalers, jobbers, and distributors.

110352

[Review of the Merger of Navy Sea Systems Command Automatic Data Support Centers]. LCD-79-328; B-168700. August 15, 1979. Released September 17, 1979. 2 pp. plus 3 enclosures (3 pp.).
Report to Sen. Gordon J. Humphrey; by Richard W. Gutmann, Director, GAO Logistics and Communications Division.

Issue Area: Facilities and Material Management: Military Services' Estimates for Realignment, Phase-Down, or Closure Actions (0756).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Defense-Related Activities (0054).

Organization Concerned: Department of the Navy: Portsmouth Naval Shipyard, NH; Interdepartmental Council To Coordinate All Federal Juvenile Delinquency Programs; Department of Defense.

Congressional Relevance: *Rep.* Olympia J. Snowe; *Sen.* Gordon J. Humphrey.

Abstract: Since 1976, the Department of the Navy has been considering moving the Computer Application Support and Development Office, located at the Portsmouth Naval Shipyard, New Hampshire, and merging it with the Central Naval Ordnance Management Information Systems Office, located at Indian Head, Maryland. A 1977 Navy report showed that consolidation of these activities could eliminate 37 positions at an estimated annual savings of \$905,600. The Navy then studied the alternatives of locating the consolidated activity at either Portsmouth or Indian Head to determine which of the two sites would result in the least cost.

Findings/Conclusions: In 1978, the Navy concluded that it would incur less investment costs by locating at Indian Head. GAO reviewed the cost elements supporting that decision and agreed that

it would be economically more favorable to locate at Indian Head. The Navy estimated that the move to Indian Head would be \$615,000 less than at Portsmouth, whereas GAO estimated the amount would be \$678,000 less. The Navy also estimated that the annual operating costs at Indian Head would be \$38,000 greater than at Portsmouth; however, GAO estimated the amount as only \$2,000 greater. Since 1976, the Navy has reduced the authorized personnel for these two activities by 81 positions, a level at which it is no longer possible to operate effectively in two locations. As requested, GAO provided information pertaining to the on-board strength at specific dates for both activities, as well as actions expected to be taken by personnel at Portsmouth.

110353

IRS' Audits of Individual Taxpayers and Its Audit Quality Control System Need To Be Better. GGD-79-59; B-137762. August 15, 1979. Released September 14, 1979. 56 pp. plus 4 appendices (28 pp.). Report to Joint Committee on Taxation; by Elmer B. Staats, Comptroller General.

Issue Area: Tax Administration: Controls Used To Insure Audit Quality and Prevent Unwarranted Tax Assessments (2702).

Contact: General Government Division.

Budget Function: General Government: Tax Administration (0807).

Organization Concerned: Internal Revenue Service.

Congressional Relevance: Joint Committee on Taxation.

Abstract: The quality of the Internal Revenue Services (IRS) audits of taxpayers' individual income tax returns needs to be improved. When IRS does less than quality audits some taxpayers may pay more than they owe, tax revenues may be lost, and voluntary compliance may suffer. **Findings/Conclusions:** The IRS system for identifying and correcting less than quality audits is not as effective as it should be. In fact, the system led IRS to believe that audit quality was not in need of improvement. IRS definition of audit quality does not provide adequate measurement criteria. Most of the reasons for quality problems are connected to the time pressure exerted by management, whether real or perceived, to do audits as quickly as possible. Several weaknesses have kept IRS from receiving accurate and complete audit quality information. Reviewers have no standards to follow when reviewing audit cases. Management receives an incorrect picture of audit quality and reviews are inconsistent in their quality assessments. Reviewers sometimes expedite the review process by resolving questions over the telephone. The quality control system was unable to provide IRS with needed information. The data provided were not sufficient to tell the level of audit quality being attained or in identifying problem areas which need attention. Consequently, IRS cannot make informed decisions on necessary corrective actions or adequately consider audit quality when deciding how many audits to do. **Recommendation To Agencies:** IRS should: define audit quality in measurable terms so that examiners know what is expected of them; establish criteria for measuring audit quality; revise the quality control system so that all types of errors in terms of the established measurement criteria are recorded and reported; establish standards for reviewers to follow in evaluating audit quality and in documenting their work so that the consistency and accuracy of their evaluations can be determined; establish criteria to assure uniform interpretation of the error-rate data being produced by the quality control system; and establish a uniform sampling plan for selecting audit cases to evaluate. In addition, IRS should conduct a controlled study to determine how long it takes to do a quality audit and plan the annual number of audits to be done using these results; clarify that tax auditors have authority to expand the audit to significant items not identified by the classifier; require examiners to probe for unclaimed deductions and credits; establish standards for group managers to follow in evaluating audit quality and in documenting their review efforts; require tax auditors to document and reviewers to include in their reviews the taxpayer's reasons for

claiming more than the tax auditor allowed, even though the taxpayer agreed to the adjustment of the issue.

110354

[Problems Associated With Developing Large, Complex Data Processing Systems]. FGMSD-79-49; B-115369. August 16, 1979. Released September 17, 1979. 8 pp.

Report to Rep. Jack Brooks, Chairman, House Committee on Government Operations.

Issue Area: Automatic Data Processing (0100); Automatic Data Processing: Acquisition of ADP Resources Under the Brooks Act (0111).

Contact: Financial and General Management Studies Division.

Budget Function: National Defense (0050); General Science, Space, and Technology (0250).

Organization Concerned: Office of Management and Budget; Department of Commerce; General Services Administration; Department of Energy; Department of the Army; Veterans Administration; Bonneville Power Administration.

Congressional Relevance: House Committee on Government Operations; Rep. Jack Brooks.

Abstract: To insure the successful development of data processing systems, the following management principles must be followed: continual planning, a structured approach to managing development work, and effective top management involvement throughout the development process. GAO review of the problems associated with developing large data processing systems centered on the Department of the Army, the Veterans Administration (VA), and the Bonneville Power Administration. **Findings/Conclusions:** The Army continues to have weaknesses in top management control of its largest data processing projects. VA has weaknesses in all areas of system development, with its management authority so fragmented that it has no assurance that its system development resources will be used efficiently and effectively. Bonneville Power has many planning and management weaknesses, including an overall lack of uniform policies, standards, and procedures governing system development. GAO believes that, in order to help top management be more effective, a service center should be established that would provide agencies with managerial and technical system development expertise. Establishing such a center within the General Services Administration or the Department of Commerce, however, raises the question of how the center may be insulated from other services and regulatory functions. Therefore, GAO suggests that a new autonomous Federal automatic data processing center should be created.

110364

[Protest Alleging That Proposal Evaluation Was Unfair]. B-194286.2. September 14, 1979. 6 pp.

Decision re: Neshaminy Valley Information Processing, Inc.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Neshaminy Valley Information Processing, Inc.; Department of the Navy: Automatic Data Processing Selection Office.

Authority: B-188997 (1977). B-190504 (1978). B-191877 (1978). B-192158 (1979).

Abstract: A company protested its exclusion from the competitive range under procurement for teleprocessing services, contending that the evaluation of its proposal was unfair as the result of prejudice arising from improper evaluator objections to modifications to the benchmark software. The protester considered the benchmark modifications to be independent from its technical proposal, and alleged that in a conversation with a former representative of the contracting agency, the changes were authorized. It was held that,

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absent a provision to the contrary, modifications to the benchmark software which are required to be submitted with the technical proposal are subject to evaluation as part of the proposal and must meet the requirements of the request for proposals (RFP). Where the RFP advises that oral modifications are unauthorized, the protester could not have been misled into making modifications directly contrary to mandatory requirements on the basis of oral advice from a representative. A determination that a proposal does not meet the requirements is reasonable where the offeror's modifications to benchmark equipment are contrary to mandatory requirements in one instance and, at best, demonstrate the probability of noncompliance in another; the mere offer to comply with a requirement is not sufficient. The exclusion of the protester from the competitive range was reasonable. Accordingly, the protest was denied.

110370

[*Naval Electronic Systems Engineering Center, Philadelphia, Pennsylvania*]. LCD-79-332; B-168700. September 14, 1979. 3 pp. Report to Sen. Richard S. Schweiker; Rep. Raymond F. Lederer; Rep. Peter H. Kostmayer; Sen. H. John Heinz; Rep. Edwin B. Forsythe; Rep. James J. Florio; Rep. Robert W. Edgar; Rep. Lawrence Coughlin; by Donald J. Horan (for Richard W. Gutmann, Director), GAO Logistics and Communications Division.

Issue Area: Facilities and Material Management: Military Services' Estimates for Realignment, Phase-Down, or Closure Actions (0756).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of Defense; Department of the Navy; Department of the Navy: Naval Electronic Systems Command.

Congressional Relevance: Rep. Michael O. Myers; Rep. Raymond F. Lederer; Rep. Peter H. Kostmayer; Rep. Edwin B. Forsythe; Rep. James J. Florio; Rep. Robert W. Edgar; Rep. Lawrence Coughlin; Sen. Richard S. Schweiker; Sen. H. John Heinz.

Authority: P.L. 95-454.

Abstract: Because of continuing reductions in the Naval Electronic Systems Command's (NESC) civilian staff position authorization and high grade restrictions and increasing workload, NESC believed that closing the Naval Electronic Systems Engineering Center at Philadelphia, Pennsylvania would provide the greatest benefit in achieving programmed civilian staff reductions while still carrying out its mission. The Navy closed the center as planned in January 1979, and reassigned its mission to the Naval Electronic Systems Engineering Centers in Vallejo, California and Portsmouth, Virginia and the Naval Electronic Systems Engineering Activity in Saint Inigoes, Maryland. Some of the positions transferred to Saint Inigoes did not involve a change in duty station, so that the Naval Electronic Systems Engineering Activity Detachment at Philadelphia and the Naval Electronic Systems Command at Mechanicsburg, Pennsylvania remained in place. **Findings/Conclusions:** The estimated one-time implementation costs of \$108,000 for closing the center included \$71,000 for personnel relocation, \$2,600 for severance payment, and \$32,000 for equipment relocation. It was estimated that this realignment could save \$77,000 annually. The Navy applied position eliminations to meet a programmed staff-level cut required by law which resulted in personnel savings to the Government. Although the closure did not result in personnel savings above the level which could be expected if the closure had not been effected, GAO believed the disestablishment to be cost effective.

110382

Inventories of Federal Food, Nutrition and Agriculture Programs.

CED-79-125; B-114824. September 11, 1979. Released September 11, 1979. 43 pp. plus 6 appendices (15 pp.).

Report to Senate Committee on Appropriations: Agriculture and Related Agencies Subcommittee; Senate Committee on Appropriations; by Elmer B. Staats, Comptroller General.

Issue Area: Food: Improvement of Federal Effectiveness Throughout the Food Decision System (1715); Evaluation Guidelines and Methodology (2600); Alternative Methods of Achieving Program Objectives (3600).

Contact: Community and Economic Development Division.

Budget Function: Congressional Information Services (1008).

Organization Concerned: Department of Agriculture; Office of Management and Budget.

Congressional Relevance: Senate Committee on Appropriations; Senate Committee on Appropriations: Agriculture and Related Agencies Subcommittee.

Abstract: In cooperation with the U.S. Department of Agriculture (USDA) and the Office of Management and Budget, GAO developed a prototype food, agriculture, and nutrition program inventory (FANI). Four major factors prompted the development of this model inventory system: (1) the increasing uncertainty of world food demand; (2) the need for a central source to provide information on the numerous food, agriculture, and nutrition-related programs administered by Federal agencies; (3) growing public demand that government productivity be maintained or enhanced; and (4) increased attentiveness on the part of Congress to its oversight duties. GAO created an index that defined 359 programs in 28 agencies according to sector of society, beneficiary, function, and scope. The FANI survey made use of a data collection instrument which contained the following 16 information elements: Program Title, Administering Body, Program ID Codes, Statutory Authority, Financial Data, Authorization, Program Description, Program Descriptors, Codes, Congressional Committee Jurisdiction, Related Programs, Program Reports, Agency Contact, Date Form Completed, Staff Member Completing Form, and Source of Information. **Findings/Conclusions:** The creation of walkways between FANI and other inventory systems, budget or control systems, and planning or forecasting systems in the public and private sector would enable analysts and managers to compare and relate measurements of success and composite program evaluations to current conditions and future forecasts. To insure the usefulness of FANI beyond its developmental stage users, should develop and utilize indicators of success, select a set of indicators that reflect the conditions of the environment and society, and develop a method to draw together all program inventories and indicators of success. FANI can be used as a model to develop similar inventories for other issues such as health, transportation, land use, communications, etc., and thereby assist Congress and other decisionmakers in oversight and program evaluation. To fully realize the usefulness of FANI and other information tools to decisionmakers, four issues need to be considered: (1) how FANI can be best refined and maintained on an ongoing basis within USDA; (2) how the methods developed in this prototype effort can be best coordinated with the activities regarding the Sunset legislation; (3) what the best way is to link FANI to a set of environmental, social, technical, and economic indicators; and (4) how FANI can be coordinated with a futures-oriented system to assess single and cross issue impacts.

110398

[*Social Security Administration Needs To Continue Comprehensive Long-Range Planning*]. HRD-79-118; B-164031(4). September 20, 1979. 10 pp.

Report to Patricia Roberts Harris, Secretary, Department of Health, Education, and Welfare; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Automatic Data Processing: Acquisition of ADP Resources Under the Brooks Act (0111); Income Security and Social Services: Payment Processes (1309); Federal Information Management: Automated Systems Security (1403).

Contact: Human Resources Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: Social Security Administration; Social Security Administration: Office of Advanced Systems; Department of Health, Education, and Welfare.

Abstract: In January 1979, The Social Security Administration (SSA) began reorganization in order to improve its operating efficiency and services to the American public and to provide SSA with added flexibility to respond to changing future demands. Such long-range planning was previously performed by the SSA Office of Advanced Systems (OAS). A study was conducted of the role of OAS in comprehensive long-range planning to ensure responsiveness to future program needs. **Findings/Conclusions:** Responsibility for comprehensive long-range planning should be clearly fixed within the new organizational structure of SSA. SSA needs comprehensive planning for allocating resources and designing and developing automatic data processing (ADP) systems. OAS long-range planning efforts were appropriately directed toward defining the agency's mission, setting clear and specific goals and objectives, and setting priorities for achieving those goals and objectives. The long-range planning approach was well organized and systematic. Throughout its work, OAS systematically developed and evaluated alternative solutions to solving the major problems toward which the project was directed. In addition, OAS planning reflected detailed consideration of many factors affecting both current and future SSA operations. SSA has made a substantial investment in long-range planning through previous OAS activities. These activities represent positive steps toward implementing previous GAO recommendations. However, SSA reorganization does not support those positive efforts because it does not provide for continuing comprehensive long-range planning. Planning efforts, as they presently exist within the agency, are fragmented and lack sufficient high-level management involvement and support needed for successful implementation of comprehensive long-range plans. This is likely to result in inadequate consideration of future agency needs, goals, and responsibilities. **Recommendation To Agencies:** The Secretary of the Department of Health, Education, and Welfare should direct the Commissioner of SSA to assign responsibility for formulating and implementing comprehensive long-range plans to a single SSA component which reports directly to the Commissioner and is not responsible for managing or supporting daily operations. Such action would better assure that SSA continues comprehensive long-range planning and that it maintains an organizational component capable of establishing appropriate operational goals and objectives to meet everchanging program demands.

110399

Conditions of Older People: National Information System Needed. HRD-79-95; B-165430. September 20, 1979. 36 pp. plus 7 appendices (16 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Income Security and Social Services (1300).

Contact: Human Resources Division.

Budget Function: Education, Training, Employment and Social Services: Social Services (0506).

Organization Concerned: Department of Health, Education, and Welfare; Office of Human Development Services.

Congressional Relevance: Congress.

Authority: Social Security Act. Older Americans Act of 1965.

Abstract: The older population of this country is increasing both in number and in percentage of the total population. This increase in population of older people will magnify the problems they face. To

alleviate many of these problems, Congress has enacted numerous laws to establish programs providing help to the growing number of older people. Congress and the executive branch need information to design and plan for the delivery of services to older persons. Currently this information is spread piecemeal throughout Federal, State, local, and private agencies. A national information system is needed to evaluate the combined efforts of current services, and to assess the impact of various laws on the lives of older people.

Findings/Conclusions: To illustrate the information that could be obtained from a national information system, GAO made national estimates for the 21 million noninstitutionalized older people 65 years old or older in 1975 based on experiences of older people in Cleveland, Ohio. These estimates, for illustrative purposes only, demonstrate the role that such a national information system could play in major policy decisions. Certain personal conditions, health, security, loneliness, and outlook on life of older people are measurable and dynamic. The conditions of older people decline over time because of health, security, and loneliness conditions. GAO did not have sufficient data to identify other problems that could affect personal conditions but believe that more data on other problems could be added when establishing a national information system. GAO also demonstrated that certain unmet needs of older persons can be identified by using its data base. The future costs of expanded help to all older people can also be estimated. GAO used its data base to measure the changes in certain conditions and problems of older people, and it related services to these changes. Congress needs alternatives to choose from. A national information system could estimate what percentages of older people receiving various kinds of help are benefiting. **Recommendation To Agencies:** The Secretary of the Department of Health, Education, and Welfare should direct the Office of Human Development Services to establish a comprehensive national information system that determines the personal conditions of, problems of, and help available to older people. Information collected for this system should be available to Congress for analyses. The system should be expanded over time to include information necessary to study why older people do not receive the help they need and how family and friends can be encouraged to provide such help.

110445

[Improvements Needed in the Securities and Exchange Commission's Efforts To Establish a National Securities Market]. September 21, 1979. 11 pp.

Testimony before the House Committee on Interstate and Foreign Commerce: Consumer Protection and Finance Subcommittee; House Committee on Interstate and Foreign Commerce: Oversight and Investigations Subcommittee; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Organization Concerned: Securities and Exchange Commission; Securities Industry Automation Corp.

Congressional Relevance: House Committee on Interstate and Foreign Commerce: Oversight and Investigations Subcommittee; House Committee on Interstate and Foreign Commerce: Consumer Protection and Finance Subcommittee.

Authority: Securities Acts Amendments of 1975.

Abstract: Congress, through the Securities and Exchange Commission (SEC), is trying to establish a national market system for trading securities. The purpose of the system is to assure that all buyers and sellers of securities, regardless of their geographic location, would have the opportunity to get the best price when they trade securities. The objectives require that modern data processing and communications technology be used to improve operational efficiency and to enhance competition in the securities industry. Thus far, SEC has not developed an overall plan to guide development

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of a national market and to monitor progress toward that goal. The Intermarket Trading System has been established as a communications connection between six stock exchanges although it is not considered a large step toward the national system because of its limitations. One exchange is using another automated electronic trading system that relies on a central computer to match buy and sell orders. It is not believed that this piecemeal procedure is an effective way to develop a system as significant as the national market. The personnel assigned to the SEC national market unit do not have the technical skills needed to evaluate industry proposals dealing with sophisticated data processing systems. The size of the unit does not appear adequate to perform work on the system in a timely manner. In registering the Securities Industry Automation Corporation, the exclusive data processor of securities information, SEC did not independently verify whether the firm could promptly process reliable and accurate data, it did not do any testing, and it did not assess the firm's neutrality. Proper planning of national market activities is needed for prompt and effective completion of an integrated system.

110455

Improving Financial Management in the United Nations by Strengthening Audits and Evaluations. ID-79-56; B-168767. September 24, 1979. 33 pp. plus 4 appendices (10 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: International Affairs: U.S. Participation in International Organizations (0609).

Contact: International Division.

Budget Function: International Affairs: Foreign Economic and Financial Assistance (0151).

Organization Concerned: United Nations; Department of State; Department of State: United States Mission to the United Nations.

Congressional Relevance: Congress.

Abstract: Rapidly increasing budgets of the United Nations (U.N.) system have increased the need for greatly improved financial management. Improved financial management will increase efficiency and economy in U.N. operations at all levels and will permit a greater portion of the available funds to be applied directly to programs. These needs can be accomplished only with active support of the member governments, including the United States and U.N. officials at the highest levels. **Findings/Conclusions:** External auditing in the U.N. system is carried out by the U.N. Board of Auditors and the external auditors of the specialized agencies. The review of the audit reports showed that the Board of Auditors and other external auditors have been adopting more modern practices in their reviews. The adoption of system-based auditing and increased emphasis on administrative and management aspects should increase the effectiveness of their reviews and help management and government bodies in their deliberations of ongoing and future operations and programs. Internal audits in the U.N. are carried out through the Internal Audit Service and by other internal audit units in several related and subsidiary agencies and the specialized agencies. Internal audit reports are not made available to member governments, thus, GAO has not been able to review the internal audit reports and cannot state whether these reports have accomplished their purpose. External evaluations throughout the U.N. system are conducted by the Joint Inspection Unit, a body of 11 inspectors, and support personnel. The Joint Inspection Unit has noted that improvements in evaluations in the U.N. system have taken place during the last couple of years, but that much more needs to be done. **Recommendation To Agencies:** The Secretary of State should instruct the U.S. mission and U.S. delegates to the U.N. to work with member country delegates in establishing a professionally qualified audit group, headed by an Auditor General who would be responsible for conducting the external audit of the U.N. and its related or subsidiary organizations. The Secretary

should: stress the need for appropriate U.S. personnel to review all external audit reports in the U.N. system, and to prepare a U.S. position on the report's findings and recommendations; make every effort to see that appropriate assembly or committee meetings have a discussion of the audit reports and that a U.S. position for action is put forth at these meetings; emphasize to his personnel the need to become aware of the general scope of internal audit units in the U.N. system and where appropriate support efforts at making these units more effective; and working through his representatives in the U.N. system and in conjunction with other member government representatives to continue active support of effective evaluation methods and procedures in each organization of the U.N. system.

110461

A Look at the Air Force Inspector General's Inspection System. FGMSD-79-51; B-134192. August 28, 1979. Released September 28, 1979. 35 pp. plus 6 appendices (12 pp.).

Report to Rep. Jack Brooks, Chairman, House Committee on Government Operations: Legislation and National Security Subcommittee; by John D. Heller, Acting Comptroller General.

Issue Area: Internal Auditing Systems: Audit Reports Quality and Followup (0203).

Contact: Financial and General Management Studies Division.

Budget Function: National Defense: Defense-Related Activities (0054).

Organization Concerned: Department of the Air Force: Office of the Inspector General; Department of the Air Force.

Congressional Relevance: House Committee on Government Operations: Legislation and National Security Subcommittee; Rep. Jack Brooks.

Abstract: Until November 1978, GAO was denied access to inspection reports and supporting documentation of the Air Force Inspector General's office. At that time, the Department of Defense adopted a new policy which permitted the release of such reports to GAO. Inspection reports of the Air Force Inspector General provide valuable information, but the reports can be improved by developing more information on the underlying causes of problems disclosed during inspection and by reducing the number of non-mission-related findings. **Findings/Conclusions:** The Inspection system could be strengthened by reducing the high turnover of top-level inspection officials, replacing some military inspectors with civilians, and by giving the Inspector General more influence over the operations of command-level inspectors general. Overinspection continues to be a problem within the Air Force due to the large number of inspector general reviews, staff assistance visits, and self-inspection being performed. Duplication of inspection effort is not a problem at the Headquarters Inspector General level because of the coordination of inspection with the audits of the Air Force Audit Agency. However, duplication does occur between command-level inspector general reviews and other groups' evaluations. **Recommendation To Agencies:** The Secretary of the Air Force should: issue directives to command-level inspectors general requiring that future management effectiveness inspection reports identify the underlying causes of problems and that the reporting of minor deficiencies be reduced; issue directives to command-level inspectors general requiring them to implement needed improvements suggested by the Headquarters Inspector General; stabilize the top management of the system by requiring top military inspector general personnel to complete their tours of duty and by having civilians back up these personnel to promote continuity; require that more civilians be used throughout the inspection system to the greatest extent possible; expand the present staffing study on Air Force-wide inspection standards to include an analysis of the possibility of using more temporary inspectors and fewer full-time inspectors; and direct that the duplication occurring between inspector general reviews, self-inspections, and other inspection be reduced.

110472

Pennsylvania Needs an Automated System To Detect Medicaid Fraud and Abuse. HRD-79-113; B-164031(3). September 24, 1979. Released September 28, 1979. 13 pp. plus 5 appendices (14 pp.). Report to Sen. Richard S. Schweiker; by Elmer B. Staats, Comptroller General.

Issue Area: Internal Auditing Systems: Management Control Systems in Federal Agencies for the Prevention of Fraud and Abuse (0706); Law Enforcement and Crime Prevention: White-Collar Crime (0509).

Contact: Human Resources Division.

Budget Function: Health: Health Care Services (0551).

Organization Concerned: Metro Electric, Inc.; Health Care Financing Administration; Pennsylvania: Department of Justice: Medicaid Fraud Control Unit; Department of Health, Education, and Welfare: Office of the Inspector General; Pennsylvania Blue Shield; Capitol Blue Cross; Pennsylvania: Department of Public Welfare; Pennsylvania: Medical Assistance Management Information System.

Congressional Relevance: Sen. Richard S. Schweiker.

Authority: Social Security Act. Medicare-Medicaid Anti-Fraud and Abuse Amendments (P.L. 95-142).

Abstract: A GAO review of Pennsylvania's efforts to control Medicaid fraud and abuse surveyed the planned Medicaid Management Information System (MMIS); the Pennsylvania Department of Public Welfare's administration of the State Medicaid Program; Pennsylvania's Medical Assistance Management Information System; the State's Medicaid claims process and utilization review operation; and the Pennsylvania Department of Justice's Medicaid Fraud Control Unit (MFCU). **Findings/Conclusions:** It was determined that Medicaid fraud and abuse could go undetected in Pennsylvania, primarily because the State did not have an automated Medicaid claims processing and information retrieval system in full operation. MMIS, designed to detect ineligibility, duplicate billing, inappropriate charges, and third-party liability, could not be fully implemented because of State budget cuts. Utilization review of Pennsylvania's Medicaid program was primarily a manual operation producing only a 5 percent nonrandom sample, allowing an unknown number of program abuses to escape detection. MFCU, certified in August 1978 by the Department of Health, Education and Welfare (HEW) to receive 90 percent Federal funding, exhibited some irregularities in establishing referral and assistance arrangements with local prosecutors required by HEW certification. The lack of a specific Pennsylvania statute penalizing fraudulent Medicaid providers made preparing and prosecuting complex Medicaid fraud cases more difficult. State statutes used by prosecutors carried various penalties, some not as severe as Federal penalties for Medicaid abuse. **Recommendation To Agencies:** The Secretary of HEW should require the Inspector General to: (1) reassess the procedures established by Pennsylvania's MFCU to determine if they provide sufficient assurances that the unit will refer suspected cases of criminal fraud in the State Medicaid program to local prosecutors and provide assistance and cooperation to them in the prosecution of such cases; (2) encourage and assist MFCU in its efforts to have Pennsylvania enact statutes which will be consistent with Federal Medicaid criminal statutes as well as establish appropriate civil penalties.

110505

Department of Justice Making Efforts To Improve Litigative Management Systems. GGD-79-80; B-166549. September 4, 1979. 3 pp. plus 5 appendices (15 pp.).

Report to Rep. Richardson Preyer, Chairman, House Committee

on Government Operations: Government Information and Individual Rights Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Law Enforcement and Crime Prevention (0500); Federal Information Management (1400).

Contact: General Government Division.

Budget Function: Administration of Justice: Federal Litigative and Judicial Activities (0752).

Organization Concerned: Department of Justice: Civil Division; Department of Justice: Tax Division; Department of Justice: Executive Office of U.S. Attorneys; Department of Justice: Criminal Division; Department of Justice: Civil Rights Division.

Congressional Relevance: House Committee on Government Operations: Government Information and Individual Rights Subcommittee; Senate Committee on the Judiciary; Rep. Richardson Preyer.

Authority: Privacy Act of 1974. S. 1157 (96th Cong.).

Abstract: The Department of Justice often cannot provide answers to requests made by congressional committees for specific details on the magnitude of a particular problem or the level of the Department's efforts. Past audits made by GAO have noted the absence of available data supporting budget requests or data by which to measure, track, and evaluate litigation efforts. An internal Department of Justice study of litigation management bore out the validity of these concerns. GAO was requested to make an assessment of the Justice management information systems in the Civil, Civil Rights, Criminal, and Tax Divisions, and in the Executive Office for U.S. Attorneys. **Findings/Conclusions:** The lack of summary information has resulted because Justice does not have information systems that detail how staff resources are used or provide readily retrievable data on the many thousands of cases and matters handled. In an effort to establish management information systems, Justice has committed about \$1 million on active projects in the last 2 years. Litigative groups have recently implemented, or are planning to implement, staff time reporting and automated case management information systems. The information systems implemented or under development, however, vary in format and level of detail. Thus, uniform data on litigation activities will not result among the Justice divisions.

110516

United States--Japan Trade: Issues and Problems. ID-79-53; B-162222. September 21, 1979. Released October 9, 1979. 191 pp. plus 3 appendices (14 pp.).

Report to Sen. Lloyd Bentsen, Chairman, Joint Economic Committee; by Elmer B. Staats, Comptroller General.

Issue Area: International Affairs: U.S. Advantage in Trade and Technology (0608).

Contact: International Division.

Budget Function: International Affairs: Conduct of Foreign Affairs (0152).

Congressional Relevance: Joint Economic Committee; Sen. Lloyd Bentsen.

Abstract: From 1976 to 1978, the deficit in U.S. trade with Japan grew two and a half times, from \$5.3 billion to \$11.6 billion. Total Japanese world trade between 1975 and 1978 showed mounting surpluses, while the United States experienced growing deficits in that category. Trade figures available for 1979 suggested that the U.S. world trade deficit was decreasing; showed substantial reduction in the U.S. deficit with Japan; and indicated a sharp decrease in Japan's global trade surplus. GAO examined the broad underlying factors affecting both countries' world trade posture and used case studies from the computer, automobile, telecommunication, color television, machine and tool, log and lumber, and soybean industries to illustrate the corporate experiences of U.S. firms attempting to market in Japan. **Findings/Conclusions:** Traditionally, Japan

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pursued a policy of aggressive world marketing of its own manufactured goods while protecting home markets through high tariffs and nontariff barriers. Although official trade policies lowered these barriers in all of the industries studied except telecommunications, attitudes on the part of U.S. businessmen and mid-level Japanese government officials failed to keep pace with official policy and exerted a drag on change in the trade imbalance. GAO discussed factors affecting the trade performance of the two countries and contrasted their trade policies. Five general areas of difference emerged from this analysis: (1) Japan enjoyed a far higher ratio of personal savings to disposable personal income than the United States, leaving a higher percentage available for investment in new plants and equipment; (2) while the United States spent proportionately more on research and development, the Japanese share of U.S. patents awarded to foreign nationals nearly doubled from 1970 to 1977, showing Japan's rising capability in this area; (3) Japanese industry lost far less time to strikes than U.S. industry, enhancing Japan's international competitiveness; (4) traditional Japanese reliance on foreign trade engendered a higher level of export consciousness than has developed in the United States; and (5) Japan, unlike the United States, made careful, long-range analyses of world market trends and the capacity of its industries to meet these trends, and encouraged its stronger industries to compete for contested world markets.

110522

The FBI Operates Two Computerized Criminal History Information Systems. GGD-79-81; B-179296, B-171019. September 7, 1979. Released October 9, 1979. 33 pp. plus 1 appendix (1 p.). Report to Rep. Richardson Preyer, Chairman, House Committee on Government Operations: Government Information and Individual Rights Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing (0100); Law Enforcement and Crime Prevention: Crime Statistics and Information System (0566); Federal Information Management: Automated Systems Security (1403).

Contact: General Government Division.

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751).

Organization Concerned: Federal Bureau of Investigation; Federal Bureau of Investigation: National Crime Information Center; Department of Justice; General Services Administration.

Congressional Relevance: House Committee on Government Operations: Government Information and Individual Rights Subcommittee; Rep. Richardson Preyer.

Abstract: The Federal Bureau of Investigation (FBI) operates two programs for accumulating and disseminating criminal history information. The National Crime Information Center's Computerized Criminal History (CCH) program was developed for rapid dissemination of criminal information. The Automated Identification Division System (AIDS) program was developed to reduce operating costs and shorten the time required to disseminate criminal history information. Both programs are being developed so that either could be the comprehensive system for the criminal justice community. Development plans provide for AIDS to phase out its maintenance and dissemination of criminal history information as the States assume these responsibilities. **Findings/Conclusions:** The AIDS program is being implemented in phases and is scheduled for full operation in 1983. Much of AIDS success depends on state-of-the-art technology involving the invention of new special purpose computers to read and match finger prints. The two programs, AIDS and CCH, record the same type of crimes and disseminate the same kind of information. Consequently, duplication of arrest information exists between AIDS, CCH, and the States' systems. FBI has been unsuccessful in its attempts to decrease duplication

and increase support to the CCH program. Each of the programs has separate advantages which have been determined necessary in a criminal history information system. AIDS provides for positive identification, and CCH provides for rapid dissemination and offers the ability to operate as a decentralized records system. When FBI initially awarded the present contract for its computer system, the method of acquisition did not offer the greatest advantage to the Government. FBI has renewed the equipment contract each fiscal year since 1972. It has not yet conducted annual reviews as required by Federal regulation to determine if the Federal Government could save money by negotiating a new contract. The FBI did not develop a long-range plan identifying its automatic data processing requirements and, as a result, its current computer equipment is overloaded.

110526

Improvements Needed in the Securities and Exchange Commission's Efforts To Establish a National Securities Market. FGMSD-79-59; B-133227. September 19, 1979. 21 pp. Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting (2800); Accounting and Financial Reporting: Accounting and Financial Regulations for Publicly Held Companies (2814).

Contact: Financial and General Management Studies Division.

Budget Function: Commerce and Housing Credit: Other Advancement and Regulation of Commerce (0376).

Organization Concerned: Securities and Exchange Commission; Office of Management and Budget; Securities Industry Automation Corp.

Congressional Relevance: Congress.

Authority: Securities Acts Amendments of 1975.

Abstract: In 1975 Congress gave the Securities and Exchange Commission responsibility for overseeing the development of a national market for trading securities. Such a market would assure that all buyers and sellers of securities, regardless of geographic location, would have the opportunity to get the best prices when trading securities. Although GAO did not have time to formulate a reliable estimate of the possible savings that could result from a national market system, estimates from other sources ranged from 50 to 100 million dollars annually. **Findings/Conclusions:** Because the Commission had not developed an overall plan which would provide a basis for measuring progress, it was not possible to determine what progress had been made toward establishing a national market or when the market would become operational. It was determined that the Commission's national market unit did not have the skills or personnel to carry out and evaluate national market activities. The Commission said that it had given temporary approval for an industry group's system to transmit order information among six stock markets and approved an automated electronic trading system that used a central computer to receive and match orders. Drawing on its long experience in regulation, the Commission took an evolutionary approach to forming a national market. It chose to make rules that directed industries to design and operate components that fit with those already in place rather than design an entirely new market system. Thus, it took 4 and 6 years respectively to bring about composite quotation and consolidated last-sale reporting components that industry spokesmen said could have been instituted in 9 months. Pursuant to congressional mandate that national market trading be conducted with accurate information supplied by neutral sources in a fair manner, the Commission registered the Securities Industry Automation Corporation as an exclusive processor of national market information. However, the Commission did not independently verify whether the firm could promptly disseminate reliable and accurate data and did not take steps to assure the firm's neutrality. **Recommendation To Congress:** Congress should: (1) require the Commission to develop and

submit a national market plan to Congress by a specified date; (2) give interested parties the opportunity to present their views on the Commission's plan; and (3) establish a timeframe for designing and implementing the national market. **Recommendation To Agencies:** The Commission should: (1) establish a national market project team staffed with enough technically oriented members to carry out its responsibilities, and (2) have the Securities Industry Automation Corporation's processing facilities for national market transactions evaluated by a team of data processing experts and develop an evaluation program to assess, on a continuing basis, the Corporation's neutrality. Any other exclusive processors should be subject to the same evaluations.

110527

[Potential Savings by Streamlining Grumman's Computer Operations Supporting Navy Contracts]. PSAD-79-111; B-163074. October 5, 1979. 9 pp.

Report to Secretary, Department of the Navy; by Jerome H. Stolarow, Director, GAO Procurement and Systems Acquisition Division.

Issue Area: General Procurement: Prices Negotiated in the Absence of Competition (1922).

Contact: Procurement and Systems Acquisition Division.

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058).

Organization Concerned: Grumman Aerospace Corp.; Department of the Navy; Office of Management and Budget; Defense Contract Audit Agency.

Congressional Relevance: House Committee on Government Operations; Senate Committee on Governmental Affairs; Senate Committee on Appropriations; Senate Committee on Armed Services.

Abstract: Grumman Aerospace Corporation buys data processing services from Grumman Data Systems Corporation to support manufacturing and testing operations performed in fulfillment of Navy contracts. Both corporations are subsidiaries of the Grumman Corporation. The cost and storage capacity of the system used was compared to the capacity required for storage and processing of the necessary information. The methods used for computing charges to the Navy were also evaluated. **Findings/Conclusions:** It was determined that the Navy could save approximately \$335,000 if the excess capacity in the data processing and computer operations were eliminated. Since the Navy paid the cost of data processing through the overhead accounts of Grumman Aerospace Corporation, any system capacity not utilized for other accounts was paid for by the Navy. Recommendations were made to the contractor for equipment changes, substitution of less expensive but adequate materials, and reduction of computer capacity. In addition, a review of the methods used for computing charges to the Navy showed the potential for inaccurate allocation of costs to government work. In one case it was revealed that the Navy was undercharged and in another case maintenance work was charged to the Navy that GAO felt should have been charged to a commercial account. **Recommendation To Agencies:** The Secretary of the Navy should: (1) declare as unallowable for Navy work any cost incurred by Grumman Aerospace as a result of excess data storage and computer capacity maintained by Grumman Data; and (2) request the Defense Contract Audit Agency to determine whether Grumman Data's cost allocation methods used to distribute the Calverton computer center costs to projects are equitable.

110552

[The Federal Procurement Data System Could Be an Effective Tool for Congressional Surveillance]. PSAD-79-109; B-160725. October 1, 1979. Released October 12, 1979. 7 pp. plus 1 enclosure (1 p.).

Report to Rep. Herbert E. Harris, II, Chairman, House Committee on Post Office and Civil Service: Human Resources Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: General Procurement: Improving the Effectiveness of Civilian Agencies' Procurement Activities (1916).

Contact: Procurement and Systems Acquisition Division.

Budget Function: Procurement--Other Than Defense (1007).

Organization Concerned: Department of Defense; Office of Management and Budget; General Services Administration; Office of Federal Procurement Policy; Federal Procurement Data System Policy Advisory Board; Dun and Bradstreet, Inc.

Congressional Relevance: House Committee on Post Office and Civil Service: Human Resources Subcommittee; Rep. Herbert E. Harris, II.

Abstract: The effectiveness of the Federal Procurement Data Center was examined. The extent of completion and accuracy in the Center's procurement data reporting system varies for the different agencies involved. Fifty-six agencies are required to report; 36 have reported in a satisfactory manner. However, 20 agencies have not reported, reported in part, or submitted reports not in accordance with prescribed instructions. The Office of Federal Procurement Policy (OFPP) plans to issue another letter to the various activities on the need for reporting the required data. Center personnel believe that the 1979 reports should be considered as test reports. However, once fully operational and debugged, the system will still have limitations. **Findings/Conclusions:** The Federal Procurement Data System relies on the integrity of many individuals to prepare reports and to prepare them correctly. If, for some reason, a report is not prepared, the data on the contract award will not enter the system. Furthermore, the Center has no means for knowing whether data are reported for all contracts. Therefore, a test or audit of the data collection system is needed after an appropriate period of operation. If test results disclose that a significant number of contracts have not been reported, it may be necessary to institute some method of internal control. The Center has developed a comprehensive edit program which will detect inconsistencies and omissions such as identifying failure to complete or fill in items shown on the reporting form. Using the edit program at the agency level would reduce the Center's workload and provide agency personnel with greater confidence in the data received. The Center and the Department of Defense (DOD) had a number of disagreements or disputes. Some were of long-standing and were brought to the attention of OFPP. In view of these differences, it was suggested transferring the Center from DOD to the General Services Administration; such a transfer is desirable. It has the added advantage of placing the Center with its mission of providing Government-wide procurement statistics in an agency that has other Government-wide responsibilities.

110553

[Air Force "Phase IV" Computer System Acquisition Program]. October 10, 1979. 16 pp.

Testimony before the House Committee on Government Operations: Legislation and National Security Subcommittee; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of the Air Force.

Congressional Relevance: House Committee on Government Operations: Legislation and National Security Subcommittee.

Abstract: The Air Force's overall objective in the Phase IV program is to provide cost effective, responsive, and reliable computer support for a variety of its base-level administrative and operating functions. The Phase IV request for proposals calls for two separate computer systems to be located in most cases in two different facilities at major air bases. The Air Force's stated requirement for two

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complete computer systems has never been justified as mission essential or an operational necessity. The need for two computer systems was established without an adequate study of user requirements. The two systems would probably result in 600 million to 1 billion dollars in additional cost over the 20 year expected life of the program. The Air Force Phase IV Program does not meet the goals of an economical and effective acquisition of computer systems. It also would most likely commit the Air Force to a more expensive solution than necessary to fully satisfy its base-level needs. Because of the much higher cost of the two-computer system minimum requirement, as well as the restrictive effect on competition of this and other terms, conditions, and specifications of the request for proposals, it would be in the best interest of both the Government and the Air Force to cancel the current request for proposals for replacement of computer systems. A simpler, more flexible request for proposals should be developed around a more functional and performance oriented set of requirements.

110580

[Review of HEW Guidelines for Acquiring Automatic Data Processing Systems Under the Social Security Act]. HRD-79-126; B-115369. October 2, 1979. Released October 15, 1979. 7 pp. Report to Sen. Henry L. Bellmon; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Automatic Data Processing: Acquisition of ADP Resources Under the Brooks Act (0111); General Procurement (1900).

Contact: Human Resources Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: Department of Health, Education, and Welfare.

Congressional Relevance: Sen. Henry L. Bellmon.

Authority: Social Security Act.

Abstract: GAO was requested to review requirements governing federally funded automatic data processing (ADP) systems acquisitions with regard to the Department of Health, Education, and Welfare (HEW) requirements on States procuring and using computers to administer programs under the Social Security Act. Nine ADP procurements in five States were reviewed with respect to the procurement methods used. **Findings/Conclusions:** GAO found that Federal law does not require that HEW follow the specific procedures it is using to review and approve proposed computer acquisitions by States. If Congress desires to change the HEW regulations governing ADP acquisitions by States, it could do so by enacting specific legislation. GAO believes that such legislation is not needed to reduce expenditures for ADP systems because existing HEW regulations do not appear to constrain States from making economical computer acquisitions. Although HEW requires the maximum of practical competition, it permits other methods if a State can demonstrate that they are more economical.

110593

Duplication in the Navy's Management Information Systems Is Costly. LCD-79-113; B-163074. October 15, 1979. 28 pp. plus 2 appendices (3 pp.).

Report to James R. Woolsey, Secretary, Department of the Navy; by Richard W. Gutmann, Director, GAO Logistics and Communications Division.

Issue Area: Automatic Data Processing (0100); Military Preparedness Plans: Military Communications and Information Processing Needs (0803).

Contact: Logistics and Communications Division.

Budget Function: National Defense (0050).

Organization Concerned: Department of Defense; Department of the Navy; Department of the Navy: Naval Data Automation

Command, Washington, DC.

Abstract: During fiscal year 1978, the Navy spent \$481 million to operate and maintain automated management information systems (MIS) that support many similar management functions. These different computerized systems produce essentially the same kinds of management reports; have approximately the same automated procedures and processes; and accumulate, process, and store much of the same data. **Findings/Conclusions:** The Navy does not need separate systems for each of its major commands, and effective use of the systems does not depend on organizational structures or command lines. The Navy does not have the personnel resources to maintain the numerous systems it operates, and when changes in functional procedures are mandated, the scarce personnel must implement the changes in all of the systems. There are a few differences among the systems, but these occur because the systems are designed and developed independently of any uniform standard which, if implemented, could serve all of the needs. The establishment of the Naval Data Automation Command (NDAC) is a step in the right direction to better control and use of the automated data processing (ADP) resources. However, it cannot be completely effective until the determination is made whether the resources should be organized to support separate commands or functional programs. **Recommendation To Agencies:** The Secretary of the Navy should: (1) direct NDAC, in conjunction with the offices, commands, and bureaus to identify the common functions which are incorporated into the 44 MIS's the Navy currently operates; (2) direct NDAC, in conjunction with the functional managers, to define information requirements on a Navy-wide basis; (3) direct NDAC, in conjunction with the Assistant Secretary of Financial Management of the Navy and the functional managers, to develop a long-range ADP plan that provides for the phased design, development, implementation, and operation of standard or uniform MIS's that provide functional managers the information they need to accomplish assigned missions and conduct day-to-day operations, and the plan should provide for the efficient, effective, and economical organization and use of current and planned ADP resources on a functional rather than commandwide basis; and (4) direct the functional managers to realign the workloads of the central design activity so that a single activity will be responsible for a single functional area on a Navy-wide basis.

110596

[Social Security Should Obtain and Use State Data To Verify Benefits for All Its Programs]. HRD-80-4; B-164031(4). October 16, 1979. 8 pp.

Report to Patricia Roberts Harris, Secretary, Department of Health, Education, and Welfare; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Income Security and Social Services: Payment Processes (1309).

Contact: Human Resources Division.

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604).

Organization Concerned: Department of Health, Education, and Welfare; Social Security Administration; Veterans Administration; Railroad Retirement Board.

Abstract: The integrity of the four Social Security programs which pay monthly benefits to aged and disabled persons or their survivors and dependents depends on recipients voluntarily reporting changes in their income, resources, and other eligibility circumstances. During fiscal year 1978, \$257.4 million in payment errors were made because Supplemental Security Income (SSI) recipients provided inaccurate or incomplete information, or failed to report changes in their circumstances. **Findings/Conclusions:** While many programs at the State and local levels can affect SSA benefit programs, no SSA group has the responsibility for systematically

organizing, coordinating, and directing a unified approach to obtain State data for use on all SSA programs. Principal efforts by SSA to verify State data have been in the SSI program, and have consisted of trying to develop an informational exchange between State payment files and the SSI State data exchange record given the States for their use. The SSI program is the only program measuring overpayments and underpayments for failures of reporting. Although SSA has successfully obtained and verified benefit information from other Federal agencies to help minimize incorrect payments, little has been done to obtain information maintained by State and local governments which could be used to further reduce erroneous payments. Obstacles confronting SSA in obtaining State data include no specific legislative requirements for States to provide the data, the large number of agencies within a State, and the degree of automation of State records. **Recommendation To Agencies:** The Secretary of Health, Education, and Welfare (HEW) should direct the Commissioner of SSA to develop and implement a comprehensive national effort to obtain and use State and local data, noting, where appropriate, legislative and administrative impediments to obtaining such data. Significant impediments should be brought to the attention of Congress or HEW for resolution. In addition, SSA should be directed to immediately request the assistance of California and New York in obtaining unemployment compensation benefits, and should use these records as well as current Pennsylvania and Kentucky workmen's compensation data to verify the SSI and disability insurance records.

110599

The Federal Weather Program Must Have Stronger Central Direction. LCD-80-10; B-133202. October 16, 1979. 36 pp. plus 6 appendices (28 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Military Preparedness Plans (0800).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of Defense; Department of Commerce; National Oceanic and Atmospheric Administration: National Weather Service; Office of Management and Budget; Department of Agriculture; Department of Energy; Department of Transportation; National Aeronautics and Space Administration; Environmental Protection Agency; Department of the Air Force: Air Weather Service; Bureau of the Budget; Department of the Navy: Naval Oceanography Command.

Congressional Relevance: House Committee on Appropriations; House Committee on Government Operations; Senate Committee on Appropriations; Senate Committee on Appropriations: Defense Subcommittee; Senate Committee on Governmental Affairs; Senate Committee on Governmental Affairs: Permanent Subcommittee on Investigations; Congress.

Authority: P.L. 87-843. P.L. 89-306. H.R. 13715 (95th Cong.). BOB Circular A-62.

Abstract: The objectives of the Federal weather program are to: reduce the economic and social impact of natural disasters, promote the Nation's welfare and economy, preserve and enhance the quality of the environment, and strengthen national security. To meet these objectives, seven Federal agencies are involved in basic or specialized weather services: the Departments of Commerce, Defense, Energy, Agriculture, and Transportation; the National Aeronautics and Space Administration; and the Environmental Protection Agency. Basic services, which constitute the analysis and forecast process, meet public needs and fulfill requirements common to two or more agencies. Specialized services are developed by tailoring this basic data to specific purposes, such as aviation, marine, agricultural, or military applications. Planned expenditures for basic and specialized programs and supporting

research to be conducted by the agencies total \$763 million during fiscal year 1979. The Departments of Commerce and Defense have the most extensive operational programs. They operate the Nation's three major weather organizations: the National Weather Service (NWS), which is under the Department of Commerce, and the Air Weather Service and the Naval Oceanography Command, which are under the Department of Defense. Operational weather forecasts are made by each organization's primary center, specialized centers, and local and regional forecast service offices. Because these three organizations provide both basic and specialized services, they can be considered the heart of weather operations. The specialized centers provide such services as severe storm or hurricane forecasts, and the forecast offices primarily translate basic services received from the primary and specialized centers into specialized forecasts. **Findings/Conclusions:** Overlapping Federal weather programs have concerned both Congress and the Office of Management and Budget (OMB) for more than a decade. In 1963, Circular A-62 was issued by the Bureau of the Budget to provide agencies with policy guidelines governing weather services. The circular established a Federal policy for assessing agency roles in weather activities and for setting goals to be achieved by effective coordination. Although the Circular gave the Department of Commerce a central role in meeting and coordinating the Government's weather information needs, it did not designate Commerce as the single central manager of weather service. Instead, Commerce was made responsible for identifying inefficient and uneconomical operations through systematic reviews and integrated planning of basic and specialized services. Each of the three major weather organizations operates its own primary computer center using a similar forecasting process. Each of the three centers plans to increase its computer capabilities, but has not considered the others' requirements or capabilities when making plans. Commerce has not made an indepth study of the need for three centers. **Recommendation To Congress:** Congress should enact legislation which would: reaffirm the central agency role for weather and specifically define its authority and responsibilities concerning civil and military weather organizations; and strengthen the central agency's role by requiring it to assist OMB in its annual review of agencies' budget submissions by providing comments and recommendations on budgeted activities and on their consistency with the central agency's overall Federal plan or plans. **Recommendation To Agencies:** The Secretary of Commerce should direct the Federal Coordinator to: develop a comprehensive Federal weather plan designed to fully streamline and integrate weather responsibilities, capabilities, and services; and develop a formal review system that would require Federal agencies to submit revised or new weather service requirements and require formal justification why the requirements cannot be met through existing services. The Director of OMB should sponsor an independent study to evaluate the computer needs of the three primary centers and any related centers in research to identify the best service arrangements. The purpose of the study should be to reduce overall computer requirements and to obtain lower capital and operating costs, as well as to obtain such benefits as standardization, greater backup capability, and economies of scale and specialization.

110606

[Supplemental Security Income Computerized System Development Process]. HRD-80-5; B-164031(4). October 16, 1979. 12 pp. plus 2 enclosures (9 pp.).

Report to Patricia Roberts Harris, Secretary, Department of Health, Education, and Welfare; by Philip A. Bernstein (for Gregory J. Hart, Director), GAO Human Resources Division.

Issue Area: Automatic Data Processing: Use of Computer Systems for Agency Mission Requirements and Support Functions (0108); Income Security and Social Services: Program Monitoring and

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Administration (1303).

Contact: Human Resources Division.

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604).

Organization Concerned: Department of Health, Education, and Welfare; Social Security Administration; Die Mesh Corp.

Abstract: The Social Security Administration (SSA) needs to develop a structured and planned approach for managing and controlling the design, development, and modification of its Supplemental Security Income (SSI) computerized system. The system is used to help maintain beneficiary information and administer benefit payments to over 4 million needy aged, blind, and disabled individuals. Erroneous payments have occurred because of control weaknesses. **Findings/Conclusions:** The computer program and system documentation have not been properly developed and maintained. System modifications are placed into the normal operating environment without being adequately validated. Field office users' needs are not always met. Furthermore, the Department of Health, Education, and Welfare (HEW) Audit Agency review and participation are needed to help ensure that adequate automated controls and audit trails are designed into SSA computerized systems. These weaknesses can be overcome by implementing a structured, management-controlled approach to the system design, development, and modification process. **Recommendation To Agencies:** The Secretary of HEW should direct the Commissioner of SSA to: establish a system development life cycle technique which divides the automatic data processing system into distinct phases so that management can review the process at appropriate decision points; use existing program and system documentation standards and procedures provided by the National Bureau of Standards; provide management support to ensure that the systems validation group has enough staff to thoroughly perform the system validation function; and establish control procedures for the validations group so that they can have an effective means for controlling program and system modifications. The Secretary should also direct the Inspector General to have the Audit Agency: expand its efforts to include the review of automated system controls; and actively participate in reviewing the system design, development, and modification process.

110618

[Protester Alleges Agency Improperly Evaluated Proposal]. B-192139.7. October 18, 1979. 9 pp.

Decision re: ITEL Corp.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: ITEL Corp.; El Paso Natural Gas Co., TX.

Authority: 4 C.F.R. 20. 50 Comp. Gen. 788. ITEL Corp. v. Freeman, Administrator, Civ. Act. No. 79-2054 (D.D.C. 1979). B-189730 (1978). B-182558 (1975). B-186002 (1976). B-191245 (1978).

Abstract: A manufacturer of automatic data processing equipment protested the rejection of a portion of its technical proposal as not compatible with the equipment specified in the procuring agency's request for proposals (RFP). The protester provided detailed technical information from independent sources to support its contention that its equipment was generally considered compatible with the components listed in the RFP. GAO based its decision on the question of whether the procuring agency's rejection of the protester's proposal as technically unacceptable was reasonable under the specific terms of the RFP. In reviewing the documentation of the case, GAO found that the protester's equipment failed to meet the minimum requirements stated in the RFP with regard to the special information storage needs of the user. Based on this finding, GAO was unable to conclude that the contracting agency acted

unreasonably in rejecting the protester's proposal and, therefore, denied the protest. However, since the technical information provided by the protester appeared to refute other objections raised by the procuring agency, and since few users require an information storage capacity beyond that of the protester's equipment, it was recommended that the procuring agency, in future requests for proposals, separately state the needs of special users with heavy information storage needs rather than use nationwide standards based on the requirements of a potentially small number of users. This would have the effect of attaining the benefits of additional competition.

110628

How Taxpayer Satisfaction With IRS' Handling of Problem Inquiries Could Be Increased. GGD-79-74; B-137762. September 18, 1979.

Released October 18, 1979. 39 pp. plus 5 appendices (12 pp.).

Report to Joint Committee on Taxation; by Elmer B. Staats, Comptroller General.

Issue Area: Tax Administration: Simplifying and Communicating Tax Law Requirements to Taxpayers (2704).

Contact: General Government Division.

Budget Function: General Government: Tax Administration (0807).

Organization Concerned: Internal Revenue Service.

Congressional Relevance: House Committee on Government Operations: Commerce, Consumer and Monetary Affairs Subcommittee; House Committee on Ways and Means: Oversight Subcommittee; Joint Committee on Taxation.

Abstract: The U.S. tax system is based on voluntary compliance and each individual and business is responsible for filing all required tax returns, assessing the amount of the tax, and paying that amount. Because the Federal tax laws, publications, and forms are complex, taxpayers often need answers to difficult questions. The Internal Revenue Service (IRS) has two systems through which it handles tax inquiries; normal handling and special handling. The normal system used by district offices is intended to answer most taxpayer inquiries on the first contact. The special system was established to handle problem inquiries. While taxpayers may not always be right, extensive taxpayer dissatisfaction could affect their compliance with the tax laws. As a result, GAO sent out questionnaires to determine taxpayer satisfaction with IRS handling of inquiries. **Findings/Conclusions:** The majority of the 2,223 taxpayers responding to the questionnaire were satisfied with the way IRS handled their inquiries. About 32 percent were dissatisfied, most complaining about the way IRS communicated its answers and the fact that resolving, or not resolving, their problems took too many contacts and too much time. GAO estimates that actually 54 percent of the taxpayers handled by the national office and 40 percent handled by service centers were dissatisfied. Due to weaknesses in implementing the special handling system, many problem inquiries which should have received special handling either did not or were referred too late. The control procedures were also found to have weaknesses. Followup of taxpayers with problem inquiries is too limited and taxpayers whose problems are not solved after the first attempt either have to keep trying in frustration or give up. Followup is needed to see that the problems are solved and that the taxpayers are satisfied to the extent possible. Followup would also provide data for the systematic evaluation of possible problem causes. Satisfaction could be increased by making the district offices' special handling units the focal point for controlling more such inquiries since the national office and service centers are further removed and are not primarily intended to handle taxpayer problems. **Recommendation To Agencies:** The Commissioner of Internal Revenue should: (1) require that all IRS employees contacted by taxpayers obtain information on any prior contacts to make sure that problem inquiries are properly referred for special handling and are controlled; (2) increase the extent to which

problem inquiries are handled and controlled by the district offices; (3) send comprehensive followup questionnaires to a statistically valid selection of all taxpayers with problem inquiries; (4) increase evaluation and correction of the common causes of taxpayer problem inquiries, particularly those identified by the GAO taxpayer questionnaire survey; and (5) make sure that IRS looks for ways to improve its communication of responses to taxpayers' inquiries, as part of its efforts to simplify tax forms and instructions.

110644

[Protest of Proposed Award of GSA Contract for Data Processing Equipment]. B-193527. October 23, 1979. 10 pp.

Decision re: International Business Machines Corp.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: General Services Administration; International Business Machines Corp.; ITEL Corp.; Amdahl Corp.

Authority: Property and Administrative Services Act. 4 C.F.R. 20.2(b)(1), 4 C.F.R. 20.2(c). 52 Comp. Gen. 20. 47 Comp. Gen. 275. 48 Comp. Gen. 462. 51 Comp. Gen. 457. 51 Comp. Gen. 609. 58 Comp. Gen. 73. B-193045 (1979). B-186278 (1976). B-163971 (1969). B-181956 (1975). 40 U.S.C. 481. 40 U.S.C. 759(a).

Abstract: A firm protested the proposed award of contracts for automatic data processing (ADP) equipment under a solicitation issued by the General Services Administration (GSA). The protester's proposal was rejected because it contained terms that conflicted with the terms of the model or standard contract that was being used in the procurement for ADP equipment. The firm protested the overall conduct of the Master Terms and Conditions (MTC) program by GSA. Since the protest could affect numerous future procurements under the MTC program, a protest alleging improper conduct of MTC programs will be considered even if untimely. Such a protest would be difficult, if not impossible, to pursue if the protester was precluded from submitting evidence and arguments from several procurements conducted under the same program. GAO has previously considered whether model contracts generally, and the MTC's specifically, abuse GSA discretion by limiting negotiations and contravening the requirement that the Government procure no more than its minimum needs. The protest was denied because offerors were given the opportunity to provide input into the model contract at the time that it was developed, and the use of model contracts in such circumstances fell within the broad discretion accorded agencies of the Government in determining the conditions under which they contract. The use of standard form contracts, with their limited negotiations and broad statements of minimum needs, to procure ADP equipment is not an abuse of GSA discretion. The MTC program falls within GSA discretion in the procurement of ADP equipment. Accordingly, the protest was denied. However, the protester did raise a legitimate concern that the MTC's may be outdated. Therefore, GSA, if it has not done so, should review the MTC's to make sure that their provisions are adequate in light of current market place conditions.

110664

DOD Can Save Millions of Dollars by Improving the Management of Air Force Inventories. LCD-80-6; B-146828. October 25, 1979. 17 pp. plus 1 appendix (3 pp.).

Report to Harold Brown, Secretary, Department of Defense; by Richard W. Gutmann, Director, GAO Logistics and Communications Division.

Issue Area: Facilities and Material Management: Procedures To Assure Sufficient, Not Excessive, Amounts of Material Requisitioning (0719); Facilities and Material Management: Shipments of Material To Achieve Lowest Overall Cost (0720).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of Defense; Department of the Air Force: Air Force Logistics Command, Wright-Patterson AFB, OH; Department of the Air Force: Air Logistics Center, Oklahoma City, OK; Department of the Air Force: Air Logistics Center, San Antonio, TX; General Services Administration.

Authority: A.F.R. 67-87.

Abstract: An examination was made of the policies, procedures, and practices of the Department of Defense and the Air Force for identification and cancellation of excess stocks due-in, and for making small dollar issues from depot stocks. The examination took place at Headquarters, Air Force Logistics Command, and at two air logistics centers. **Findings/Conclusions:** The Air Force can reduce investments in inventories by tens of millions of dollars annually by improving its system for controlling stock excesses and by placing greater management emphasis on the need for timely cancellation or deferral of procurements for items in excess of normal system requirements. Air Force depots filled many individual requisitions for low-value amounts, which were repetitive, and incurred processing costs which exceeded their sales value. The large volume of these issues made yearly by Air Force depots could be substantially reduced and significant savings in warehouse handling costs could be realized by establishing more economical units of issue. **Recommendation To Agencies:** The Secretary of Defense should direct the Air Force to eliminate permissive overstockage from its computations of excess stocks on order, revise computer programs so that duplicate requirements are not included in the buy computations, and provide for more timely identification and effective cancellation of excess on-order stocks. The identification and cancellation of the stocks could be done by: (1) improving the timeliness of the notices of quantities on order exceeding requirement objectives; (2) placing greater emphasis on the need for cancellation of procurements in excess supply; (3) systematically monitoring and measuring item managers' performance in canceling excess on-order stock; and (4) requiring that air logistics centers submit to the Air Force Logistics Command a report showing quarterly average overstock and the average value of overstock canceled along with their annual report for stock fund apportionment of obligation authority. The Secretary should also direct the Air Force to fill war readiness and foreign sales requirements from available stocks to the maximum extent practicable. In addition, the Secretary should, in coordination with the Administrator of General Services, revise the unit of issue of low-cost items to: (1) increase the unit of issue quantities in the supply catalog to minimum standard packs, wherever feasible; (2) require that unit pack quantities be determined in accordance with prescribed standards; and (3) emphasize the need to establish more economical units of issue when new items are entered in the supply system.

110665

[Student Loan Insurance Fund]. HRD-80-12; B-164031(1). October 25, 1979. 5 pp.

Report to Patricia Roberts Harris, Secretary, Department of Health, Education, and Welfare; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Accounting and Financial Reporting: Operations, Financial Position, and Changes in Financial Position (2802); Education: Organization and Management of Federal Education Programs (3301).

Contact: Human Resources Division.

Budget Function: Education, Training, Employment and Social Services: Higher Education (0502).

Organization Concerned: Office of Education: Finance Division; Office of Education: Bureau of Student Financial Assistance; Department of Health, Education, and Welfare.

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Authority: Higher Education Act of 1965 (20 U.S.C. 1001).

Abstract: The Student Loan Insurance Fund is used to finance Federal insurance and reinsurance of loans made under the Guaranteed Student Loan (GSL) program. Previous reports have discussed the inability of the Office of Education's accounting and computer systems to provide accurate information for the Fund's financial statements and program operation. Although efforts are under way to improve the GSL accounting and computer systems, many problems remain unresolved. The Bureau of Student Financial Assistance (BSFA) stated that, because of the change in contractors, no specific timetable of proposed actions could be provided, and GAO was advised that an audit of the Fund at the time would simply disclose that previous deficiencies remain uncorrected. BSFA and the new contractor will have to correct deficiencies discussed in the prior reports before reliable information necessary to administer the program and detailed accounting records needed to support the GSL financial statements can be developed and an audit can be made.

110690

[Protest Alleging Receipt of Incorrect Information Concerning Evaluation Criteria and Required Labor Categories]. B-195014. October 26, 1979. 2 pp.

Decision re: PSI-TRAN Corp.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: PSI-TRAN Corp.; Chesapeake Computer Consultants, Inc.; Federal Railroad Administration.

Authority: F.P.R. 1-3.6.

Abstract: A company protested the award of a contract for data processing support, contending that the contract should have been recompeted because the company was incorrectly informed of the evaluation criteria for the award and of the labor categories required to perform the work. The protester further contended that the evaluation of its offer did not correspond to the evaluation criteria and the required labor categories. The agency stated that it explicitly communicated the proposal and selection criteria to the protester during their oral negotiations. It was held that, in negotiating a small purchase, the contracting officer has broad discretion to determine the manner of obtaining quotations, and that such complaints will not be considered unless the protester can prove that it was intentionally misled by the contracting officials or the use of an oral solicitation was unreasonable. Since neither was proven, the protest was denied.

110719

[Protest Alleging Improper Rejection of Proposal]. B-194003. October 29, 1979. 9 pp.

Decision re: Sperry Rand Corp.; Sperry Univac Computer Systems; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: General Services Administration; National Institutes of Health; National Library of Medicine; International Business Machines Corp.; Sperry Rand Corp.; Sperry Univac Computer Systems.

Authority: Property and Administrative Services Act. (40 U.S.C. 759; 79 Stat. 1127). F.P.R. 1-4.1105-1. B-183182 (1975).

Abstract: The General Services Administration (GSA) issued a request for proposals (RFP) on behalf of the National Library of Medicine (NLM) for an automatic data processing system to replace a multiprocessor system that operated the NLM Medical Literature Analysis and Retrieval System. Benchmark testing was scheduled; however, the protester's proposal was found unacceptable because it had developed a shared-work file concept as opposed to the NLM-distributed version of the program, which

provided a separate set of work files for each copy of the program. This change did not comply with an appendix to the benchmark instructions, and NLM stated that benchmark results would be distorted and not reflect the true performance of the protester's system in an operational environment. The protesting firm argued that it had been improperly denied the right to perform a benchmark because NLM had misinterpreted the RFP requirements permitting the redesign of existing programs. The protester contended that the appendix was not a mandatory requirement of the RFP, and therefore its proposal was improperly rejected. GSA, deferring to the NLM technical evaluation that the protester had failed to comply with requirements, recommended that the protest be denied; however, GSA disagreed with the NLM interpretation that the appendix was totally mandatory. GSA reasoned that to read the appendix as mandatory would render meaningless the option given offerors to redesign the entire existing retrieval system, since such line-by-line compliance would require offerors to propose the same system as currently utilized by the incumbent. GAO agreed with GSA that NLM had misread the RFP to show that the appendix was a mandatory specification. The protest was sustained. It was recommended that the protester be permitted to benchmark its proposed system or, if NLM found that the RFP had failed to state its minimum needs, the RFP should be amended and offerors permitted to submit revised proposals.

110743

Lack of Control and Feedback Hinders Army Manpower Management Improvements. FPCD-80-9; B-178238. October 31, 1979. 41 pp. plus 3 appendices (17 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Personnel Management and Compensation (0300).

Contact: Federal Personnel and Compensation Division.

Budget Function: National Defense (0050).

Organization Concerned: Office of Management and Budget; Department of Defense; Department of the Army.

Congressional Relevance: House Committee on Appropriations; House Committee on Armed Services; Senate Committee on Appropriations; Senate Committee on Armed Services; Congress.

Abstract: Using information and findings from previous reports, GAO evaluated the adequacy of the Army manpower management system to determine effectively its manpower needs, justify its manpower budget, and direct and monitor manpower use. Actions taken by the Army to correct some of its more significant problems were identified. **Findings/Conclusions:** Although the Army has tried to solve some of its problems by consolidating many headquarters' manpower functions, it needs to establish an integrated and reliable system of controls from Army headquarters and feedback from field offices to correct the weaknesses that were found. Management responsibilities are fragmented and not clearly defined. The Army's decentralized management philosophy gives subordinate commands complete flexibility in managing resources. Because it has no common data base for coordinating, budgeting, and evaluating manpower needs, the Army cannot properly prepare a zero-base budget. Total sources of labor, such as contract employees and deployable troops, are not considered in determining manpower requirements. As a result, headquarters cannot monitor the use of their total labor force or compare performance standards. **Recommendation To Agencies:** The Secretary of the Army should design a manpower management system integrated at all organizational levels. The system should be designed to identify the functions and accountability of headquarters and commanders at each lower level so that information flows freely. Activities and functions should be tied together with common data bases and reporting systems which are simple and can be adapted to meet the manpower and budgeting needs of managers at all levels. But it cannot merely consolidate existing functions. The Army should

develop a long-range plan, and in preparing and carrying out the plan the Army should: involve top-level managers and use outside expertise when appropriate; make sure a headquarters organization has adequate support and staff to implement and monitor the plan; design management activities that use common data for operational and headquarters management as well as budget development; develop methods for determining detail manpower needs which are based on sound techniques, use accurate workload and manpower data, can directly relate manpower to workload, can be aggregated from detail to budget level, and are cost effective; make the best and most cost-effective use of active and reserve military, civilian, and contractor personnel; establish an officer career field for manpower managers and place more emphasis on developing and using civilian managers in both manpower and personnel; allocate sufficient staff to develop the data base needed by manpower managers; evaluate audit agencies' recommendations; and make improvements which are best for the total manpower function rather than for each component of manpower management.

110744

FAA's Program To Automate Flight Service Stations: Status and Needs. PSAD-80-1; B-164497(1). October 31, 1979. 18 pp. plus 1 appendix (5 pp.).

Report to Neil E. Goldschmidt, Secretary, Department of Transportation; by Jerome H. Stolarow, Director, GAO Procurement and Systems Acquisition Division.

Issue Area: General Procurement (1900); General Procurement: Providing Congress With Information on Individual Major Systems for Which Funds Are Being Requested (1907); Transportation Systems and Policies (2400).

Contact: Procurement and Systems Acquisition Division.

Budget Function: Transportation: Air Transportation (0402).

Organization Concerned: Federal Aviation Administration; Department of Transportation.

Authority: OMB Circular A-109.

Abstract: To meet a large anticipated demand for services by 1990, the Federal Aviation Administration (FAA) plans to automate flight service stations, enabling pilots to brief themselves. GAO reviewed this plan as a part of an ongoing review of major acquisitions of executive agencies. **Findings/Conclusions:** The plan will be instituted in three segments called models. The objective of the first model, establishment of a limited-capability automated system at the busiest stations, is already being achieved by other programs and could be eliminated. FAA plans to begin production of the second model after a competitive design verification phase that does not include a software function. GAO felt that the plan could be improved by requiring some functional software development during the initial competitive development phase to insure obtaining a better system. Improvements and additions in the third model will enable pilot self-briefing. As specialists will continue to be available to all pilots, some controls will be necessary to achieve maximum use of the automated system. **Recommendation To Agencies:** The Secretary of Transportation should direct the Administrator of FAA to: delete Model One from the automation program because of improvements already being made to flight service stations, and its deployment has not yet been demonstrated to be cost beneficial; include more software development in the design verification phase to take advantage of the competition and adhere to the Office of Management and Budget's Circular A-109 acquisition approach; and without compromising flight safety, develop a mechanism to control pilots' demands for preflight services provided by specialists, discourage excessive recourse to specialists, and assure effective implementation of the pilot self-briefing concept.

110769

The Navy Does Not Know if It Has Too Much Electronic/Electrical Depot Maintenance Capability, Too Little, or the Right Kind. LCD-80-3; B-133014. November 2, 1979. 45 pp. plus 5 appendices (9 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Military Preparedness Plans: Mobilization Needs (0807); Logistics Management: Sound Logistics Policies (3802).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of Defense; Department of the Navy; Office of Management and Budget.

Congressional Relevance: House Committee on Armed Services; Senate Committee on Appropriations: Defense Subcommittee; Senate Committee on Armed Services; Congress.

Abstract: The management of depot maintenance of electronic/electrical items at Navy shipyards, naval air rework facilities, and naval electronic systems engineering centers was reviewed at 18 locations. Equipment is maintained at depots or contractor plants when it needs maintenance which requires more extensive facilities and equipment and more skilled personnel than are available at lower maintenance levels. The objective of depot maintenance is to sustain weapon and end-item systems in a state of operational readiness, consistent with the mission requirements of the operating or tactical elements, and at the least cost. **Findings/Conclusions:** The Navy's in-house depot maintenance of electronic-electrical equipment costs more than \$275 million per year. While it has made broad wartime planning assumptions to identify projected gross operating levels for its industrial complex, the Navy has not determined its mobilization requirements in terms of specific resources needed. This failure to equate projected wartime usage with the need for specific facilities, equipment, and skills has resulted in the development of electronic/electrical capacity far in excess of peacetime requirements. Insufficient information concerning requirements and resources, inadequate long-range planning, and an inclination towards self-sufficiency and autonomy at the installation level have hindered proper depot sizing. **Recommendation To Agencies:** The Secretary of the Navy should identify mobilization maintenance workload requirements and translate them into specific maintenance resources, such as facilities, equipment, and skills; distribute this workload among Navy, commercial, and other military service facilities; and develop a master plan to properly size the available resources. This plan should include a timetable for phasing out excesses, consolidating underused capabilities, and spending available funds to alleviate shortages and to renovate or upgrade those facilities which are needed. The Secretary of the Navy should instruct the Naval Air Systems Command (NAVAIR) to examine the justification for the already approved \$1.9 million worth of equipment and consider existing equipment at North Island and other Department of Defense depots when evaluating future procurement of equipment at North Island. The Secretary of the Navy should direct the Naval Sea Systems Command to evaluate alternatives to completing the top two floors of Philadelphia's Building 1000. The Secretary of the Navy should also direct the Commander, Alameda Naval Air Rework Facility, to disapprove the creation of a printed circuit board manufacturing capability at Alameda, unless Alameda can demonstrate that the other capabilities cannot satisfy Alameda's requirements. The Secretary of the Navy should direct the Commander of NAVAIR, to the extent consistent with mission requirements, to: transfer the balance of the Air Identification Marks System (AIMS) program from Alameda to Pensacola and require that Alameda obtain its AIMS instruments through the supply system; require Alameda to transfer its AIMS equipment to Pensacola; and require that Pensacola delete the \$518,000 AIMS automatic test system from its requirements list and use the Alameda system.

Citation Section

110774

The Air Force Should Cancel Plans To Acquire Two Computer Systems at Most Bases. FGMSD-80-15; B-163074. October 26, 1979. Released November 5, 1979. 50 pp. plus 1 appendix (1 p.). Report to Rep. Jack Brooks, Chairman, House Committee on Government Operations; by Elmer B. Staats, Comptroller General.

Contact: Financial and General Management Studies Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: Office of Management and Budget; General Services Administration; Department of Defense; Department of the Air Force; Department of the Air Force: Air Force Audit Agency.

Congressional Relevance: House Committee on Government Operations; Rep. Jack Brooks.

Abstract: The report described how the Government could save hundreds of millions of dollars if the Air Force redirected its computer system acquisition program. Air Force requirements, vendor competition, and the handling of unsolicited proposals were reviewed. **Findings/Conclusions:** The Air Force's stated requirements for a minimum of two new computer systems capable of running the same programs had never been justified and were established without defined base-level user requirements. A single computer system could be acquired that would provide effective support for all base-level data processing requirements. Current base-level computer systems have been reliable and generally available when needed. No base-level computer system hardware problem has been severe enough to require extensive backup capability at each base. The risks associated with software conversion were being minimized by the current acquisition approach, and any further risk reduction possible by installing two computer systems at most bases was considered too small to justify the considerable added costs of such installation. It was felt that it would be in the best interests of the Government and the Air Force to replace the current requests for proposals with requests for proposals developed around a more functional and performance-oriented set of requirements that would represent actual base-level operations and needs.

110804

Contracting for Computer Software Development--Serious Problems Require Management Attention To Avoid Wasting Additional Millions. FGMSD-80-4; B-115369. November 9, 1979. 31 pp. plus 3 appendices (53 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Design, Development, and Installation of Software (0106).

Contact: Financial and General Management Studies Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: Department of Commerce; General Services Administration; National Bureau of Standards.

Congressional Relevance: Congress.

Abstract: Contracting for computer software can be an effective alternative to software development by Federal employees. However, a review of several software development contracts found that many experience large cost overruns and lengthy delays. Certain problems were found to be common to all software contracts that had had trouble. **Findings/Conclusions:** Federal agencies contracted for software with little specific guidance. They often overestimated the stage of systems development they had reached before contracting. This overestimation often led to the issuing of inappropriate contracts using inadequate criteria for contractor performance. Agencies overcommitted themselves and failed to control contractors through strict phasing. Management failures while the work was being done included excessive changes, failure to inspect intermediate stages of work, and failure to require progress reports from the contractor. Contractual testing requirements were

often inadequate or absent. Lack of a single identified contractor source for answers and interpretation of the requirements led to communications problems. The agencies were not enforcing recovery clauses. **Recommendation To Agencies:** The Secretary of Commerce, through the National Bureau of Standards, and the Administrator of the General Services Administration should issue specific guidelines to assist Federal agencies in recognizing and dealing with the unique factors added to custom software development when it is done by contract. The following areas should be covered: internal agency management practices necessary to write, manage, and monitor software development contracts; specific instructions on how to tailor software development contracts to the state of system development that an agency is in at the time it lets a contract; guidance on contract stipulations regarding the phasing of the software development; guidance on performance specifications to be included in the contract to clarify quality requirements for the software; the importance of requiring the software contractor to have a formal quality assurance program that is documented and subject to audit; the degree of definition required to properly define such things as documentation standards, adherence to programming language standards, acceptance testing procedures, and satisfactory performance by the contractor; how to handle changes in the software being developed with minimal disruption; how to ensure that the contractor follows sound system development practices; and the effective use of contract clauses which would deny payment in case of poor performance by the contractor. Federal agencies involved in software development contracting should train project managers in such overall skills necessary to manage those contracts such as software, contracting, and management. They should also take appropriate action in each phase of software development contracting.

110823

The Office of the Comptroller of the Currency's Internal Auditing Needs Strengthening. GGD-80-8; B-168904. November 9, 1979. 24 pp. plus 1 appendix (1 p.).

Report to John G. Heimann, Comptroller, Office of the Comptroller of the Currency; by Elmer B. Staats, Comptroller General.

Issue Area: Internal Auditing Systems (0200); Internal Auditing Systems: Internal Audit Planning and Coordination (0202); Internal Auditing Systems: Audit Reports Quality and Followup (0203).

Contact: General Government Division.

Budget Function: General Government (0800).

Organization Concerned: Office of the Comptroller of the Currency; Department of the Treasury; Office of Management and Budget; Office of the Comptroller of the Currency: Internal Audit; Israel: Ministry of Defense.

Authority: Legislative Reorganization Act of 1970. Comptroller of the Currency Administrative Circular 52. OMB Circular A-73.

Abstract: The Office of the Comptroller of the Currency's (OCC) internal audit function was evaluated. The overall objective of internal auditing is to assist management in discharging its responsibilities by furnishing information, analysis, appraisals, and recommendations pertinent to the organization's execution of management policies and procedures. **Findings/Conclusions:** The OCC Internal Audit Division has suffered from a lack of staff resources and limited coordination with other review efforts. With a small staff and in the absence of clear, current and written operating policies, informal operating practices have evolved. This, in turn, has resulted in an audit process needing more effective program planning, more consistent audit implementation, clearer reporting, and better followup on recommendations. A plan was recently approved which would reorganize and strengthen OCC internal audit activities; the plan needs to be strengthened further by clarifying Internal Audit's role and relationship with other review groups. **Recommendation To Agencies:** The Comptroller of the

Currency should: (1) provide Internal Audit with the additional staff resources necessary to effectively accomplish its organizational responsibility; (2) improve the technical skills of the Internal Audit staff, particularly in the area of computer auditing; (3) update the 1970 internal audit administrative circular to clarify Internal Audit's operational relationships, particularly with the external auditor and other internal review groups, and to reemphasize Internal Audit's broad scope of audit responsibilities, particularly the responsibility to perform economy and efficiency reviews and program evaluations of all important operational areas; (4) provide additional information in Internal Audit's annual program plan to make it conform with Office of Management and Budget guidance; (5) instruct the head of Internal Audit to immediately develop a written audit manual which includes standards, policies, and procedures for the development and use of written audit programs, the preparation of audit workpapers, and the establishment of consistent supervisory practices; (6) develop written reporting procedures which provide guidance on report form, processing and timing; and (7) develop written recommendation followup procedures to assure that internal and external audit recommendations are receiving appropriate attention.

110862

Quality Civil Legal Services for the Poor and Near Poor Are Possible Through Improved Productivity. FGMSD-79-46; B-163762. October 19, 1979. Released November 19, 1979. 19 pp. plus 2 appendices (4 pp.).
Report to Senate Committee on Finance; by Elmer B. Staats, Comptroller General.

Issue Area: Income Security and Social Services (1300); National Productivity: Productivity for Common Government Functions (2902).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems (1100).

Organization Concerned: Legal Services Corp.; Department of Justice; Office of Economic Opportunity.

Congressional Relevance: Senate Committee on Finance; Sen. Bob Packwood; Sen. Russell B. Long.

Authority: Economic Opportunity Act of 1964 (P.L. 88-452).

Abstract: The cost to the Federal Government of providing quality civil legal services to the poor was compared to the cost of comparable services provided by private companies. The Legal Services Corporation (LSC), established in 1974 as a non-profit corporation, is the chief Federal source of legal aid for the poor and near poor. **Findings/Conclusions:** It was found that the majority of private prepaid legal plans are employee funded and that their services are so different from those of federally funded programs that unit costs were generally not comparable; however, certain observations were made. Public sector attorney costs averaged \$17 hourly while private sector charges averaged \$40 hourly, including overhead. For routine civil matters, the efficiency level was about the same in both sectors. As the result of increased automation, significant potential cost and delivery improvements were apparent in both sectors, particularly where standard, routine legal services were concerned. It was suggested that the LSC could develop and disseminate legal automation techniques through a research and demonstration program. Besides increasing the cost and delivery potential of LSC grantees, such a program would make legal services more affordable for middle-income citizens who are currently unable to afford private legal services. The study revealed that LSC had no management information systems for obtaining the data needed to evaluate the cost effectiveness of its programs. LSC had begun efforts to develop local and national management information at the time of the study, and LSC planned to report on its progress by early 1980. **Recommendation To Agencies:** The President of

LSC should improve the productivity of civil legal aid by developing and instituting a research and demonstration program aimed toward systemizing and automating the operations of Corporation grantees.

110875

[Review of GSA's Method of Supply Model]. PSAD-80-7; B-178214. November 16, 1979. 4 pp. plus 1 enclosure (14 pp.).
Report to H. D. Harvell, Acting Commissioner, California Power Systems, Inc.; by Walton Sheley, Jr. (for Jerome H. Stolarow, Director), GAO Procurement and Systems Acquisition Division.

Issue Area: General Procurement (1900).

Contact: Procurement and Systems Acquisition Division.

Budget Function: Procurement--Other Than Defense (1007).

Organization Concerned: California Power Systems, Inc.; Office of Federal Procurement Policy; General Services Administration.

Abstract: The Federal Supply Service (FSS) has developed a model for determining the most effective way to provide commonly used items to Federal agencies. An evaluation of the validity and effectiveness of this model was requested. Federal agencies and executive officers use four methods for filling their requirements for furniture, office supplies and other commonly used items. These methods are referred to as stock, nonstock, schedules, and agency local purchase. FSS has central control over stock and nonstock purchasing. For the schedules method, FSS contracts for items which the agencies then order directly from the contractor. In this case, FSS does not control the quantities purchased or keep records of the amount agencies spend. The agencies procure items directly under the agency local method. FSS keeps no records of these purchases. **Findings/Conclusions:** The evaluation of the model found that the stock savings factors were used improperly in the equations, and the safety level stock was computed in an inconsistent manner. There were several minor errors and inconsistencies. In the equations, the unit purchase price was the same under the stock method as under the schedule method. It was felt that the schedules method unit price should be higher because of price discounts from buying larger quantities of goods in the stock program. **Recommendation To Agencies:** FSS should obtain more accurate stock saving factors, especially for the schedules programs. Finer detail than group- or class-wide averages is desirable. These more accurate values should be applied properly in the equations. In addition, FSS should agree upon a uniform set of carrying costs, using separate charges for the cost of capital and warehouse space, for use in all areas of FSS inventory management; and recode the program to correct space costs and safety stock factors to agree with practices of the Inventory Management Division which constrain replenishments, use multiple depots, and base safety stock on variable demand. Finally, FSS should construct a work plan to operate the model regularly, more efficiently, and with a long-range goal of reviewing each item at a specified interval, such as once every 2 years; and use the model consistently with the Office of Federal Procurement Policy.

110884

Identifying Boarding Homes Housing the Needy Aged, Blind, and Disabled: A Major Step Toward Resolving a National Problem. HRD-80-17; B-164031(4). November 19, 1979. 14 pp. plus 2 appendices (3 pp.).
Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Income Security and Social Services (1300).

Contact: Human Resources Division.

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604).

Organization Concerned: Department of Health, Education, and Welfare; Social Security Administration.

Citation Section

Congressional Relevance: Congress.

Authority: Freedom of Information Act (5 U.S.C. 552). Privacy Act of 1974 (5 U.S.C. 552a). Social Security Act. P.L. 94-566.

Abstract: Countless needy aged, blind, and disabled persons receiving Supplemental Security Income (SSI) live in boarding homes. In 1976, Congress enacted a section of the Social Security Act which required the States to establish, maintain, and ensure enforcement of standards for facilities, such as boarding homes, in which significant numbers of SSI recipients reside or are likely to reside. However, while many of these persons are abused and exploited by unscrupulous operators, State and local licensing inspection officials do not know the location of the homes. **Findings/Conclusions:** Many States lack the computer or programming capability to manipulate the data in the State Data Exchange file into a format usable for identifying boarding homes. This problem must be overcome if States are to fully enforce the standards that have been established. GAO developed a computerized data retrieval process which can be applied to Social Security Administration (SSA) records to identify addresses to which SSI checks are sent each month. GAO found that some of the homes were unlicensed and were either operating illegally or were not required to have a State or local license, and some of them were unknown to authorities. The legal questions concerning the use of information obtained from the SSA records have been resolved, and SSA has begun action to overcome the technical barriers which may be preventing States from using this process of identification. **Recommendation To Agencies:** The Secretary of Health, Education, and Welfare should: (1) notify each State of the decision that information in the data exchange file may be used to assist in identifying boarding homes; (2) provide computer and programming assistance to any State that lacks the capability to manipulate the State Data Exchange file to produce data in a format usable for identifying potential boarding homes; and (3) monitor States' efforts to enforce the standards established under section 1616(e) and help resolve problems encountered.

110894

Tactical Operations System Development Program Should Not Continue as Planned. LCD-80-17; B-163074. November 20, 1979. 4 pp. plus 1 appendix (19 pp.).

Report to Harold Brown, Secretary, Department of Defense; by Richard W. Gutmann, Director, GAO Logistics and Communications Division.

Issue Area: Automatic Data Processing: User Requirements and Systems Specifications for Software (0105).

Contact: Logistics and Communications Division.

Budget Function: National Defense (0050).

Organization Concerned: Department of Defense; Department of the Army; Office of Management and Budget.

Congressional Relevance: House Committee on Appropriations; House Committee on Armed Services; House Committee on Government Operations; Senate Committee on Appropriations; Senate Committee on Armed Services; Senate Committee on Governmental Affairs. **Abstract:** For 20 years the Army has been trying to develop a system that would use automation to assist battlefield commanders in making tactical command and control decisions. The current development of the Tactical Operations System (TOS), begun as a test bed in 1971, has not been very successful, because the Army overlooked key aspects of sound system management. **Findings/Conclusions:** The Army has had more than sufficient time to implement sound management and system development practices. It seems that the TOS program will be forever evolving if information requirements are not clearly defined before proceeding with development. Plans to continue development by fielding one system in Europe will require over \$100 million in additional funding. At best, this interim system can be expected to be rendered inadequate by corps-level requirements and system

development efforts. Because the corps-level system presents an opportunity to provide a full identification of requirements and state-of-the-art technology, little would be gained from a developmental point of view by continuing with the division-level development effort at this time. Although there is a need for automated assistance to support command and control, it is the opinion of GAO that the Army is not in a position to make major commitments to division TOS. Since the ongoing corps-level study is intended to provide the design needed, the Army should not make investments in hardware or software until these requirements are known and the system design is established. **Recommendation To Agencies:** The Secretary of Defense should direct the Secretary of the Army to delay the division TOS development effort until the results of the master plan and corps studies are known. If division TOS meets the needs of that automation architecture, the Secretary of Defense should direct the Secretary of the Army to make a technical and cost trade-off analysis of continuing with the current division TOS effort. The Secretary of Defense should also direct the Secretary of the Army to delay further experimentation with hardware and software for the corps-level TOS until the results of ongoing studies are known.

110897

Computer Assisted Telephone Interviewing. PAD-79-70A. September 1979. 26 pp.
by Harry S. Havens, Director, GAO Program Analysis Division.

Issue Area: Evaluation Guidelines and Methodology (2600).

Contact: Program Analysis Division.

Budget Function: Automatic Data Processing (1001).

Abstract: One line of effort of the Evaluation Guidelines and Methodology issue area is identifying and developing methods to improve the conduct of Federal evaluation studies. Among other tasks, this involves conducting studies which focus on an identified need and potential methods to satisfy it. Much of the value of these studies lies in their survey nature. A potentially useful off-the-shelf method available for use by GAO is the technique known as computer-assisted telephone interviewing (CATI). Application of the CATI methodology may afford GAO some benefits in timeliness and data reliability. CATI systems facilitate speedy data collection, enable more complex telephone interviews to be used, impose more stringent quality control levels, and increase data reliability. However, these advantages are not without some penalties. More interviews may be necessary to save time on large samples, and CATI costs considerably more than mail surveys but less than personal interviews. CATI also requires considerable computer programming support and software development.

110899

[Civil Service Commission Needs To Strengthen Management and Control of Its Revolving Fund Activities]. FPCD-78-93; B-110497. December 12, 1978. 8 pp.

Report to Sen. Abraham A. Ribicoff, Chairman, Senate Committee on Governmental Affairs; Rep. Robert N. C. Nix, Chairman, House Committee on Post Office and Civil Service; by Elmer B. Staats, Comptroller General.

Issue Area: Personnel Management and Compensation (0300); Accounting and Financial Reporting: Operations, Financial Position, and Changes in Financial Position (2802).

Contact: Federal Personnel and Compensation Division.

Budget Function: General Government: Central Personnel Management (0805).

Organization Concerned: Office of Personnel Management; United States Civil Service Commission: Bureau of Management Services; United States Civil Service Commission: Bureau of Management Services: Office of Management, Analysis, and Audit; United

States Civil Service Commission: Bureau of Training, Personnel Investigations, and Intergovernmental Personnel Programs.

Congressional Relevance: *House* Committee on Appropriations; *House* Committee on Government Operations; *House* Committee on Post Office and Civil Service; *Senate* Committee on Appropriations; *Senate* Committee on Governmental Affairs; *Rep.* Robert N. C. Nix; *Sen.* Abraham A. Ribicoff.

Authority: (P.L. 91-189; 5 U.S.C. 1304). OMB Circular A-73.

Abstract: In fiscal year 1977, the Civil Service Commission provided (1) training to about 187,000 Federal, State, and local government employees, (2) full field security investigations for about 23,000 employees, and (3) technical advice and assistance for strengthening State and local governments' personnel administration. These activities are financed by the Commission's revolving fund. The Commission's internal audit office, the Office of Management Analysis and Audits, is responsible for making financial analyses and maintaining good overall financial condition of the revolving fund. The Commission's Bureau of Training, Personnel Investigations, and Intergovernmental Personnel Programs is responsible for managing the major reimbursement programs financed by the fund. **Findings/Conclusions:** Improvements must be made in the management of and the accounting for the revolving funds. An accounting system is an integral part of a management control system since the accounting records and related procedures contribute significantly to meet the objectives of the control system. The Commission's accounting and fiscal procedures manual describes control procedures which should be adequate to assure that account balances are periodically reconciled with source documents, accounts receivable are collected promptly, and funds are properly safeguarded and handled. These control measures were not always properly applied. Commission accounting personnel stated that partial reconciliation of account balances was made, but not in the way prescribed by the accounting manual. They cited lack of personnel and increased workload as reasons why complete reconciliations were not made. The Office of Management Analysis and Audits discussed this matter and recommended corrective action in its January 1976 report. Additional accounting and management controls are needed to strengthen the Commission's management control system in charging all revolving fund activities for accrued annual leave and depreciation expenses incurred; properly accounting for and depreciating fixed assets; providing adequate financial disclosure within the work-in-process account; and monitoring and carrying out payment provisions of reimbursable technical assistance agreements. **Recommendation To Agencies:** The Chairman of the Commission, and the Director of the Office of Personnel Management, who will be responsible for the fund in January 1979, should take prompt action to: (1) implement prescribed accounting and fiscal procedures, especially those related to reimbursable accounts and safeguarding and handling Commission funds; (2) either collect or write off and turn over to GAO for collecting all accounts receivable older than 6 months; (3) establish accounting and management controls to assure that all activities are charged for accrued annual leave and depreciation expenses, fixed assets are properly accounted for and depreciated, the work-in-process account provides for adequate financial disclosure, and payment provisions of reimbursable technical assistance agreements are monitored and fully carried out; and (4) strengthen procedures to assure that auditors' findings are promptly acted on and properly resolved.

110907

[*DOD Automated Systems Security Programs*]. LCD-79-109; B-163074. March 21, 1979. 4 pp.

Report to Harold Brown, Secretary, Department of Defense; by Richard W. Gutmann, Director, GAO Logistics and Communications Division.

This report refers to LCD-78-123, January 23, 1978.

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of Defense; Department of the Army; Office of Management and Budget.

Authority: OMB Circular A-71. A.R. 380-380.

Abstract: Comments are provided on a report which examined the automated systems security programs of the Department of Defense (DOD) and other major Federal agencies, particularly as they relate to protecting sensitive data concerning internal audits and audit findings. **Findings/Conclusions:** The report concluded that agency management attention to programs for protecting data in automated systems was deficient. However, potential was found for improvement, and the Office of Management and Budget and the Department of Army have issued regulations that provide a framework of policies and procedures which address the problems discussed in the report. If agencies continue these efforts to a significant degree, the report's recommendation on the audit of systems security could be satisfied.

110915

Review of the Activities of the House Office Equipment Service for the Year Ended June 30, 1979. GGD-80-17; B-114865. November 21, 1979. 4 pp. plus 2 enclosures (4 pp.) plus 1 attachment (1 p.).

Report to Robert R. Donaldson, Vice President, Honeywell Information Systems, Inc.; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting: Operations, Financial Position, and Changes in Financial Position (2802).

Contact: General Government Division.

Budget Function: General Government: Legislative Functions (0801).

Organization Concerned: House of Representatives: Clerk of the House; House of Representatives: Office Equipment Service.

Congressional Relevance: *House* Committee on Armed Services: Research and Development Subcommittee.

Authority: 2 U.S.C. 112e.

Abstract: The Comptroller General was requested to provide corrections to his letter of October 1, 1979, to the Chairman, Subcommittee on Research and Development, House Armed Services Committee. **Findings/Conclusions:** There were three issues involved in the request. First, the firm claimed to have completed agreements with GAO concerning certain of its computer equipment supplied to the Department of Defense (DOD) as the World Wide Military Command and Control System (WWMCCS). GAO has made changes to its report based, in part, on the suggestions furnished by the firm's representatives. However, the changes did not result in any substantially different posture relating to WWMCCS standard computers furnished by the firm. Second, the alleged agreements recognized that prior commentary by GAO concerning the equipment's lack of on-line interactive capability was in error. In its report GAO demonstrated that the WWMCCS standard computers and software had not effectively supported interactive processing in command and control exercises and in crisis situations. Additional computer systems have been acquired at WWMCCS sites to attempt to overcome these capability problems. Third, according to the firm, the major problem was that the WWMCCS computers were implemented in a predominantly batch environment. GAO found that this equipment, both computers and software, operated in a batch environment to meet DOD specifications. However, several unique file access facilities have been implemented which were necessary to meet needs for interactive processing, because the WWMCCS standard operating system and data base management system were not responsive to mission requirements. It was concluded that the three issues presented did not constitute a basis for changing the October 1, 1979, letter.

110962

[Protest of Bid Rejection as Unacceptable]. B-194168. November 28, 1979. 7 pp.

Decision re: Burroughs Corp.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: Burroughs Corp.; North Dakota: Employment Security Bureau.

Authority: Social Security Act (42 U.S.C. 501 et seq.). Wagner-Peyser Act (Federal Employment Service) (29 U.S.C. 49 et seq.). 58 Comp. Gen. 415. 55 Comp. Gen. 60. 55 Comp. Gen. 69. 51 Comp. Gen. 479. 50 Comp. Gen. 202.

Abstract: A firm requested a review of the award of a contract for data processing services issued by the North Dakota Employment Security Bureau (NDESB). The procurement was conducted under a grant from the Department of Labor. Primarily, the firm contended that NDESB improperly rejected its bid without conducting any discussions with it. The firm contended its proposal contained sufficient information and that any deficiencies were inconsequential and could have been resolved in discussions. The firm contended that NDESB allowed the awardee to correct deficiencies in discussions, while it was not given this opportunity. Finally, the protester contended that an earlier NDESB proposal for the data processing services should not have been canceled. NDESB contended that it evaluated the three proposals submitted and rejected the protester's bid because of its failure to meet several mandatory requirements of the request for proposals (RFP). The record indicated that the earlier proposal was rejected because NDESB believed that offerors misunderstood the grantee's requirements and that clearer specifications were needed. It has been held that the determination of whether an initial proposal is within the competitive range is a function of the contracting agency. The agency's determination will not be questioned unless it is clearly shown to have no reasonable basis. In this case, the NDESB decision to reject the protester's proposal was held to be reasonable, because the RFP repeatedly and specifically warned that informational deficiencies ran the risk of immediate rejection. It has been held that any opportunity to change a proposal constitutes negotiations; and if this opportunity is offered to one offeror, it must be offered to all offerors within the competitive range. However, in this case, the protester's bid was initially rejected as not being within the competitive range, so there was no obligation to negotiate with it. As to the firm's final contention, its objection to the earlier cancellation should have been submitted at the time of the cancellation, and not after the rejection of its bid under the second RFP. In any case, the decision to cancel that RFP was held to be within the norms of negotiated procurement. The complaint was denied.

110998

[Followup on the Navy's Efforts To Improve Productivity at Navy Aircraft Overhaul Depots]. LCD-80-23; B-113014. December 5, 1979. 11 pp.

Report to Harold Brown, Secretary, Department of Defense; by Richard W. Gutmann, Director, GAO Logistics and Communications Division.

Issue Area: Logistics Management: Equipment Maintenance and Procurement Achieving Optimum Efficiency and Effectiveness (3808).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Defense-Related Activities (0054).

Organization Concerned: Department of the Navy; Department of Defense: Assistant Secretary of Defense (Installations and Logistics); Department of the Navy: Naval Aviation Logistics Center; Department of the Navy: Naval Materiel Command; Department of Defense.

Authority: DOD Directive 4151.1.

Abstract: A 1975 GAO report to the Congress recommended ways to improve productivity of Navy aircraft overhaul depots and suggested the possibility of consolidating facilities. The report concluded that excess capacity existed and recommended that the Secretary of the Department of Defense consolidate, eliminate, or place in reserve status, as appropriate, all excess or redundant depot capacity. About 4 years ago, Navy officials said that if organic workload was reduced by 4.5 million direct labor hours, a rework facility would probably need to be closed. The fiscal year 1976 actual organic workload was 25.8 million direct labor hours. The expected fiscal year 1981 organic workload is 19 million direct labor hours or almost 7 million less than fiscal year 1976. **Findings/Conclusions:** Recent Navy management efficiency studies have shown that both peacetime economies and mobilization responsiveness can be enhanced by operating with less than the current six rework facilities. However, no consolidation decision has been made. The failure to restructure the existing rework facilities has created inefficiencies such as low shop usage. Furthermore, the uncertainty of consolidation efforts may have hindered facilities' modernization, thereby reducing opportunities for increased productivity. The 1975 report also stated that opportunities for productivity gains through economic-lot batch processing are lost because aircraft components are removed and reworked simultaneously with the aircraft. Although the Navy recognized the need to limit concurrent rework, several recent Navy audit reports have indicated that concurrent rework of components continues at some rework facilities. **Recommendation To Agencies:** The Secretary of Defense should consolidate, eliminate, or place in reserve status, any excess depot capacity that cannot be economically justified to satisfy peacetime and mobilization needs. The Secretary should require the Navy to: establish controls which would keep concurrent component rework to a minimum; take maximum advantage of opportunities to batch process components; and improve the productivity of the rework facilities through added management attention to the work standards and methods program.

111021

[RFP Cancellation Protest]. B-193177.2. December 6, 1979. 8 pp. plus 2 enclosures (2 pp.).

Decision re: Honeywell Information Systems, Inc.; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Honeywell Information Systems, Inc.; Department of Labor.

Authority: F.P.R. 1-4.1104. OMB Circular A-76. B-186873 (1977). B-190759 (1978).

Abstract: A firm protested the cancellation of a request for proposals (RFP) issued by the Department of Labor (DOL). The solicitation was for the replacement of an automated data processing system. Subsequent to issuing the solicitation, DOL determined that the workload projections used in developing the requirements had substantially eroded and were no longer valid, and decided to permit the agencies within DOL to provide for their own data processing services by contract or interagency agreement. The RFP was canceled. It was held that the agency's decision to cancel the solicitation was not improper; however, the agency's actions in bring the procurement before canceling did not enhance the competitive procurement system.

111028

[Honeywell Computer Equipment Supplied to DOD]. B-163074. November 30, 1979. 4 pp.

Letter to Robert R. Donaldson, Vice President, Honeywell Information Systems, Inc.; by Elmer B. Staats, Comptroller General.

Contact: Logistics and Communications Division.

Organization Concerned: Honeywell Information Systems, Inc.

Congressional Relevance: House Committee on Armed Services: Research and Development Subcommittee.

Authority: FIPS 57.

Abstract: A firm requested that the Comptroller General provide corrections to his letter of October 1, 1979, to the Chairman, Subcommittee on Research and Development, House Armed Services Committee. There were three issues involved in the request. First, the firm claimed to have completed agreements with GAO concerning certain of its computer equipment supplied to the Department of Defense (DOD) as the World Wide Military Command and Control System (WWMCCS). GAO has made changes to its report based, in part, on the suggestions furnished by the firm's representatives. However, the changes did not result in any substantially different posture relating to WWMCCS standard computers furnished by the firm. Second, the alleged agreements recognized that prior commentary by GAO concerning the equipment's lack of on-line interactive capability was in error. In its report GAO demonstrated that the WWMCCS standard computers and software had not effectively supported interactive processing in command and control exercises and in crisis situations. Additional computer systems have been acquired at WWMCCS sites to attempt to overcome these capability problems. Third, according to the firm, the major problem was that the WWMCCS computers were implemented in a predominantly batch environment. GAO found that this equipment, both computers and software, operated in a batch environment to meet DOD specifications. However, several unique file access facilities have been implemented which were necessary to meet needs for interactive processing, because the WWMCCS standard operating system and data base management system were not responsive to mission requirements. It was concluded that the three issues presented did not constitute a basis for changing the October 1, 1979, letter.

111032

Errors in Health Benefits Enrollment Data Push Up Health Insurance Costs. FGMSD-80-8; B-164562. December 6, 1979. 15 pp.

Report to Alan K. Campbell, Director, Office of Personnel Management; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Health Programs (1200); Accounting and Financial Reporting: Reporting Systems' Adequacy To Disclose the Results of Government Operations and To Provide Useful Information (2811).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101).

Organization Concerned: Office of Personnel Management; Department of Justice.

Abstract: Discrepancies in enrollment data between Federal agencies' and health insurance carriers' records cause erroneous premium and benefits payments, cause inequities among carriers and employees, and unnecessarily increase health insurance costs for both the Government and its employees. Accurate data are needed to determine the coverage provided individual employees, employees' payroll deductions, and the premium payment to carriers, and to insure prompt payment of claims. An audit was conducted that focused on the frequency and effect of discrepancies in enrollment data in two categories: (1) enrollees who were recorded on the records of either Federal agencies or carriers but not both, and (2) enrollees who were recorded on the records of both Federal agencies and carriers but for whom data differed in those two sets of data. **Findings/Conclusions:** The discrepancies resulted mainly from the manual procedures prescribed by the Office of Personnel Management (OPM) for Federal agencies and carriers to exchange

enrollment data. Such procedures invite error and are too costly to be effected fully. The discrepancy rate varied, but it appeared to be over 10 percent, with carrier records containing most of the errors. GAO estimated in 1978 that these errors cost \$2 million to \$5 million annually. OPM could significantly diminish, if not eliminate, the errors in enrollment data by prescribing procedures for exchanging enrollment data in computer-readable form. This also would reduce agency and carrier costs for exchanging data. **Recommendation To Agencies:** The Director of the Office of Personnel Management should adopt as policy the use of automated procedures to report health benefit enrollment data to carriers and to reconcile agency and carrier enrollment records, and accordingly direct subordinates to: (1) develop and arrange with carriers the use of a common identifying number for each enrollee to facilitate identifying enrollment data transmitted between carriers and Federal agencies; (2) have agencies and carriers develop a standard format for exchanging enrollment information; (3) require carriers to provide payroll offices with verification enrollment data on claimants of the reporting period in computer-readable form; and (4) prepare instructions for agencies on automated reporting and reconciliation of enrollment data.

111036

[Protest Alleging Improprieties in RFP]. B-194984, B-195424. December 7, 1979. 4 pp.

Decision re: Optimum Systems, Inc.; by Milton J. Socolar, General Counsel.

Contact: Office of the General Counsel.

Organization Concerned: Optimum Systems, Inc.; Department of Energy; Federal Energy Administration.

Authority: Contract Disputes Act of 1978 (P.L. 95-563; 41 U.S.C. 601 et seq.). 4 C.F.R. 20.4 C.F.R. 20.2. *S & E Contractors, Inc. v. United States*, 406 U.S. 1 (1972). B-183172 (1975). B-188692 (1978). B-191319 (1978). B-191491 (1978). B-188990 (1977).

Abstract: A firm protested three requests for proposals (RFP) issued by the Department of Energy (DOE) alleging solicitation improprieties in that certain automatic data processing (ADP) equipment was designated as Government furnished equipment (GFE). The protester was previously awarded a contract by the predecessor of DOE and contended that the Government elected not to acquire title to the ADP equipment obtained by the contractor during performance of that contract. Further, the protester contended that it obtained certain contractual and property rights including purchase option credits in this ADP equipment. It argued that since the RFP's under protest provided that the ADPE involved in the previous contract would be GFE under the contracts to be awarded, the RFP's were in derogation of its rights in the ADP equipment. The protester filed a claim for damages alleging wrongful conversion of the ADP equipment by DOE and denial of the protester's rights to purchase option credits. DOE maintained the protester's allegations had no substantive merit and that it was in the wrong forum. DOE contended that these were matters of contract administration and that the proper forum for their resolution was in DOE through the protester's exercise of its rights under the disputes clause of the contract. GAO found the protest to be filed in a timely manner, but agreed with DOE that the issues were the subject of a disputes proceeding, and not for consideration by GAO. Therefore, the protests were dismissed.

111073

[Environmental Protection Agency Acts To Improve Computer-Produced Reports]. FGMSD-80-11; B-115369. December 11, 1979. 3 pp. plus 2 enclosures (16 pp.).

Report to Douglas M. Costle, Administrator, Environmental Protection Agency; by Donald L. Scantlebury, Director, GAO

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Division of Financial and General Management Studies.

Issue Area: Accounting and Financial Reporting: Reporting Systems' Adequacy To Disclose the Results of Government Operations and To Provide Useful Information (2811).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101).

Organization Concerned: Environmental Protection Agency.

Authority: Budget and Accounting Procedures Act of 1950.

Abstract: GAO reviewed the need for and usefulness of financial reports produced by three Environmental Protection Agency (EPA) automated accounting systems. The systems were designed to help managers control appropriated funds, monitor States' and localities' use of grant funds, and control the Agency's investment in personal property. They were designed to record all information in a central file from which regional managers could obtain necessary information. The design for one of the systems was approved by GAO in 1977. Approval of the designs for the other two systems was not required. GAO evaluated regional office personnel's use of reports produced by the systems. **Findings/Conclusions:** GAO found that regional personnel did not obtain all of the information the three systems were capable of producing. Headquarters use of two of the systems was limited because regional offices were either not entering data or entering erroneous data into those systems. The standard reports produced by one system did not give regional managers the financial information in sufficient detail to daily track expenditures, monitor liabilities, and develop sound operating budgets. Although the system included a special feature allowing regional officer personnel to design and produce more detailed reports locally, few regions had taken advantage of the feature. Users' conferences held by headquarters managers had not fostered greater system use, and headquarters managers had not independently assessed regional office use of the system. As for the second system, many regional officials felt it was specifically designed for headquarters use and not as a means of obtaining information useful to them. In addition, many regions did not have personnel trained to design and program needed reports. In the case of the third system, headquarters managers had not effectively followed up on known failures of regional personnel to enter financial transaction information and to conduct and follow up on physical inventories of personal property. Overall, EPA was not getting an adequate return in terms of needed and useful information on its investment in design, operation, and use of the three automated information systems. **Recommendation To Agencies:** The Administrator of EPA should periodically evaluate the operations of automated information systems and the need for and usefulness of the reports produced. The initial evaluation should include a complete review of all locally designed reports to identify the most useful reports. Then, if appropriate, headquarters should make those reports standard so that the type of information the systems are designed to and capable of producing can be made available to as many regions as possible. The Administrator should assure that regional personnel receive sufficient training on the best use of all three automated information systems. Also, the Administrator should specifically direct headquarters managers of the Grants Information and Control System to review regional use of the grants system to identify ways to make the system more responsive to regional users' needs. Finally, the Administrator should direct regional managers to (1) hold responsible officials accountable for accurately posting transaction information to the central database and (2) take the required physical inventories of property.

111076

Improving the Effectiveness of Joint Military Exercises--An Important Tool for Military Readiness. LCD-80-2; B-160096. December 11, 1979. 63 pp. plus 2 appendices (10 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Military Preparedness Plans: Readiness of the Military Forces (0808).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of Defense; Department of Defense: Joint Chiefs of Staff.

Congressional Relevance: Congress.

Authority: P.L. 95-79.

Abstract: Joint Chiefs of Staff exercises are important to the readiness of U.S. forces. They are a primary means for achieving inter-service and U.S. and allied forces training. Their importance and cost dictate effective planning and execution. After preliminary research indicated that improvements were needed in the management of the program, GAO reviewed the planning, execution, and evaluation of the exercises, including an analysis of two major Joint Chiefs of Staff exercises conducted in Europe; REFORGER and CRESTED CAP. **Findings/Conclusions:** Current development procedures for the Joint Chiefs of Staff Exercise Program did not assure that the Program was achieving its full potential or that the exercises were being conducted in the most cost-effective manner. Program planning was not supported by comprehensive annual program evaluations, alternatives analyses, or comprehensive justifications. Instead, it was based on the inherent value of the exercises, the types and number of exercises conducted in the past, and the expected availability of funds. The services requested funds for the exercises in their individual budget submissions. The budget submissions included little exercise justification data, thereby placing Congress at a disadvantage in trying to determine optimal funding levels. Methods for measuring readiness were not developed to the point that readiness funding levels could be determined. Improvements to the exercises gained from lessons learned were not fully realized because systematic procedures for dealing with them were lacking. For example, problems previously identified in the CRESTED CAP exercise were recurring regularly in subsequent versions of that exercise. Reassessment of the problem areas in the REFORGER and CRESTED CAP exercises would result in more effective and economical exercises. Although the exercises should be as realistic as possible, the realism of those held in the United States was significantly constrained by wildlife and environmental considerations. Realism of those held in Europe could be improved through better planning. **Recommendation To Agencies:** The Secretary of Defense should direct the Joint Chiefs of Staff to assume a stronger role in developing and managing the Joint Chiefs of Staff Exercise Program. This expanded role should include: (1) providing the unified and specified commands expanded procedural guidance for developing their 5-year exercise programs; (2) critically evaluating the commands' 5-year exercise program submissions; (3) greater coordination with the services in budgeting for Joint Chiefs exercises; (4) greater emphasis on exercise realism; and (5) assuring establishment of adequate systems for dealing with exercise lessons learned. The Secretary should also direct the Joint Chiefs of Staff to reevaluate current REFORGER and CRESTED CAP scenarios, considering the problems and questions discussed in this review.

111098

[Contracting Out Base Operating Support Functions at the Navy's Pacific Missile Test Center, Point Mugu, California]. PSAD-80-19; B-196962. December 11, 1979. Released December 18, 1979. 6 pp.

Report to Rep. Robert J. Lagomarsino; by Walton H. Sheley, Jr. (for J. H. Stolarow, Director), GAO Procurement and Systems Acquisition Division.

Issue Area: General Procurement: Executive Agencies' Policies and

Programs Used in Deciding Whether To Make or Buy Needed Goods and Services (1959).

Contact: Procurement and Systems Acquisition Division.

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058).

Organization Concerned: Department of the Navy: Pacific Missile Test Center; Department of the Navy: Naval Audit Service; Department of the Navy: Office of Management and Budget.

Congressional Relevance: *Rep.* Robert J. Lagomarsino.

Authority: Department of Defense Appropriation Act, 1978. Small Business Act. OMB Circular A-76.

Abstract: An investigation was made of allegations by Federal employee union representatives concerning inefficiencies in the contracting-out process at the Navy's Pacific Missile Test Center (PMTC). The allegations considered were: (1) that contracts for some support services were more costly than when previously provided by civil service employees; and (2) that proposed service contracts were not cost effective. PMTC claimed that the contract awards were justified because of reduced personnel authorizations imposed by higher officials, and that cost comparisons were not required because no civil service personnel were adversely affected by the decisions to contract out. **Findings/Conclusions:** GAO disagreed and found that without cost comparisons, there was no assurance that the lowest cost alternative was chosen to accomplish the base operating support functions. Moreover, the contracting decisions were made without the approval of higher Navy authority. In addition, the conversion of keypunch services from in-house to contract violated the 1978 Department of Defense Appropriation Act which prohibits the use of funds to convert base operating support functions to commercial contract during the fiscal year.

111102

[Protest Alleging Failure of Agency To Advise Offerors of Complete Evaluation Criteria]. B-194924. December 19, 1979. 5 pp.

Decision re: Data 100 Corp.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: Data 100 Corp.; Consumer Product Safety Commission; International Business Machines Corp.

Authority: 54 Comp. Gen. 1080. 57 Comp. Gen. 285. 57 Comp. Gen. 527. 57 Comp. Gen. 759. F.P.R. 1-3.802(c). B-187529 (1977).

Abstract: The Consumer Product Safety Commission (CPSC) canceled a contract for a computer system because the awardee's equipment was eventually found to be unusable. CPSC issued a request for proposals (RFP) to repurchase the equipment and two companies which had submitted proposals under the original RFP, International Business Machines (IBM) Corporation and Data 100 Corporation, resubmitted proposals. Data 100 protested the subsequent award to IBM, contending that it was unfairly penalized by the attribution of a \$300,000 evaluation factor which made its previously lower bid higher than the IBM. Data 100 claimed that it had not been made aware of a requirement that the system be capable of using a certain computer program language, and that the CPSC response to its initial submission had not given any indication of the necessity for the language or that a conversion cost may be added. Data 100 also contended that IBM would have known of the need because it had supplied the mainframe and software for the system to CPSC. CPSC stated that its response to Data 100's original proposal should have indicated that it was interested in a system which would permit the use of the language, or that it would consider the conversion cost. GAO held that the RFP was remarkably bereft of specificity, and that the failure of CPSC to advise all offerors of the complete evaluation criteria, or to amend the specifications, did not provide all offerors the opportunity to compete on an equal basis as required. Therefore, the award to IBM was improper and the

protest was sustained.

111112

The World Wide Military Command and Control System--Major Changes Needed in Its Automated Data Processing Management and Direction. LCD-80-22; B-163074. December 14, 1979. 73 pp. plus 6 appendices (30 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Use of Computer Systems for Agency Mission Requirements and Support Functions (0108).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of Defense.

Congressional Relevance: *House* Committee on Appropriations; *House* Committee on Armed Services: Research and Development Subcommittee; *Congress, Rep.* Thomas J. Downey; *Rep.* Jack Brooks.

Authority: DOD Directive 7920.1.

Abstract: The World Wide Military Command and Control System (WWMCCS) is an arrangement of personnel, equipment, communications, facilities, and procedures employed in planning, directing, coordinating, and controlling the operational activities of U.S. military forces. WWMCCS and its priority component, the National Military Command System, are essential elements of U.S. national security. WWMCCS is intended to provide the President and the Secretary of Defense a means to receive warning and intelligence information, apply the resources of the military departments, assign military missions, provide direction to the Unified and Specified Commands, and support the Joint Chiefs of Staff in carrying out their responsibilities. An evaluation focused on the WWMCCS automatic data processing (ADP) program. The WWMCCS ADP program, consisting of data communication lines, an intercomputer network, computers, and software capabilities, is an essential resource that can enable WWMCCS to achieve its intended purpose. To properly support the President, the Secretary of Defense, and the Joint Chiefs of Staff, the equipment must be compatible, data communication links must provide a direct connection (or real-time relay) whenever necessary, computerized data formats must be common, and all components of the system configuration and operation must be as efficient as possible. **Findings/Conclusions:** The objectives of the WWMCCS ADP program had not yet been achieved, although about \$1 billion had been spent since the start of the current program in 1966. The management structure was so complex and fragmented that no one organization or individual had a complete overview of the program or the centralized responsibility for its funding, budgeting, and management. As a result, the WWMCCS ADP program was not responsive to national or local level requirements, was not reliable, lacked economical and effective growth potential, could not transfer data and information efficiently, made it extremely difficult and costly to exploit ADP technology, impaired each command's operational backup capability, and encouraged independent and decentralized software development efforts. The Department of Defense (DOD) recognized all of these problems in 1966; the current WWMCCS ADP program was intended to resolve them. The problems occurred because the DOD WWMCCS ADP program specification preparation and evaluation process resulted in the selection of a computer configuration and related software that was not suited for the environment in which it was to operate, and DOD failed to define the information requirements of the various commanders comprising the WWMCCS community properly and clearly. **Recommendation To Congress:** To encourage DOD to make the needed changes in the WWMCCS ADP program management structure and direction, the Congress should consider reducing WWMCCS funding by (1) withholding funds for completion of the study to determine the

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operational utility of ADP in support of WWMCCS; (2) withholding funds for the WWMCCS Intercomputer Network until DOD completes its determination of the information needed by the various commands to support their command and control functions; and (3) withholding funds intended to upgrade the current WWMCCS standard computer system until DOD identifies the configuration that will replace it. **Recommendation To Agencies:** The Secretary of Defense should give project management authority and responsibility for all WWMCCS and WWMCCS-related, computer-based information systems to one central organization. The designated central organization should be given the authority and responsibility for: (1) determining the information requirements of the various commands which must use and rely on WWMCCS computer-based information systems to accomplish assigned missions, including the National Military Command System; (2) preparing comprehensive long- and short-range plans for the design, development, implementation, and operation of computer-based information systems that are responsive to and reliable for the WWMCCS primary and secondary missions; (3) implementing a DOD Directive on life cycle management and other sound management practices as reflected in directives for all WWMCCS-related, computer-based information systems; (4) developing and implementing a system that provides a basis for tracking actual costs incurred for designing, developing, implementing, and operating computer-based information systems in support of the WWMCCS missions; and (5) simplifying the exchange of information throughout the various commands.

111121

Computer Performance Evaluation (CPE): An Auditor's Introduction. November 1979. 30 pp. plus 1 appendix (4 pp.).
by Elmer B. Staats, Comptroller General.

Contact: Financial and General Management Studies Division.

Abstract: Computer performance evaluation (CPE), a specialty concerned with the efficient use of computer resources, can be valuable to an auditor as a means for controlling data processing costs. CPE tools can be used by auditors to identify computer installations which use resources inefficiently or have more resources than necessary. Thus, auditors should be familiar with the tools and techniques of CPE. These tools include accounting data reduction programs, software monitors, program analyses/optimizers, hardware monitors, benchmark testing, and computer simulation. When presenting CPE data to management, the information should be put into terms that could be understood by all recipients.

111152

[Protest of Contract Award]. B-190983. December 21, 1979. 15 pp.
Decision re: KET, Inc.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: KET, Inc.; Department of Justice; Internal Revenue Service; Sperry Rand Corp.: Sperry Univac; General Services Administration.

Authority: Freedom of Information Act (5 U.S.C. 552). Sherman Anti-Trust Act (15 U.S.C. 2). Robinson-Patman Price Discrimination Act (15 U.S.C. 13a). 41 C.F.R. 1-4.1105-2(k). 41 C.F.R. 1-3.805-1(d). 41 C.F.R. 1-3.405-2(b)(1). 41 C.F.R. 1-3.101(d). 41 C.F.R. 1-3.1203(a)(3). 56 Comp. Gen. 300. F.P.R. 1-3.405-2(b)(1). B-193294 (1979). B-187406 (1977). B-191346 (1979). B-193261 (1979). B-183816 (1975). B-192034 (1978). B-193942 (1979). B-192190 (1978). B-190341 (1978).

Abstract: A firm protested the award of contract by the Internal Revenue Service (IRS) for the procurement of 11 data communications processing systems. The protester contended that the initial

proposal submitted by the awardee was substantially deficient and technically unacceptable. The proposal allegedly did not meet mandatory requirements in the request for proposals (RFP) regarding detection and automatic recovery from a power failure. The protester believed that the proposal should have been rejected as outside the competitive range and that IRS should not have allowed the awardee to revise its bid in an effort to make it acceptable. A contracting officer's decision to include a proposal in the competitive range is a matter of administrative discretion. The evaluation of proposals is the function of the procuring agency and GAO review is limited to examining whether the agency's evaluation was fair and reasonable and consistent with the stated evaluation criteria. GAO agreed with the protester that IRS improperly accepted the awardee's proposal because the proposal did not meet the mandatory RFP requirement for detection and automatic recovery from a power failure. In spite of this, GAO did not recommend that the contract be terminated. It appeared that the system proposed by the awardee would meet the actual needs of IRS. Further, the protest was based on the fact that the awardee did not comply with the RFP, not that the protester would have offered something else if it had known of the changed requirement. The protest was denied.

111178

[Protest Alleging IFB Specifications Are Ambiguous and Incomplete]. B-196380.2. January 2, 1980. 2 pp.

Decision re: Winston T. McCleery, Consultants; by Milton J. Socolar, General Counsel.

Contact: Office of the General Counsel.

Organization Concerned: Winston T. McCleery, Consultants; District of Columbia: Department of General Services.

Authority: 4 C.F.R. 20.2(b)(1).

Abstract: A firm protested the award of a contract for computer software, alleging that the specifications stated in the invitation for bids were so general that evaluation of bids would be impossible. Protests based on alleged improprieties in a solicitation which are apparent prior to bid opening must be filed prior to bid opening. Since the alleged deficiency was apparent on the face of the solicitation, the protest had to be received prior to the September 19, 1979, bid opening date in order to be timely. The protest was not filed until November 30, 1979; accordingly, it was dismissed.

111181

[Protest of GSA Contract Award for Procurement of Remote Terminals]. B-195028. January 3, 1980. 6 pp.

Decision re: Sperry Rand Corp.: Sperry Univac; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: Sperry Rand Corp.: Sperry Univac; General Services Administration; Department of the Navy: Automatic Data Processing Selection Office; C3, Inc.

Authority: 56 Comp. Gen. 312. B-188275 (1977). B-188910 (1977).

Abstract: A firm protested the conduct of a procurement for remote terminals to be used as peripherals on leased computers. Because of the proposed use, the terminals necessarily were required to be compatible with the leased software. The RFP required offerors to submit proposals detailing their terminal configurations and how their systems met the requirements of the RFP and advised prospective offerors that the lowest cost offeror submitting an acceptable proposal would be required to perform an extensive operational capability demonstration (OCD) within 30 days of notice. Award was made to a firm other than the protester. During pre-OCD testing of the awardee's system, a problem emerged which resulted from an error in the system generation performed by the user agency. The problem rendered the awardee's equipment incompatible and delayed the OCD, but was circumvented by use of a format

other than the one specified in the RFP. The protester alleged that in doing this the procuring agency improperly waived testing requirements and violated the time requirement of the RFP. The waiver of testing requirements is a matter of administrative discretion which GAO does not question unless shown to be arbitrary. Under the circumstances, the solution to the incompatibility problem and the delay of the OCD was not regarded as unreasonable, particularly since they were attributable to causes beyond the awardee's control and did not alter the manner in which the awardee would ultimately be required to perform under the contract. The protester also argued that the awardee's system and software did not meet the commercial availability requirement of the RFP. However, GAO was satisfied that the awardee had fulfilled the requirements of the solicitation in this regard. Accordingly, the protest was denied.

111202

[Internal Auditing Needs More Support in the National Credit Union Administration]. GGD-80-31; B-197162. January 4, 1980. 11 pp. Report to Lawrence Connell, Chairman, National Credit Union Administration; by Allen R. Voss, Director, GAO General Government Division.

Issue Area: Internal Auditing Systems: Non-Line-of-Effort Assignments (0251).

Contact: General Government Division.

Budget Function: Financial Management and Information Systems: Internal Audit (1103).

Organization Concerned: National Credit Union Administration: Office of Internal Audit and Investigation; National Credit Union Administration.

Abstract: In a recent review of the National Credit Union Administration's (NCUA) internal audit function, the Office of Internal Audit and Investigation was assessed against widely accepted professional internal auditing standards formulated for private industry and Government. The NCUA management control system includes a network of information systems and review groups designed to supply information to policymaking levels where it can be evaluated and acted on. Because of its independence, the Office of Internal Audit and Investigation is in a unique position to play a key role in the NCUA management control system. However, internal auditing needs more support in NCUA because the small size of the unit prevents it from carrying out all of its responsibilities. **Findings/Conclusions:** Many key factors have limited the effectiveness of the Office of Internal Audit and Investigation. While NCUA top management has established an internal audit function with important management control responsibilities, other top management actions have contributed to reducing this Office's ability to meet these responsibilities. The size of the Internal Audit staff has been held to three professionals since 1975. This constraint has led to incomplete audit coverage and limits effective audits of computer systems. Staffing limitations have forced Internal Audit to rely on staff detailed from other offices to help conduct audits, which has contributed to delays in completing audits, and may compromise the Office's independence. During the last 6 years, the Director of the Office of Internal Audit has been changed four times. This may have an adverse effect on the Office's operating consistency. **Recommendation To Agencies:** The Chairman of NCUA should strengthen the support for the Office of Internal Audit and Investigation by providing the unit with the additional staff resources necessary to accomplish effectively its organizational responsibilities, and consider the need for a stable leadership structure when replacing the current Office Director.

111235

Defense's Accounting for Its Contracts Has Too Many Errors--

Standardized Accounting Procedures Are Needed. FGMSD-80-10; B-196864. January 9, 1980. 15 pp. plus 1 appendix (4 pp.). Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: General Procurement: Notifying the Congress of Status of Important Procurement Programs (1905); Accounting and Financial Reporting: Reporting Systems' Adequacy To Disclose the Results of Government Operations and To Provide Useful Information (2811).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems (1100).

Organization Concerned: Department of Defense; Department of the Navy; Department of the Army; Department of the Air Force; Defense Logistics Agency; Contract Administration Services.

Congressional Relevance: Congress.

Authority: Antideficiency Act (31 U.S.C. 665). Budget and Accounting Procedures Act of 1950 (31 U.S.C. 66). Arms Export Control Act (22 U.S.C. 2762).

Abstract: The Department of Defense (DOD) devised the Military Standard Contract Administration Procedures in 1966 to facilitate uniform contract administration of DOD contracts by exchanging contract administration data in automated form among the military services and Defense Contract Administration Services regions. It is the responsibility of these regions to administer most DOD contracts and to ensure that the unnecessary duplication of contract management functions are eliminated. As of March 30, 1979, the regions were acting as this middle manager between the Government buyer and DOD contractor for 250,000 contracts valued at \$73 billion. A review of 8 of the 48 DOD organizations heavily involved with contract management focused on the Standard Procedures which required uniform coding and processing of financial data. **Findings/Conclusions:** Although the Administration Procedures were to have been implemented by 1970, this goal has still not fully been achieved, thus resulting in numerous clerical errors in interpreting a variety of nonstandard forms, codes, and financial transactions. Nonstandard contract accounting procedures used by Defense components cause substantial errors in reporting, recording, and controlling contract financial data, at a cost of millions of dollars in unnecessary personnel and other costs due to duplication of accounting functions. While DOD officials have resisted implementation of the Procedures, GAO estimated that their full implementation and elimination of duplicate operations at the eight locations alone could reduce DOD costs by up to \$2.7 million annually. Accounting errors of over \$90 million were identified on 286 of the 856 transactions reviewed for 26 contracts. **Recommendation To Agencies:** The Secretary of Defense should require the Defense Contract Administration Services regions to assure the accuracy of the financial transactions processed and sent to the military services. He should also require the implementation of the Military Standard Contract Administration Procedures in all Defense systems involved with contract accounting and management, and direct the Assistant Secretary of Defense (Comptroller) to require specific timetables from the military services on implementation dates for the Military Standard Contract Administration Procedures. The Comptroller also should actively monitor the implementation and require corrective action, when necessary, to ensure timely, effective implementation.

111268

[Federal Highway Administration Project To Redesign Its Accounts System To Eliminate Inefficient Uses of Computers and People]. FGMSD-80-22; B-196862. January 11, 1980. 3 pp. plus 1 enclosure (9 pp.).

Report to Neil E. Goldschmidt, Secretary, Department of Transportation; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

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Issue Area: Accounting and Financial Reporting: Reporting Systems' Adequacy To Disclose the Results of Government Operations and To Provide Useful Information (2811).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101).

Organization Concerned: Federal Highway Administration; Department of Transportation.

Authority: Budget and Accounting Act.

Abstract: The Federal Highway Administration's (FHA) Accounts System consists of overlapping manual and automated processing steps. **Findings/Conclusions:** The FHA Accounts System does not use modern data entry and retrieval methods. The outdated methods cause the computer to produce reports that do not get to users in time to meet due dates for monthend financial reports. The Department of Transportation is in the process of acquiring new computers which will be able to use modern input and output methods. FHA will have to redesign its system to take advantage of the new computer's processing capabilities; otherwise the capabilities of the computers will be used inefficiently and uneconomically. **Recommendation To Agencies:** The Secretary of Transportation should direct FHA to start now to: redesign its Accounts System to eliminate overlapping manual and automated processes, automate the general ledger, use modern data entry and retrieval techniques, and use efficient ways to identify and correct errors; and assure that the redesigned system is designed in accordance with the Comptroller General's accounting principles and standards and submitted to him for formal approval.

111286

[Protest of D.C. Government Contract Award]. B-195624. January 15, 1980. 9 pp.

Decision re: System Development Corp.: SDC Integrated Services, Inc.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: District of Columbia: Department of Human Services; System Development Corp.: SDC Integrated Services, Inc.

Authority: 4 C.F.R. 20.2(b)(2). 57 Comp. Gen. 347. 58 Comp. Gen. 440. 52 Comp. Gen. 382. B-189573 (1979). B-190760 (1978). B-194728 (1979).

Abstract: A request for proposals (RFP) issued by the District of Columbia Government contemplated a two-phase program; phase I for systems requirements and alternatives analysis, and phase II for detailed design and implementation. A firm contended that: (1) it was not afforded an equitable opportunity to submit price, technical or other revisions in a best and final offer; (2) its proposal was excluded from the competitive range as a result of favoritism, bias and prejudice; (3) its price for other phases would have been substantially lower than the awardee; and (4) the proposed contract with the awardee excluded certain computer programs from the data rights clause in violation of mandatory RFP provisions. The basis of the fourth protest was moot since the procuring agency reported that the proposed contract provision excluding those computer programs would be changed to comply with the requirements of the RFP. GAO reviewed the memoranda related to the evaluation of the protester's and the awardee's proposals, and noted the deficiencies in the protester's proposals observed by the evaluators' scoresheets. GAO concluded that the procuring agency established a thorough technical evaluation scheme in accordance with the RFP evaluation criteria and the evaluators followed it in evaluating both proposals. From the evaluators' comments the protester knew why its proposal was found unacceptable. GAO will not substitute its judgment for an agency's determination of which proposals are technically acceptable unless it is shown to be arbitrary or in

violation of procurement statutes or regulations. Accordingly, there was no basis to conclude that the protester was unfairly treated concerning the agency's evaluation of its technical proposal. The protest was denied in part and dismissed in part.

111290

[Usefulness of Financial Reports Produced by the Resource Management System]. FGMSD-80-19; B-115369. January 15, 1980. 3 pp. plus 1 enclosure (15 pp.).

Report to Edward Hidalgo, Secretary, Department of the Navy; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Accounting and Financial Reporting: Reporting Systems' Adequacy To Disclose the Results of Government Operations and To Provide Useful Information (2811).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101).

Organization Concerned: Department of the Navy.

Authority: Budget and Accounting Procedures Act of 1950. Legislative Reorganization Act of 1970. Navy Instruction 5214.2.

Abstract: The Navy Resource Management System is the Navy's accounting system for the operations and maintenance of Navy appropriations. A review was made of the need for and usefulness of financial reports produced by the Resource Management System, as well as certain aspects of the Navy's Integrated Disbursement and Accounting System. In addition, GAO considered the Navy's efforts to: (1) periodically reevaluate the continued need for and usefulness of computer outputs, and (2) eliminate unneeded reports and correct weaknesses in marginal reports. **Findings/Conclusions:** Managers and operating personnel generally do not use the uniform financial reports produced by the Resource Management System to control appropriated funds and manage day-to-day operations. To overcome the problems of reports with incomplete information and confusing formats, Naval managers run memorandum accounting systems to obtain needed information. The Integrated Disbursement and Accounting System, which is being developed, should make the information on computer produced financial reports more complete and more timely. However, the Navy is not revalidating Resource Management System uniform reports to eliminate or reformat marginal reports as part of the design and implementation of the Integrated Disbursement and Accounting System. Instead, revalidation will be deferred until after the system is completely implemented in July 1984. Thus, the Navy will not fully solve all known problems with report formats and will perpetuate, to some degree, the need for maintaining memorandum accounting records. **Recommendation To Agencies:** The Secretary of the Navy should direct the design and implementation team for the Integrated Disbursement and Accounting System to revalidate, as part of the system design effort, Resource Management System uniform reports carried over to the new system.

111291

[Personnel Support Services Furnished the Federal Energy Regulatory Commission by DOE]. EMD-80-20; B-178205. December 18, 1979. Released January 17, 1980. 7 pp.

Report to Rep. John D. Dingell, Chairman, House Committee on Interstate and Foreign Commerce: Energy and Power Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Personnel Management and Compensation: Work Force Planning (0313).

Contact: Energy and Minerals Division.

Budget Function: General Government: Central Personnel Management (0805).

Organization Concerned: Federal Energy Regulatory Commission; Department of Energy.

Congressional Relevance: *House* Committee on Interstate and Foreign Commerce; Energy and Power Subcommittee; *Rep.* John D. Dingell.

Authority: Department of Energy Organization Act.

Abstract: The Federal Energy Regulatory Commission (FERC) operates under a common support agreement with the Department of Energy (DOE), which provides for DOE to furnish certain general support requirements such as: contracting and procurement; recruiting and personnel administration; payroll; automatic data processing; operation of management information systems; property management; facilities maintenance; equal employment opportunities; and support in areas where expertise is not resident in FERC. A request was made for a re-examination of the DOE processing of FERC job applications. Of particular concern were apparent inconsistencies between internal FERC memorandums and a GAO report which stated that the applications were being processed in a reasonable timeframe with few problems. The memorandums discussed problems that FERC was having with DOE support services. **Findings/Conclusions:** The key issues listed in the memorandums showed that job position descriptions and proper grade levels for new employees were the primary issues over which FERC officials and DOE personnel classifiers differed. While DOE classifiers were using the Office of Personnel Management guidelines to determine the proper grade levels, an FERC office was requiring higher grade level authorizations to attract the quality of personnel to do the job. This disagreement delayed the filling of some vacancies. The two primary factors which impeded the order in which FERC job applications were processed were a priority system in filling vacancies and a departmentwide classification project. Due to an allocation of 400 positions in addition to a high turnover rate, FERC employed outside contractors to assist in the classification project. FERC officials stated that the personnel support services provided by DOE had improved and that only minor problems remained. Because FERC must rely upon DOE for support services, there is a degree of dependency that is inherent in the statutory relationship. Although FERC may terminate the agreement upon a 90 day notice to DOE, FERC informed GAO that it would not be able to assume all of the duties currently provided by DOE within the 90 days. These factors cause a potential risk to FERC's independence.

111338

Summaries of Conclusions and Recommendations on Department of Defense Operations. OISS-80-1; B-197287. January 21, 1980. 141 pp.

Report to Chairman, House Committee on Appropriations; Chairman, Senate Committee on Appropriations; by Elmer B. Staats, Comptroller General.

Contact: Office of Information Systems and Services.

Budget Function: National Defense (0050).

Organization Concerned: Department of Defense; Department of the Army; Department of the Navy; Department of the Air Force.

Congressional Relevance: *House* Committee on Appropriations; *Senate* Committee on Appropriations; Congress.

Authority: Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344).

Abstract: A summary is provided of conclusions and recommendations resulting from GAO audits and other review work in the Department of Defense. While the reports have previously brought the matters to the attention of Congress and departmental officials, the summary was compiled to assist congressional committees in their review of budget requests for fiscal year 1981. **Findings/Conclusions:** Reports concerning national defense are divided into five sections: Department of Defense-Military,

Military Assistance, Defense-Related Activities, Weapon Systems, Department of Defense-Procurement and Contracts, and Atomic Energy Defense Activities. Additional reports are included in the areas of: General Science, Space, and Technology; Natural Resources, Environment, and Energy; and Commerce and Transportation. Each summary provides the budget functions, concerned organizations, legislative authority, findings or conclusions and recommendations, appropriations information, and Appropriations Committee issues.

111339

Summaries of Conclusions and Recommendations on the Operations of Civil Departments and Agencies. OISS-80-2; B-197287. January 21, 1980. 390 pp.

Report to Chairman, House Committee on Appropriations; Chairman, Senate Committee on Appropriations; by Elmer B. Staats, Comptroller General.

Contact: Office of Information Systems and Services.

Budget Function: General Government (0800).

Congressional Relevance: *House* Committee on Appropriations; *Senate* Committee on Appropriations; Congress.

Authority: Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344).

Abstract: A summary is provided of conclusions and recommendations resulting from GAO audits and other review work in Federal civil departments and agencies. While the reports have previously brought the matters to the attention of Congress and department officials, the summary was compiled to assist congressional committees in their review of budget requests for fiscal year 1981. **Findings/Conclusions:** The summaries include agency-wide matters affecting appropriations of all or most Federal departments and agencies. Each summary contains the following information: budget function, legislative authority, findings or conclusions, recommendations, appropriations information, and Appropriations Committee issues.

111343

Savings Claimed for the Oklahoma Hospital Utilization Review System Were Overstated. HRD-80-42; B-197131. January 11, 1980. Released January 21, 1981. 20 pp. plus 2 appendices (3 pp.).

Report to Sen. Henry L. Bellmon; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Health Programs: Health Care Costs (1208).

Contact: Human Resources Division.

Budget Function: Health: Health Care Services (0551).

Organization Concerned: Department of Health, Education, and Welfare; Oklahoma Foundation for Peer Review; Health Care Financing Administration.

Congressional Relevance: *Sen.* Henry L. Bellmon.

Authority: Social Security Act (P.L. 92-603).

Abstract: The Oklahoma Utilization Review System (OURS) is an alternative to the Professional Standards Review Organization (PSRO) system which reviews Medicare and Medicaid patients' needs for medical care while they are in the hospital. Essentially, OURS is a statistical screening system to assess each hospital in the State in terms of specific performance measures related to utilization. It was funded as a demonstration project through a Department of Health, Education, and Welfare (HEW) grant, and managed by the Oklahoma Foundation for Peer Review. The 12 month demonstration period was extended for another 3 months with no additional Federal funding. In its study of OURS, GAO reviewed Medicare and Medicaid claims data and population statistics relating to Medicaid and Medicare eligibles. Six hospitals in the State were visited to discuss OURS, and officials responsible for monitoring the managing foundation's performance were

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interviewed. **Findings/Conclusions:** The foundation used two methods to prepare estimates of cost savings that resulted from the operation of OURS. One method estimated a savings of \$6.8 million based on a reduction in the number of days Medicare and Medicaid patients spend in the hospital. The other method estimated a savings of \$15.1 million based on a reduction in the number of Medicare and Medicaid claims for hospital care. However, these estimates were based on many items of incorrect or incomplete data. The foundation also failed to consider some other factors. Its estimates did not recognize the cost of operating OURS which GAO computed as being \$911,019. It also ignored the fact that there is not a one-to-one relationship between a hospital day saved and the reduction in per diem reimbursement because of the fixed cost of maintaining an empty bed and offsetting costs for alternate forms of care. HEW estimated that an average of only 36 percent of per diem costs are saved when a PSRO eliminates a day of hospitalization. In the opinion of GAO, the claimed savings were questionable because other factors that may have contributed to the reductions were not taken into consideration.

111378

[Internal Revenue Service Could Make Better Use of Computer Audit Specialists]. GGD-80-33; B-197453. January 24, 1980. 10 pp. Report to Jerome Kurtz, Commissioner of Internal Revenue, Internal Revenue Service; by Allen R. Voss, Director, GAO General Government Division.

Issue Area: Tax Administration: Controls Used To Insure Audit Quality and Prevent Unwarranted Tax Assessments (2702).

Contact: General Government Division.

Budget Function: General Government: Tax Administration (0807).

Organization Concerned: Internal Revenue Service; Department of the Treasury.

Abstract: The Internal Revenue Service's (IRS) computer assisted audit program was surveyed to evaluate the management direction and control of the program and to assess whether it effectively assists the IRS in auditing returns of taxpayers using automated accounting systems. The survey was performed at the National Office in Washington, D.C., and at regional and selected district offices. National and regional policies and procedures for carrying out the computer assisted program were reviewed. When the program began, a selected number of revenue agents were trained in computer systems design and programming. These computer audit specialists were tasked with analyzing and evaluating taxpayers' automated accounting systems and initiating agreements with them to retain financial records on magnetic tape for IRS audit. The computer audit specialists also assist in the audit effort by performing computerized data analysis and retrieval as requested by case managers and examining agents. **Findings/Conclusions:** Currently, 152 revenue agents have been trained as computer audit specialists. Record retention agreements in effect with about 3,600 taxpayers include almost 1,300 of the large corporations in the coordinated examination program. The computer assisted audit program has significantly contributed to the quality and scope of examinations of large taxpayers with computerized financial systems. Case managers have cited savings of from 5 to 250 staff days per audit as a result of computer audit specialists efforts. Recently, IRS has introduced statistical sampling into the examination program, and computer audit specialists are involved in identifying situations where this auditing technique can be applied. National Office guidelines call for using computer applications to the fullest extent possible in examinations of tax shelters and corporate slush funds and in information gathering projects directed toward tax avoidance or tax evasion schemes, but little guidance exists on how and when to use these techniques; little monitoring is done to determine the extent of their use. There is a wide disparity in computer support among regions. A study revealed that hardware should be acquired before

software needs can be met and recommended that equipment requirements be met through time-sharing systems. To assure computer techniques that have nationwide application are made available and used, the National Office needs to manage this program more aggressively. **Recommendation To Agencies:** To further increase the effectiveness of the computer assisted audit program, the Commissioner of IRS should require that National and Regional program managers establish a formal mechanism to consider the use of computer audit techniques in all compliance programs and assure that they are used where applicable. He should also require that the necessary analyses be made promptly to specifically define cost effective hardware support for the computer assisted audit program and initiate its acquisition. Finally, the Commissioner should establish procedures for better coordination and to control duplicate development of computer applications and ensure service-wide use of standard applications when appropriate. The National Office should: monitor and evaluate the use of computer audit techniques in all compliance programs; establish an inventory of techniques and assure that all regions are advised of them; and recommend to the regions those techniques which should be adopted.

111389

TVA Needs To Improve Management of Power Stores Inventories. LCD-80-32; B-114850. January 25, 1980. 13 pp. Report to S. David Freeman, Chairman, Board of Directors, Tennessee Valley Authority; by J. Dexter Peach, Director, GAO Logistics and Communications Division.

Issue Area: Logistics Management: Determination and Satisfaction of Needs at the Wholesale and Retail Level (3803).

Contact: Logistics and Communications Division.

Budget Function: General Government: General Property and Records Management (0804).

Organization Concerned: Tennessee Valley Authority; Tennessee Valley Authority: Office of Power.

Abstract: GAO identified ways that the Tennessee Valley Authority (TVA) could better manage the material inventories it maintains to support the production and distribution of electrical power. **Findings/Conclusions:** The material inventories of the TVA have rapidly increased. Material worth approximately \$51 million exceeded the corporation's near-future needs. GAO found that stockage objectives were being determined by plant superintendents rather than being based on past usage. Excess stocks were not systematically identified and redistributed to locations needing the material to avoid new purchases. Inactive items were not regularly reviewed and removed from inventory to reduce carrying costs and the risk of obsolescence. Material was incorrectly classified as standby stock resulting in the retention of larger quantities than needed to satisfy demand. TVA management has recognized the need for strengthening controls over its material and was completing development of a modern automated material management system. However, it had not developed the organizational structure and material management policies necessary for effective operation of the system. **Recommendation To Agencies:** The Chairman of the Board of Directors of the TVA should require that an organizational entity be established in the Office of Power with responsibility and authority to develop standard material management policies and procedures and direct their application throughout the power stores system. The policies and procedures should be designed to ensure that: (1) stockage objectives are established at reasonable levels in accordance with an acceptable standard demand-based formula; (2) the power stores system is screened for excess stocks on a regular basis and the excess stock is redistributed to those activities with a requirement for the material; (3) a program is established to regularly and systematically identify inactive items and remove them from inventory; and (4) standby stock is properly defined and the definition is consistently applied throughout the power stores system.

111393

Essential Management Functions at the Federal Maritime Commission Are Not Being Performed. CED-80-20; B-196957. January 18, 1980. Released January 25, 1980. 49 pp. plus 5 appendices (34 pp.).

Report to Rep. John M. Murphy, Chairman, House Committee on Merchant Marine and Fisheries; by Elmer B. Staats, Comptroller General.

Issue Area: Transportation Systems and Policies: Maritime Industry and Ocean Transportation System (2453).

Contact: Community and Economic Development Division.

Budget Function: Transportation: Water Transportation (0403).

Organization Concerned: Federal Maritime Commission.

Congressional Relevance: House Committee on Merchant Marine and Fisheries; Rep. John M. Murphy.

Authority: Clean Water Act of 1977. Outer Continental Shelf Lands Act Amendments of 1978. Ocean Shipping Act of 1978. Intercoastal Shipping Act, 1933.

Abstract: Responding to growing criticism of increasing Government regulation and the steadily declining worldwide position of the United States merchant marine, Congress is making a critical reexamination of basic national maritime policy and regulation of ocean transportation. A review was made of the Federal Maritime Commission which dealt with planning, management control, auditing activities, utilization of staff resources, and organizational effectiveness. **Findings/Conclusions:** The Commission was not adequately performing essential management functions such as planning and internal auditing, nor did it have an effective management information system. The Commission's planning activities were limited, uncoordinated, and related primarily to short-term objectives. As a result, regulatory actions were delayed, crisis-oriented, and reactive as opposed to anticipatory and preventative. The Chairman of the Commission and the Commissioners did not have a management information system providing complete, accurate, and current data on how Commission monies, people, and equipment were being used to achieve its objectives. The Commission had no internal audit unit to perform the auditing necessary to provide its management with an independent analysis of the Commission's operations. Productive external audits and investigations were being performed, but some types of investigations such as regular compliance work could not be carried out due to limited staff. Backlogs and delays in completing essential work in many of the Commission's bureaus and offices indicated that the Commission did not have a sufficient number of adequately trained staff members to carry out its regulatory duties and perform management functions. Finally, low morale and a lack of good communications at the Commission were attributed to the leadership style of the Chairman, ignoring the chain-of-command, and oversight by busy managers. **Recommendation To Agencies:** The Director of the Federal Maritime Commission should: (1) establish an office of planning to help define agency goals and objectives in relation to its mission, set priorities, formulate policies, and set performance standards; (2) establish an automatic data processing steering committee; and (3) establish an independent internal audit organization reporting directly to the Director. The Chairman of the Federal Maritime Commission should (1) undertake a Commission-wide study to assess its staffing needs and training requirements; and (2) establish a continuing goal of improving communications and take a direct, personal interest in seeing that a participatory management approach is actively pursued throughout all levels of the Commission.

111402

Army Guard and Reserve Pay and Personnel Systems Are Unreliable

and Susceptible to Waste and Abuse. FPCD-80-30; B-196857. January 28, 1980. 32 pp.

Report to Clifford L. Alexander, Jr., Secretary, Department of the Army; by Hyman L. Krieger, Director, GAO Federal Personnel and Compensation Division.

Issue Area: Internal Auditing Systems: Management Control Systems in Federal Agencies for the Prevention of Fraud and Abuse (0206); Personnel Management and Compensation: Effect of Pay Principles and Processes on Civilian and Military Personnel (0306).

Contact: Federal Personnel and Compensation Division.

Budget Function: National Defense: Military Pay (0060).

Organization Concerned: Department of Defense; Department of the Army; Department of the Army: Army Audit Agency; Department of the Army: National Guard Bureau; Department of the Army: Army Reserve.

Abstract: The Army Guard and Reserve payroll is about \$1.3 billion. The Reserve drill pay system operates on an exception basis, with Guard and Reserve personnel being automatically paid for scheduled drills unless the unit reports them absent. Many Guard and Reserve units have abused attendance reporting by recording absent members as present at drill assemblies to show high attendance levels. These abuses were reviewed by GAO to determine the extent of the practices and to recommend solutions to the problems. **Findings/Conclusions:** It is estimated that between 5,500 to 6,000 reservists and guardsmen who are discharged each year may be indebted as much as \$744,000 for payment for drills they did not attend. Furthermore, the Army has detected over a half million dollars in duplicate payments to 3,678 members during the last 2 years. Management controls over the payroll and related personnel systems are not adequate to prevent the erroneous payments. In addition, vital personnel strength information maintained in the pay and personnel systems is frequently inconsistent, inaccurate, and can adversely impact budget and mobilization plans. The reliability of the information in the pay and personnel systems is questionable primarily because data are not updated in a timely manner or information is lost, rejected, or erroneously changed. **Recommendation To Agencies:** The Secretary of the Army should: direct the U.S. Army Finance and Accounting Center (USAFAC) to automatically assign members to a nonpay status after they have been absent from drills for 3 consecutive months; require USAFAC to establish responsibility and procedures for eliminating conditions which allow Reserve and Guard members to be paid by both the Joint Uniform Military Pay System-Reserve Components and the Active Army pay system; direct USAFAC to upgrade its computer program edits to detect errors identified in this report and develop methods to prevent pay transactions from by-passing program edits except in unusual circumstances and with high level approval; insure that Army Guard unit technicians do not have control over all processing functions with no feedback to unit commanders on changes made in the pay records; direct USAFAC to develop management reports for unit commanders and major Army commands that will provide timely and useful feedback on drill participation and pay transactions processed for unit members; develop an educational program for unit personnel on the importance of accurate attendance reporting and the consequences to expect for submitting erroneous reports; require the pay system to be redesigned to provide for positive reporting and processing; clarify regulations specifying the disbursing station for each unit; direct USAFAC to study the possibility of incorporating additional information in its tax data file from the disbursing offices to detect duplicate and overlapping payments for active duty for training and drill assemblies; direct the U.S. Army Forces Command to instruct all disbursing stations to institute a card system to prevent duplicate payments; direct the three accounting stations to refer any suspect duplicate payments to the Army's Criminal Investigation Division for possible fraudulent submissions; review and modify existing procedures to improve the

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timeliness, flow, and accuracy of source data needed for entering and deleting members from the pay and personnel systems; initiate actions to remove members from the rolls who do not meet established Army attendance standards; develop programs to readily verify or correct data in the systems as the need arises; and reconcile on a regular basis the pay and personnel data vital to management needs for the National Guard and Reserve.

111456

Maze of Food Regulations--Need for a Regulation Indexing System. CED-80-44; B-187797. February 4, 1980. 34 pp. plus 1 appendix (1 p.).

Report to James T. McIntyre, Director, Office of Management and Budget; R. G. Freeman, Administrator, General Services Administration; Douglas M. Costle, Chairman, Regulatory Council; by Henry Eschwege, Director, GAO Community and Economic Development Division.

Issue Area: Food: Federal and State Regulations Impacting Food Marketing (1712); Transportation Systems and Policies: Surface Transportation Economic Regulation (2410).

Contact: Community and Economic Development Division.

Budget Function: Transportation: Ground Transportation (0401).

Organization Concerned: Regulatory Council; General Services Administration; Office of Management and Budget; General Services Administration: Administrative Office of the Federal Register; Department of Agriculture; Federal Maritime Commission; Environmental Protection Agency; Department of Health, Education, and Welfare; Department of Transportation.

Authority: P.L. 95-163. Executive Order 12044.

Abstract: Complex regulations covering all aspects of the food industry sometimes leads to confusion. Fourteen Federal agencies and commissions have issued 1,300 regulations for the transport of food, covering 9,752 sections of the Code of Federal Regulations. These regulations require some 30,000 separate actions to comply with the written law. The difficulty of dealing with this large body of regulatory law is compounded by the lack of an adequate index to determine which regulations apply in a particular situation. GAO efforts relating to the scope of Federal food transportation-related regulation, the agencies responsible, and the parties affected were summarized. **Findings/Conclusions:** The full potential for improvement in the food regulatory system is not being realized because the Code of Federal Regulations is not organized in a readily accessible manner. Although GAO compiled a computerized data base of the subject regulations, an aggregate regulations index does not exist which would facilitate identification, coordination, and review of regulations from the standpoint of the parties affected and the total impact of the many different regulations. **Recommendation To Agencies:** To improve access to the Code of Federal Regulations and facilitate identification, coordination, and review of regulations, the Chairman of the Regulatory Council and the Director of the Federal Register should develop a computer-based system for accessing the Code of Federal Regulations that would be readily available to Congress, executive agencies, and the private sector. The system should contain the capabilities to provide for high probability of retrieval in searches and to access regulations based on a variety of factors including subject, parties controlled, and regulatory objective.

111459

How the Law To Prevent Discrimination and Encourage Minority Participation in Railroad Activities Is Being Implemented. CED-80-55; B-197439. February 1, 1980. Released February 4, 1980. 30 pp. plus 3 appendices (39 pp.).

Report to Rep. Bennett M. Stewart, House Committee on Appropriations: Transportation Subcommittee; Rep. Robert B.

Duncan, Chairman, House Committee on Appropriations: Transportation Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Non-Discrimination and Equal Opportunity Programs: Non-Line-of-Effort Assignments (1051); Transportation Systems and Policies: Railroad Freight Transportation System (2407).

Contact: Community and Economic Development Division.

Budget Function: Transportation: Ground Transportation (0401).

Organization Concerned: Department of Transportation; Federal Railroad Administration; General Services Administration; Small Business Administration; National Railroad Passenger Corp. (AMTRAK); Consolidated Rail Corp.; Federal Railroad Administration: Minority Business Resource Center.

Congressional Relevance: House Committee on Appropriations: Transportation Subcommittee; Rep. Bennett M. Stewart; Rep. Robert B. Duncan.

Authority: Railroad Revitalization and Regulatory Reform Act of 1976 (P.L. 94-210). 49 C.F.R. 265. Executive Order 11246. P.L. 95-507.

Abstract: Under the Federal Railroad Administration's (FRA) regulations, recipients of Federal financial assistance, and certain of their contractors and subcontractors, are required to take affirmative action to insure that minority persons and businesses have a fair opportunity to participate in employment and contractual opportunities resulting from the assistance. FRA organizations which administer the regulations are to: (1) review and approve recipients' affirmative action plans before financial assistance is granted, (2) monitor recipients' progress toward the goals established, and (3) investigate complaints. The Minority Business Resource Center (MBRC) was created under FRA to help assure that minority-owned businesses would be given the maximum practical opportunity to participate in business generated from public funds to the railroads by helping them to obtain contracts with the railroads. **Findings/Conclusions:** Although FRA has initiated a number of corrective actions which should improve its implementation of the regulations, it has not adequately carried out its full responsibilities. GAO found that: (1) financial assistance was granted to recipients before their affirmative action plans (AAP's) were approved, and as of December 14, 1979, plans had not been approved for 10 States, Conrail, Amtrak, and the three major contractors working on the Northeast Corridor Improvement Project; (2) FRA has not systematically monitored recipients' progress; (3) two of the eight railroads receiving assistance have not submitted required reports on procurements from minority businesses; (4) additional efforts are needed to assure that claims are eligible; and (5) FRA policies and procedures relating to the goal for minority procurements and the requirement for recipients to monitor the progress of their contractors and subcontractors need to be clarified. While the number of minority contracts with the railroads has increased substantially, it is not possible to determine how much of the increase can be attributed to the activities of MBRC. A report prepared by an outside firm cited many problems which were inhibiting MBRC progress, but made many recommendations which the firm thought could increase MBRC progress. **Recommendation To Agencies:** The Department of Transportation should monitor the compliance by FRA with its regulations to insure that assistance is not granted until the applicants' AAP's have been approved. FRA should direct MBRC to establish, and disseminate to all recipients, clear policies and procedures on: (1) the dollar base to which the minority procurement goal of 15 percent is supposed to be applied; and (2) what recipients and contractors are supposed to do to monitor the activities of their contractors and subcontractors.

111469

[Air Force Sole Source Computer Acquisitions Not Warranted]. FGMSD-80-30; B-197338. January 24, 1980. Released February 8,

1980. 3 pp. plus 2 enclosures (10 pp.).

Report to Rep. Jack Brooks, Chairman, House Committee on Government Operations; by Robert F. Keller, Acting Comptroller General.

Issue Area: Automatic Data Processing: Acquisition of ADP Resources Under the Brooks Act (0111).

Contact: Financial and General Management Studies Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: Department of the Air Force: Military Airlift Command; Air Force Global Weather Central, Offutt AFB, NE; General Services Administration; Department of the Air Force.

Congressional Relevance: House Committee on Government Operations; *Rep.* Jack Brooks.

Authority: F.P.M.R. 101.35.

Abstract: The Air Force planned to upgrade its weather program through the sole-source acquisition of Univac computer equipment. At the request of a congressional committee, GAO investigated the Air Force weather program to determine if the Air Force had justified its need to upgrade its system on a sole-source basis. **Findings/Conclusions:** The Air Force provided the following reasons for the sole-source procurements: (1) an urgent need for the two Univac 1100/81 computers purchased in July 1979; (2) the economies associated with these computers which made the acquisition cost effective; (3) the additional costs of competitive acquisition including program conversion, site preparation, and parallel operations costs; and (4) the technical risks associated with changing vendors. GAO believed the sole-source acquisition was not warranted and not consistent with Federal automatic data processing policies. With some change in operations, there was sufficient capacity to satisfy validated operational requirements with the new equipment, and several criteria for sole-source procurement were not met by the Air Force. Specifically, GAO found that the Air Force failed to prove that the need for the equipment was unforeseen and urgent; that the existing system was at optimum performance; and that sharing with other Government agencies and the use of commercial sources was considered. **Recommendation To Agencies:** The Administrator of the General Services Administration should carefully consider the advantages and disadvantages of the alternatives as well as any combination thereof, determine whether the conditional authority granted to the Air Force for sole-source procurement will be deemed valid, and require the Air Force to provide a detailed cost-benefit analysis for each alternative and a firm plan and commitment as to how future acquisitions will be made competitively.

111503

[Problems With the Dissemination of Information on Federal Assistance Programs]. GGD-80-32; B-197586. February 8, 1980. 11 pp. plus 1 enclosure (2 pp.).

Report to James T. McIntyre, Jr., Director, Office of Management and Budget; by Allen R. Voss, Director, GAO General Government Division.

Issue Area: Intergovernmental Policies and Fiscal Relations: Federal, State, Area-Wide, and Local Coordination (0402).

Contact: General Government Division.

Budget Function: General Government: Executive Direction and Management (0802).

Organization Concerned: Office of Management and Budget.

Authority: Federal Program Information Act (P.L. 95-220). P.L. 91-230.

Abstract: In an effort to meet the complaints by Federal aid recipients about the scarcity of information available on Federal programs, the Office of Management and Budget's (OMB) Federal Assistance Information Database and the Catalog of Federal Domestic Assistance were reviewed. The database was created to

be a complete listing of Federal domestic assistance programs and to serve as the primary source of program information. From this database, information can be obtained by the general public through the Federal Assistance Program Retrieval System and the Catalog. Certain shortcomings were found in the database. Specifically, it was found that many programs are not included in the database and information in the Catalog was not as easy to access as it could be. **Findings/Conclusions:** As a result of the incompleteness of the database, prospective Federal aid recipients are not being provided with information on all domestic assistance programs as required by Federal law. The database's incompleteness resulted because: (1) the information used to create the database was incomplete to start with and little has been done to complete it; (2) programs are being excluded from the database when they should not be; and (3) all new programs are not being added as soon as they should be. Even with a complete inventory of Federal domestic assistance programs, the usefulness of the inventory to potential Federal aid recipients depends on the ability of the potential recipients to find the program which meets their needs. The present database indexes are not set up to make a search for assistance as easy as possible, nor are they detailed enough to cover all of the activities within a program. To better serve potential aid recipients, the Catalog's subject, functional, and proper name indexes should be folded into one alphabetical keyword index. Such an index should focus on the purposes of the assistance and guide readers to the appropriate assistance through the use of terms familiar to the readers. In addition, specialized catalogs which have not been approved by OMB and which do not use the OMB information database as the source of information have undermined the Catalog as the single authoritative compilation of Federal domestic assistance, and have increased the chances of publishing conflicting program information. **Recommendation To Agencies:** To further the purpose of dissemination of information on Federal Assistance Programs the Director of OMB should: (1) revise the OMB Circular A-89 and update the Catalog instructions to reflect the new reporting requirements of the Federal Program Information Act, and reemphasize the need for the timely reporting of new programs; (2) increase the oversight to insure that Federal agencies report all Federal domestic assistance programs; (3) reinstate those ongoing domestic assistance programs previously deleted; (4) establish, with the assistance of an indexing specialist, an alphabetical keyword index for the database in lieu of the subject, functional, and popular name indexes; and (5) reemphasize to Federal agencies that all specialized catalogs must be approved by OMB before the catalogs can be published.

111510

[Protest Involving Awardee Responsibility]. B-196163. February 6, 1980. 4 pp.

Decision re: SAI Comsystems Corp.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: SAI Comsystems Corp.; Vanguard Technologies Corp.; Federal Communications Commission.

Authority: 55 Comp. Gen. 1160. F.P.R. 1-2.407-8(b). B-193792 (1979). B-191262 81978). B-193277 (1979).

Abstract: A company protested the award of a contract, challenging both the agency's determination that the awardee was responsible and the agency's decision to award the contract prior to a GAO decision concerning the protest. The protester stated that shortly before the solicitation was issued, the awardee asked the protester to consider it as a subcontractor for future contracts which the protester might be bidding on. The protester concluded from its own investigation of the awardee that it was not qualified, and therefore contended that the awardee could not be a responsible bidder. The agency, however, favorably evaluated the awardee during a

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preaward survey. The agency awarded the contract despite the fact that a protest was filed because it had determined that it was critical to maintain uninterrupted operations. GAO would not review the agency's affirmative determination of responsibility since the protester had not shown any fraud on the part of the agency or alleged that definitive responsibility had not been properly applied. Nor would GAO question the agency's decision to make the award prior to resolution of the protest since it was evident that it was made on the basis of urgency and in accordance with Federal procurement regulations. Therefore, the protest was denied.

111513

[Protest That Equal Central Processing Unit Offered Does Not Execute Agency's Existing Software]. B-195857. February 7, 1980. 3 pp. *Decision* re: Spectrum Leasing Corp.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: Department of the Army: Procurement Division, Fort Leavenworth, KS; Spectrum Leasing Corp.; International Business Machines Corp.

Authority: B-190322 (1978). B-184341 (1976).

Abstract: A firm protested the award of a computer equipment leasing contract by the Army. The solicitation called for offers to provide a specific model and brand name processing unit or its equal. The awardee's bid was lower than the protester's, but the protester contended that the Army overlooked software costs which may be required by the unit proposed by the awardee. The protester submitted data purporting to show that the awardee's equipment was less powerful than the model and brand named in the solicitation. The Army contended that there would be no additional software costs involved in using the equipment named in the awardee's bid, and the protester failed to rebut the Army's position on this question. The determination of whether a product offered as equal to a specified brand is acceptable must be made in view of the salient characteristics of the brand name listed in the solicitation as necessary to satisfy the Government's needs. In view of this principle, GAO could not conclude from the data provided by the protester that the agency's determination was unreasonable. Accordingly, the protest was denied.

111525

[H.R. 6410, the Paperwork Reduction Act of 1980]. February 7, 1980. 14 pp.

Testimony before the House Committee on Government Operations: Legislation and National Security Subcommittee; by Elmer B. Staats, Comptroller General.

Contact: Office of the Comptroller General.

Organization Concerned: Office of Management and Budget.

Congressional Relevance: House Committee on Government Operations: Legislation and National Security Subcommittee.

Authority: Freedom of Information Act. Federal Reports Act, 1942. H.R. 6410 (96th Cong.).

Abstract: Proposed legislation, H.R. 6410, would create a central office in the Office of Management and Budget (OMB) responsible for setting Government-wide information policies and for providing oversight for the agencies' information management activities. The activities covered by the bill include reports clearance and paperwork control, statistics, privacy, automatic data processing, telecommunications, and records management. The bill also provides that a high-level official is to be designated within each agency who will be held accountable for insuring that the agencies effectively carry out their information management activities. GAO agrees that policy-setting and oversight responsibilities, but not operating responsibility, should be vested in the new OMB office. However, oversight responsibility for Freedom of Information Act

activities should also be vested in the new office, which will provide the much needed executive direction and oversight. In the past, records management has not received the level of management attention it deserves. The assignment of oversight responsibility to OMB and the periodic evaluations required by the bill would remedy this situation. GAO supports the provision for consolidating, elevating, and clarifying OMB policy function for the acquisition and management of automatic data processing and telecommunications resources. The bill would bring about significant changes in the controls over collecting information from the public, including: (1) ending the current fragmented responsibility for reports clearance, including the transfer of GAO clearance responsibility; (2) combining the statistical policy function with reports clearance in a single organization; and (3) amending the Federal Reports Act to clarify certain provisions and eliminate weaknesses. Further improvements in carrying out Federal information activities should be brought about as agencies implement the Paperwork Commission's recommendations. GAO also endorses the creation of the Federal Information Locator System, which would provide a source for locating information maintained by different Federal agencies and which would help identify and eliminate unnecessary duplicate collections of information from the public. However, Congress should allow OMB to delegate operating responsibility for the system to another executive agency. This would enable OMB to focus its attention on the important policy and oversight responsibilities in the bill.

111549

Improving the Productivity of Federal Payment Centers Could Save Millions. FGMSD-80-13; B-163762. February 12, 1980. 26 pp. plus 5 appendices (23 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: National Productivity: Productivity for Common Government Functions (2902).

Contact: Financial and General Management Studies Division.

Budget Function: General Government: Other General Government (0806).

Organization Concerned: Office of Personnel Management; Office of Management and Budget; Office of Federal Procurement Policy; National Center for Productivity and Quality of Working Life.

Congressional Relevance: Congress.

Authority: Civil Service Reform Act of 1978. 20 U.S.C. 2307. 31 U.S.C. 529. 41 U.S.C. 255.

Abstract: Inefficiencies in processing payments to vendors for goods and services cost the Federal Government millions annually. For example, productivity rates achieved by Federal payment centers in the vendor bill-payment function varied by about 600 percent. Although the bill-payment function is a readily measurable, repetitive process, most payment centers GAO examined did not have productivity measures. Thus, GAO constructed many of the measures on which the performance data were based. GAO determined three primary reasons for the large variance: (1) the degree of management concern for, and use of efficiency measures; (2) the volume of workload processed by the centers; and (3) the degree to which automation or improved processes and procedures were used in the payment process. *Findings/Conclusions:* According to payment center managers, the major cause of low productivity was the disincentive to be efficient. These disincentives included: (1) across-the-board budget cuts, which encouraged managers to keep staff above minimum levels in order to absorb the cuts and still perform the work; (2) tying grade levels to number of staff supervised; and (3) inability of managers to discipline employees who do not perform. Alternatively, the managers of payment centers with high productivity showed a high degree of concern about productivity and had reasonably good systems designed to identify expected performance and measure against it. However, one nonprocedural

factor that affected productivity was workload volume. Payment centers with large workloads normally achieved higher productivity rates than centers with low volumes. High volume allowed economies of scale and assembly-line techniques to be used. Just as automation and statistical sampling contributed to high productivity rates, duplication of effort, problems in timely submission of receiving reports and limited sharing of knowledge on processing rates and methods used to improve efficiency contributed to the low processing rates. Newly enacted legislation should help make managers more acutely aware of the need for emphasizing productivity. However, GAO does not feel that legislation alone would result in a significant increase in productivity measurement. The Office of Personnel Management needs to take an active role in supporting productivity measurements. **Recommendation To Agencies:** The heads of individual departments and agencies should develop systematic measures of productivity covering their payment centers. In addition, these departments and agencies in order to improve productivity should: (1) eliminate or consolidate payment centers which, due to low volume, cannot be made efficient; (2) use alternatives to receiving reports such as fast-pay procedures, where possible; (3) analyze the processes and procedures used in examining payment transactions to identify and eliminate unnecessary or redundant steps; (4) use statistical sampling techniques in auditing payment transactions in accord with GAO requirements; and (5) initiate periodic exchange of information on methods and procedures between payment centers that are within the same agency and with other agencies. In addition, for payment centers and related financial management functions, the Joint Financial Management Improvement Program has a role which the Office of Personnel Management should consider drawing upon. GAO further recommends that the Executive Director, Joint Financial Management Improvement Program, request that agencies report the progress made in measuring and improving productivity within their payment centers as part of the agency's annual financial management improvement report.

111572

[Protest Against Rejection of Bid]. B-196456. February 13, 1980. 2 pp.

Decision re: Integrated Research & Information Systems; by Robert F. Keller, Deputy Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Department of the Air Force; Integrated Research & Information Systems.

Authority: D.A.R. 7-104.71. B-191919 (1978).

Abstract: A firm protested the rejection of its bid under a solicitation issued by the Air Force. The invitation for bids was for various types of automatic data processing equipment on a brand name or equal basis and required bidders to submit descriptive literature sufficient to allow the Air Force to determine the acceptability of any product other than the brand name. The protester's bid was rejected because of insufficient descriptive literature and because it attempted in its bid to shift the burden of the State sales tax and shipping cost to the Air Force. GAO has consistently taken the position that, to insure the benefits of free and open competition, it is mandatory that awards of contracts for required services or supplies be made upon the basis of advertised specifications submitted for competition, including delivery and performance requirements, and that only inconsequential or immaterial defects or variations which do not affect the price, quantity or quality of the articles offered may be waived. By taking exception to the F.O.B. destination requirement, the protester shifted the liability for the cost of transportation and for damage in transit of goods from the bidder to the Government. Therefore, the protester's bid was properly rejected; the same reasoning also applied, insofar as cost was concerned, to the protester's attempt to shift the State sales tax burden

from itself to the Air Force. Because the bid was properly rejected, it was unnecessary to resolve the issue involving the descriptive literature; the protest was denied.

111650

Slow Productivity Growth in the U.S. Footwear Industry--Can the Federal Government Help? FGMSD-80-3; B-163762. February 25, 1980. 59 pp. plus 5 appendices (44 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: International Affairs: U.S. Advantage in Trade and Technology (0608); International Affairs: Relief From Import Injury and Unfair Trade Practices (0612); Science and Technology: Balancing Incentives and Regulatory Constraints and Factors That Affect Technological Innovation and Productivity (2005); National Productivity: Actions To Improve Productivity Growth of Selected Industries (2909); National and Regional Economic Problems (3500).

Contact: Financial and General Management Studies Division.

Budget Function: Community and Regional Development: Community Development (0451).

Organization Concerned: Department of Commerce.

Congressional Relevance: Congress.

Authority: Trade Expansion Act of 1962. Trade Act of 1974.

Abstract: Since the late 1960's U.S. footwear manufacturers have experienced a steady economic decline. In the 10 years between 1968 and 1978, domestic shoe production dropped 37 percent, imports rose 106 percent, and nearly 76,000 people lost their jobs. The number of shoe manufacturing firms decreased by almost half from 1967 to 1977. GAO undertook a study of the footwear industry to explore the effects of recent importing, buying, and manufacturing trends on one American industry. The objectives of the study were (1) to identify the causes of the industry's economic decline and determine if the decline was related to low productivity; and (2) to ascertain what competitive advantages foreign manufacturers had and how the Federal Government could help U.S. footwear manufacturers improve their productivity. **Findings/Conclusions:** Domestic manufacturers must now devise strategies to compete effectively with imports to prevent further deterioration of their market position and to raise their productivity growth rate. It will be especially important for small and medium-sized manufacturers to enhance their manufacturing methods and acquire a better understanding of domestic and international markets. Automation may offer an opportunity for manufacturers to increase their productivity and gain a competitive advantage over foreign producers. U.S. producers need to consider technologies available from traditional and nontraditional suppliers. Thus, mechanisms must be cooperatively developed by the Government, industry, labor, and universities which can bring about the use of sufficient productivity-enhancing technologies to sustain the viability of the industry. Government assistance in the form of trade adjustment assistance programs has not been effective in helping the industry to adjust to import competition. The Government-initiated Footwear Industry Revitalization Program has been particularly important in helping manufacturers improve their productivity and competitive position. However, the program is scheduled to expire in July 1980. A stronger Government effort to improve this industry's productivity growth could dissipate pressure for increased protectionism, reduce the future cost of trade adjustment assistance, improve the position of U.S. footwear manufacturers in international trade and enhance the industry's prospects for long-term survival. **Recommendation To Agencies:** The Secretary of Commerce should strengthen the Footwear Industry Revitalization Program by directing that additional initiatives be undertaken to foster joint efforts by industry, the Government, universities, and labor to improve the productivity and to enhance the long-term viability of the industry. These initiatives as a minimum should

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address: economic and technical uses of both traditional and non-traditional process technologies, especially group technology, computer aided design and manufacturing, and other forms of automation; innovative methods to help footwear firms acquire new technologies, such as joint ventures among footwear manufacturers and suppliers and firms from other U.S. industries; mechanisms, such as a permanent footwear center, to rapidly diffuse knowledge about new technologies which are deemed economically and technically feasible. The Secretary, in cooperation with the Secretary of Labor, should establish a neutral, nonadversary forum to bring together diverse public and private interests to identify alternatives for enhancing industrial productivity growth.

111651

[Review of Selected Computer System Procurements]. FGMSD-80-34; B-197681. February 15, 1980. Released February 25, 1980. 5 pp. plus 2 enclosures (4 pp.).

Report to Rep. Jamie L. Whitten, Chairman, House Committee on Appropriations; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Agencies' Efforts To Convert Software (0107).

Contact: Financial and General Management Studies Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: General Services Administration; Department of Energy; Environmental Protection Agency; Department of the Navy; Department of Agriculture; Veterans Administration.

Congressional Relevance: House Committee on Appropriations; Rep. Jamie L. Whitten.

Authority: Federal Property Management Reg. 101-35.2.

Abstract: GAO was asked to study how conversion costs affect the procurement of new computer systems. Of particular concern was whether including conversion costs in computer procurements would result in selecting the system that would cost the Government the least over the life of the system. Conversion costs, a significant factor in computer replacement procurements, may run into millions of dollars when noncompatible equipment is acquired. Therefore, an agency can avoid these costs by staying within the incumbent vendor's product line or acquiring compatible equipment. In this study, six computer procurements were reviewed in which a different make of computer was acquired. The primary objectives were to ascertain whether conversion costs were considered when selecting the successful offerors and whether the selected proposal cost the least over the life of the system.

Findings/Conclusions: Conversion costs varied significantly in the procurements studied. Each installation had underestimated the cost and time it would take to convert its application software to the replacement computer system. Currently, no official written procurement policy or regulation deals adequately with the treatment of conversion costs in evaluating proposals. While regulations establish policies for the management, acquisition, and utilization of automatic data processing (ADP) equipment and recognize conversion as a cost factor, they only provide unclear general guidance subject to misinterpretation. According to a draft guideline on how to handle agency procurement requests involving augmenting or replacing an agency's ADP equipment, most conversion costs should be included when evaluating vendor proposals to determine the lowest overall cost. Two other major problems to be considered in conversion are: estimating costs with reasonable accuracy and managing the conversion process. The development of techniques for better estimation of conversion costs is among the objectives of the Federal Conversion Support Center. Actions to be taken to ease conversion include: advance planning; developing, adopting, and enforcing standard documentation and programming techniques; identifying problem application areas for redesign; setting up and maintaining comprehensive source program and test data libraries; and developing and maintaining an inventory describing the characteristics of existing application software.

ADP Bibliography

111661

[Improving Management Controls at the Federal Financing Bank]. GGD-80-42; B-197390. February 28, 1980. 8 pp.

Report to Paul H. Taylor, Vice President and Treasurer, Federal Financing Bank; by Allen R. Voss, Director, GAO General Government Division.

Issue Area: Accounting and Financial Reporting: Operations, Financial Position, and Changes in Financial Position (2802).

Contact: General Government Division.

Budget Function: Interest: Interest on the Public Debt (0901).

Organization Concerned: Department of the Treasury; Federal Financing Bank; Bureau of Government Financial Operations.

Abstract: Several weaknesses in the Federal Financing Bank's internal controls need attention. The Bank's outstanding loans are growing in number and dollar value. Similarly, the time and attention necessary to properly administer the increasing number of loan transactions is straining support systems. To maintain an efficient operation, improvements are needed in internal control procedures. **Findings/Conclusions:** The Bank's present internal controls provide reasonable assurance of reliable financial statements, but several improvements need to be made. Specifically, the Bank needs to: (1) document the accounting system; (2) update and better maintain the records and files in order to enhance Bank operations; (3) revise the accounting staff rotation policy to improve efficiency; and (4) computerize most operations which necessitates the decision of whether to use existing Treasury equipment or to have a system compatible with Treasury systems. **Recommendation To Agencies:** The Trust and Revolving Funds Branch should: (1) present the computerization plans and periodic progress reports for the Board of Directors' review, approval, and oversight; (2) increase the level of effort to speed the computerization of the accounting system; (3) document the accounting system by developing an accounting manual with written policies, procedures, and methods for handling accounts and loan transactions; (4) improve the maintenance and accessibility of the records and files systems; and (5) suspend the rotation of personnel until the internal controls discussed above are strengthened. Furthermore, to avoid duplication, the Board of Directors' should forego an internal audit of the 1979 financial statements. Additionally, the Bank should improve its financial statements by adopting a statement identifying the accounting policies adopted and by combining the Statement of Changes in Retained Earnings with the Statement of Income as separate statements.

111682

New Legislation and Stronger Program Management Needed To Improve Effectiveness of VA's Vocational Rehabilitation Program. HRD-80-47; B-197126. February 26, 1980. Released February 29, 1980. 53 pp. plus 4 appendices (15 pp.).

Report to Sen. Alan Cranston, Chairman, Senate Committee on Veterans' Affairs; by Elmer B. Staats, Comptroller General.

Issue Area: Education: Programs To Foster Educational Opportunities (3302).

Contact: Human Resources Division.

Budget Function: Veterans Benefits and Services: Veterans Education, Training, and Rehabilitation (0702).

Organization Concerned: Veterans Administration.

Congressional Relevance: Senate Committee on Veterans' Affairs; Congress; Sen. Alan Cranston.

Authority: P.L. 95-202. P.L. 78-16. 38 U.S.C. 31. 38 U.S.C. 1501(2).

Abstract: The Veterans Administration (VA) vocational rehabilitation program was established to restore the employability of

veterans whose employability has been lost because of a service-connected disability. Pursuant to a congressional request, GAO reviewed the program to determine whether a revision of authorizing legislation would correct major program problems or whether other actions should be taken to improve the program's effectiveness. **Findings/Conclusions:** The most important of several factors contributing to the program's limited effectiveness was a lack of strong central management and accountability for program results at the central office level. No single organizational unit or individual had been given the authority and management responsibility for overall direction and control of the program. In addition, the objectives established by the central office, and the VA management information system, were geared to broad functions and processes that encompassed all VA programs, rather than focusing on a specific program's intended and actual results and outcomes. Other factors that limited the effectiveness of the program included financial disincentives caused by competition from other VA benefits; problems in program outreach and enrollment practices; and a lack of comprehensive rehabilitative services. **Recommendation To Congress:** Congress should: (1) amend the appropriate legislation to allow service-disabled veterans who need vocational rehabilitation services to enroll under the program with an option of two specified payment plans to correct the problem of service-disabled veterans choosing to enroll under the regular GI bill program instead of the veterans rehabilitation program solely for financial reasons; and (2) amend the appropriate legislation to expand the statutory purpose of vocational rehabilitation beyond employability to include attainment of gainful employment. **Recommendation To Agencies:** The Administrator of Veterans Affairs should revise the VA vocational rehabilitation program by: (1) adopting the current professional view that the primary purpose of vocational rehabilitation is to help the client become a satisfactory and satisfied employee; (2) considering a revision of VA regulations to emphasize the integrative use of diagnostic, medical, social, psychological, vocational, and other services needed to ensure maximum rehabilitation; (3) giving priority to veterans with serious employment handicaps; (4) establish a single unit at the central office level to manage the vocational rehabilitation program; (5) establish precise, results-oriented goals and objectives for the program; (6) revise the VA automated management information system to include routine collection and reporting of needed data; (7) develop and implement a comprehensive outreach plan of action to ensure that all service-disabled veterans are contacted and adequately informed of their potential eligibility for the program, with special emphasis on the more seriously disabled veterans; (8) implement the case manager concept at the regional office whereby one person is assigned to a veteran's case for the entire term of his participation and followup; (9) revise VA regulations to require that regional office rehabilitation personnel determine and document the nature and extent of lost employability for each veteran; and (10) revise VA regulations to require that all disabled veterans applying for a 100-percent individually unemployable rating be referred to the vocational rehabilitation unit for an evaluation of their rehabilitation and work potential before they are considered for the rating.

111685

[Protest Involving Renewal of a Lease and Maintenance Contract]. B-196221. March 3, 1980. 5 pp.

Decision re: Federal Data Corp.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: Federal Data Corp.; Department of Defense; Office of Civilian Health and Medical Program of the Uniformed Services; International Business Machines Corp.

Authority: 54 Comp. Gen. 1114. 57 Comp. Gen. 759. 40 Fed. Reg. 40015. B-192901 (1979).

Abstract: A firm protested an agency's renewal of a lease and maintenance contract for automatic data processing equipment. The agency renewed the lease under a regulation which does not require delegation of procurement authority from the General Services Administration where the acquisition price was under \$300,000 and a synopsis was published in the Commerce Business Daily (CBD). The CBD announcement was for informational purposes only, and contained no solicitation package because the agency believed that alternate sources of supply were not expected to be available. It asserted that the lease extension was an interim measure pending the installation of Government-owned excess equipment; that partial installation was expected to start within 4 months of the expiration of the current lease; and that it would be impractical within the required timeframes to solicit competitive bids. The protester objected to the sole-source lease because it believed that the agency violated the regulation under which the renewal was made by refusing to consider the affirmative responses to the CBD notice. It argued that the delivery dates of the Government replacements were uncertain and that there was no indication that the remaining leased items would be replaced during the term of the renewed lease. Sole-source awards are authorized when needed supplies or services can be obtained from only one person or firm; reasonableness is the standard applied in determining the propriety of a sole-source procurement. GAO believed that the noncompetitive award was not justified in this case, because third party lessors are often able to furnish identical equipment at rental rates competitive with those of the original manufacturer. There was no reason why these firms should not have been given the opportunity to bid. It was held that the agency did not comply with the regulation in that when affirmative responses are received, the agency is required to demonstrate that lease renewal is the lowest cost alternative. Despite the GAO position, no meaningful relief could be recommended which would be in the best interest of the Government because competitive procurement at that time would result in an extremely abbreviated lease period. The protest was sustained.

111689

[Review of the Battlefield Exploitation and Target Acquisition System]. LCD-80-38; B-197731. March 3, 1980. 7 pp. plus 1 enclosure (2 pp.).

Report to Rep. Joseph P. Addabbo, Chairman, House Committee on Appropriations: Defense Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Use of Computer Systems for Agency Mission Requirements and Support Functions (0108); Communications: Non-Line-of-Effort Assignments (3751).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of Defense; Department of the Army; Department of the Air Force; Department of the Navy; TRW, Inc.

Congressional Relevance: House Committee on Appropriations: Defense Subcommittee; *Rep.* Joseph P. Addabbo.

Abstract: A senate subcommittee requested that GAO provide information on the Battlefield Exploitation and Target Acquisition (BETA) project for forthcoming hearings on the Department of Defense's (DOD) fiscal year 1981 budget. The BETA project is a high risk, joint service effort to develop an experimental test bed for automated collection, analysis, correlation, and dissemination of tactical intelligence data. It was established in 1977 to demonstrate the feasibility and combat utility of prompt coupling of data from target acquisition sensors into tactical combat situation displays and firepower systems. In January 1978, the Office of the Secretary of Defense (OSD) established a \$46.5 million funding ceiling through fiscal year 1980 to accomplish project objectives.

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Costs were estimated at \$88.2 million through fiscal year 1984 to achieve the original objective which includes \$29.4 million for future development after a planned 1980 demonstration. Experience with the BETA test bed is expected to provide technology transfer benefits to service fusion centers, to be developed in the near future. Currently, the contractor has completed a limited demonstration of test bed communications capability. Full system integration tests and an operator training phase are planned prior to the planned demonstration in Europe later this year. Development plans, changes in test bed functional requirements provided to the contractor, and the status of software development have been reviewed to identify problems which might hinder the achievement of project goals. Considerable difficulty has been encountered in developing a BETA test bed with even minimal capability. **Findings/Conclusions:** Changes in system specifications have shown that the automation level has been reduced in the test bed being developed for the 1980 demonstration. The current test bed configuration, Bare Bones BETA, is designed for automated correlation of sensor data inputs. However, some of the automated functions needed to use the intelligence data have been eliminated and now must be performed manually. The test bed will not be stressed at wartime loads during the forthcoming demonstration. While the deletion of the division correlation center is a major loss in planned capability, the project director feels that the Bare Bones configuration is worth testing since it provides a capability not currently existing. Cost growth and schedule slippage were attributed to contractor difficulty in understanding functional requirements initially, obtaining experienced computer programmers, and obtaining hardware and software from subcontractors. Presently, project officials cannot guarantee participation in the planned European demonstration due to high risk problems which remain and uncertainty over the software development schedule. In view of these difficulties, the Subcommittee may wish to consider the following options before authorizing any additional funds for BETA: terminate the BETA project after the Bare Bones system tests are completed; delay the project about 1 year and make additional funding conditional on conducting a more comprehensive field test; and approve no funds for future test bed development until complete test results are available on the Bare Bones configuration.

111693

[*Review of the Department of State's Internal Control Over Cash Receipts and Disbursements*]. February 29, 1980. 2 pp. plus 1 enclosure (10 pp.).

Report to Thomas M. Tracy, Department of State: Assistant Secretary for Administration; by Frank C. Conahan, Associate Director, GAO International Division.

Issue Area: Internal Auditing Systems: Management Control Systems in Federal Agencies for the Prevention of Fraud and Abuse (0206); Accounting and Financial Reporting (2800); Accounting and Financial Reporting: Internal Controls Over Receipts and Disbursements (2810).

Contact: International Division.

Budget Function: Financial Management and Information Systems (1100).

Organization Concerned: Department of State: Assistant Secretary for Administration; Department of State: Office of Operations: Foreign Affairs Data Processing Center, Bangkok, Thailand.

Abstract: A review was made of the Department of State's internal controls over cash receipts and disbursements at the Foreign Affairs Data Processing Center in Bangkok, Thailand, during 1979. The Center performs automated payroll, accounting, and disbursing and general recordkeeping functions for the State Department and many other U.S. Government agencies located in South and East Asia and the Pacific. **Findings/Conclusions:** GAO found

that internal controls at the center could be improved. The principal areas of concern were: (1) the lack of a check to identify abnormally large dollar and local currency transactions for management review; (2) the need for comparison of reports which contain like data extracted from different source files to detect errors in processing; (3) the need for improvement of document control to prevent the loss or duplicate processing of the same transaction; and (4) the need for improvement of internal control over cashier activities. It was also noted that, although the Center is making progress in obtaining needed in-country backup computer support, it is not storing key computer system supporting documentation, such as logic flow charts and system operations manuals, in a secure offsite location.

111697

Farmers Home Administration's ADP Development Project--Current Status and Unresolved Problems. CED-80-67; B-197778. February 19, 1980. 8 pp. plus 5 appendices (51 pp.).

Report to Rep. Jamie L. Whitten, Chairman, House Committee on Appropriations; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Use of Computer Systems for Agency Mission Requirements and Support Functions (0108).

Contact: Community and Economic Development Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: Department of Agriculture; Farmers Home Administration; Farmers Home Administration: National Finance Office; Department of Agriculture: Office of the Inspector General; System Development Corp.; Arthur Andersen & Co.

Congressional Relevance: House Committee on Appropriations; Rep. Jamie L. Whitten.

Authority: Consolidated Farm and Rural Development Act. Housing Act of 1949 (42 U.S.C. 1471). GSA Circular 101-35. OMB Circular A-76. OMB Circular A-109.

Abstract: The Farmers Home Administration's (FmHA) computer-based systems project, the Unified Management Information System (UMIS), was reviewed. In 1974, FmHA began developing UMIS to provide better management information at all levels within the agency in an effort to improve service to rural Americans seeking financial assistance. **Findings/Conclusions:** FmHA has not properly designed, documented, or managed the project. As a result: (1) the projected implementation date of the system will be at least 5 years later than planned, (2) the estimated total cost to develop UMIS as designed may reach \$42 million, (3) total development costs for any alternative to UMIS may range from \$27.5 million to \$42 million, (4) the operational costs of UMIS as designed will be exorbitant, and (5) the system may not meet the basic needs for which it is being developed. GAO has determined that UMIS is not viable as currently designed and managed. Furthermore, since FmHA has not adequately studied and defined its information needs, there is no assurance that if UMIS or an alternative becomes operational it will provide needed information or be cost-effective. This lack of information requirements has also made it difficult to identify all possible alternatives. Most UMIS delays, cost increases, and capability shortfalls resulted because FmHA did not (1) assign a project manager who would be dedicated to the project on a full-time basis, (2) prepare a comprehensive system development plan identifying milestones and critical decision points, and (3) use standard automatic data processing (ADP) project control measures such as cost accounting and budget preparation procedures. Because any alternative selected to replace UMIS will be a major software development project similar in scope to UMIS, FmHA must address the project management issues of effectively planning, managing, and controlling a complex ADP development project. **Recommendation To Agencies:** The Secretary of Agriculture should direct FmHA to: redefine information requirements to meet agency needs and express them in terms

which are more specific and quantifiable to establish performance criteria for evaluating UMIS alternatives; obtain from the Office of the Secretary of Agriculture approval of the FmHA information requirements study prior to continuing or beginning any new development effort; submit the study to appropriate congressional oversight committees; reevaluate UMIS if new information is uncovered by the U.S. Department of Agriculture Task Force; identify all alternatives to UMIS based on a complete functional requirements study and prepare a documented analysis of alternatives and a cost benefit study; develop the most cost effective alternative to meeting FmHA needs based on the above studies and the technical Task Force report; develop and implement standard project control techniques such as establishing documentation standards, holding documentation reviews, establishing firm software test procedures, and improving System Change Request controls; intensify its efforts in installing PAC II which is necessary to monitor progress of a development project, to identify and analyze schedule and cost variances, and to better plan the use of resources; install a cost accounting system as part of a project control mechanism, to account for all costs incurred during the system design, development, and operational life cycle with total life cycle cost estimates being updated on a regular basis; assign a full-time project manager to the project development team; strengthen its ADP steering committee, increase top management involvement in the project, and provide for management continuity; and establish a budget for major software development projects to cover the development and operation phases, and note such projects as a separate line item in the FmHA budget justification.

111752

Stronger Management of EPA's Information Resources Is Critical To Meeting Program Needs. CED-80-18; B-196990. March 10, 1980. 65 pp. plus 2 appendices (8 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Use of Computer Systems for Agency Mission Requirements and Support Functions (0108); Environmental Protection Programs: Research and Development Programs to Support Environmental Protection (2213).

Contact: Community and Economic Development Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: Environmental Protection Agency; Environmental Protection Agency: Office of the Inspector General.

Congressional Relevance: Congress.

Authority: Clean Air Act Amendments of 1977 (42 U.S.C. 7401 et seq.). Federal Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. 136 et seq.). Federal Water Pollution Control Act Amendments of 1972 (33 U.S.C. 1251 et seq.). Marine Protection, Research, and Sanctuaries Act of 1972.

Abstract: A GAO review identified the problems that the Environmental Protection Agency (EPA) was experiencing in managing and using its information and computer resources. Since EPA is an information-intensive agency, its information resources, including automatic data processing (ADP), are critical to the success of all program activities. **Findings/Conclusions:** Some EPA information resources management problems include little top management involvement, no strong central management or direction of computer-based information systems, no mechanism to coordinate planning, a lack of a nucleus of ADP professionals to support system development, no provision for assigning priorities, and a lack of providing direction to its contractors. EPA is in the process of upgrading its computer system. However, the need for this additional computer capability has not been justified since unused computer capacity still exists and steps have not been taken to manage the existing workload. **Recommendation To Agencies:** The Administrator of EPA should: (1) establish at the deputy assistant

administrator level a central information resources management office; (2) assign to the central resources management office responsibility and accountability for carrying out an information resources management system that includes such practices as an agencywide planning process, a performance measurement program, and management control procedures; (3) direct the central information resources management office to correct the existing ADP deficiencies; (4) assign to a central information resources management office the authority and responsibility for ensuring necessary planning, direction, and control over ADP system development; (5) have the central information resource management office review each program office ADP plan, recommend agencywide priorities for system development to the Deputy Assistant Administrators' Steering Committee, track progress of ADP system development projects, report problems to the appropriate program offices for necessary action, strengthen controls over and enforce standards for system development, verify that statements of work are detailed, require written approval of all modifications to the statement of work before that work begins, ensure that the contractor adheres to contract schedules and costs, require written explanation for any deviations, and thoroughly review the ADP technical content of contractor deliverables; (6) reassess the 1980's ADP requirements and ensure that ADP workload projections are kept current; (7) establish a permanent computer performance management program; (8) perform a formal cost-benefit analysis of alternative procurement strategies; (9) ensure that ADP cost-accounting procedures reflect the principles of full costing and total system-life-cycle costing; (10) require that full costs for central ADP services be assigned by the chargeback system to the users; (11) require users to pay for these services directly from their program funds; (12) initiate actions to implement a revolving fund; (13) determine the final requirements of an ADP planning and budgeting system; and (14) direct the Office of the Inspector General to increase its ADP audit capability, to augment its ADP audit capability with outside contractors, and to plan and perform management audits of the ADP policies, plans, and procedures of EPA.

111782

Models, Data, and War: A Critique of the Foundation for Defense Analyses. PAD-80-21; B-197094. March 12, 1980. 115 pp. plus 4 appendices (38 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Military Preparedness Plans (0800); General Procurement (1900); Evaluation Guidelines and Methodology (2600).

Contact: Program Analysis Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Congressional Relevance: Congress.

Abstract: The executive branch of the Government has institutionalized quantitative methodology as a tool for budgeting and logistical decisionmaking. While quantitative analysis has considerable potential in both objective and subjective applications, the recognition of whether a specific application is based on scientific fact or quantified judgment is of great importance in the context of decisionmaking. GAO examined the nature of quantitative methods such as cost-effectiveness analysis, defense logistics, and computer modeling, and some of the problems involved in their use for the analysis of public policy issues. The study focused on efforts by the Department of Defense (DOD) to analyze conventional ground and tactical air force requirements by mathematical-statistical means through combat models, expert judgment, empirical data, and a quantitative theory of combat. **Findings/Conclusions:** From a scientific point of view, the present understanding of war is in a relatively primitive state. While basic research aimed at understanding the fundamentals of combat is need-

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ed, quantitative or numerical techniques have not been systematically applied toward this end. Thus, the full potential of quantitative analysis for the improvement of DOD decisionmaking has not been realized. To realize this potential, DOD decisionmakers must act on the premises that (1) quantitative decisionmaking is beneficial only when it embodies, rather than replaces, expert judgment and objective fact; (2) analyses may give the appearance of scientific work but may not have been subjected to the normal evaluative standards of science; (3) the theory and supporting data employed in a particular study may not equal the quality of the analytic tool; and (4) the assumptions and limitations of the analysis must be made a part of any study report. **Recommendation To Congress:** The findings of this study pertain to mission budgeting, risk assessment, the evaluation of social programs, and related issues, as well as defense decisionmaking. When reviewing quantitative studies or exercising its oversight authority, Congress should require an open, explicit understanding of the assumptions underlying a study's conclusions or knowledge of the identity of the decisionmaker involved in the study and his background experience and institutional affiliation and should determine the extent to which the model used in the study have been appraised. Agencies and departments should be required to report on how current decisionmaking tools are being managed and what is being done to improve the tools and provide better answers to difficult public policy questions in the future. When considering defense acquisition requests and cost-effectiveness analyses, the Congress should inquire how a particular program or weapon system contributes to the overall force level analyses. **Recommendation To Agencies:** The Secretary of Defense should reassess the adequacy of current practices in the management and use of policy-assisting models employed in DOD decisionmaking. This should include identifying needed corrective measures and insuring that such models are used to enhance and extend decisionmakers' judgments. The Secretary should also develop procedures to enhance the contribution of policy-assisting models to open explicit analysis in key areas of policy, strategy, and force planning. Further, the Secretary should require the Chairman of the Joint Chiefs of Staff to review current procedures for safeguarding and strengthening the empirical-theoretical foundation underlying the representation of combat in DOD studies. As warranted by that review, the Chairman should be required to prepare plans and recommendations which would enable the Joint Chiefs of Staff to serve as the defense establishment's principal analytic adviser on matters pertaining to the phenomenology of combat.

111827

Illegal Aliens: Estimating Their Impact on the United States. PAD-80-22; B-125051. March 14, 1980. 95 pp. plus 4 appendices (33 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Evaluation Guidelines and Methodology: Transfer of Evaluation Methods to GAO and the Federal Evaluation Community (2604).

Contact: Program Analysis Division.

Budget Function: Administration of Justice: Federal Litigative and Judicial Activities (0752).

Organization Concerned: Department of State; Department of Justice; Select Commission on Immigration and Refugee Policy; Immigration and Naturalization Service.

Congressional Relevance: Congress.

Authority: P.L. 95-412. P.L. 93-344. H.R. 9531 (95th Cong.). S. 2252 (95th Cong.). 31 U.S.C. 1154(c).

Abstract: While the number of persons entering the United States illegally is estimated to have increased rapidly in recent years, there is little data with which to assess their impact on American society and economy. Legislation was introduced in Congress to adjust the

status of some of these aliens to permanent and temporary residency, and to provide for legal remedies if employers knowingly hire illegal aliens. However, this legislation has not been enacted. Supporters of the proposed legislation believe that granting amnesty would raise wages and working conditions, benefiting both aliens and U.S. residents, and that the imposition of employer sanctions would deter illegal aliens from entering the country. Opponents argue that amnesty condones past lawbreaking and encourages others to migrate illegally with expectations of being granted permanent or temporary status. They believe deportation of these workers would also free the job market for legal workers, and that employer sanctions could lead to discrimination against foreign-looking persons due to employers' fears of hiring illegal aliens. Using assumptions based on data gathered from Government agencies and academic researchers on various aspects of the issues, GAO developed a mathematical model to estimate the possible impact of the illegal alien population. Estimates of this impact were made with and without the granting of amnesty. **Findings/Conclusions:** The largest number of illegal aliens is estimated to come from Mexico where the high population growth has created a serious internal employment problem. Enforcement efforts by the Immigration and Naturalization Service (INS) have been restricted by the courts and pressure from interest groups. In States with employer sanctions legislation, enforcement hinges on defining when an employer knowingly employs an illegal alien and then gathering sufficient evidence to prosecute the accused employer. Based on an estimated 6 million illegal alien population in 1976, GAO estimated that Government revenues exceeded expenditures; a substantial amount of U.S. currency may have been exported to foreign countries; and the impact of illegal aliens varied by regions. Projections based on not granting amnesty showed that the total number of illegal aliens may increase significantly by 1991. Taxes received should exceed costs for Government services and the amount of currency exported should be sizable. Assuming that amnesty were granted in 1981 with 765,000 aliens qualifying for permanent resident status and 5 million for temporary resident status, the alien population would double by 1991 because many residents would bring their families into the United States. For deportable aliens, assuming that employer sanctions and law enforcement would be effective, the status quo would not be changed, and amnesty would increase illegal migration. The total population is estimated to be larger than maintaining the status quo and Government expenditures are estimated to exceed generated revenues. **Recommendation To Congress:** Congress should encourage use of an analytical framework similar to the one discussed in this report to evaluate the impact of alternative proposals regarding illegal aliens.

111840

[Housing and Urban Development's Efforts To Improve Its Accounting System for Mortgage Insurance Premiums]. FGMSD-80-27; B-114860. March 19, 1980. 3 pp. plus 2 enclosures (7 pp.).

Report to Moon Landrieu, Secretary, Department of Housing and Urban Development; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Accounting and Financial Reporting: Conformity With Comptroller General's Principles, Standards, and Related Requirements (2801); Accounting and Financial Reporting: Systems To Insure That Amounts Owed the Federal Government Are Fully and Promptly Collected (2803).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101).

Organization Concerned: Department of Housing and Urban Development.

Congressional Relevance: House Committee on Government

Operations: Manpower and Housing Subcommittee.

Abstract: GAO reviewed the action taken by the Department of Housing and Urban Development (HUD) to improve its system for billing and collecting mortgage insurance premiums. The review concentrated on the effectiveness of actions taken to reduce the amount of delinquent premiums. **Findings/Conclusions:** HUD has not been sufficiently aggressive in collecting the millions of dollars in premiums that mortgage institutions owe. Controls over the delinquent premiums were expected to be drastically improved once a new automated system was implemented in September 1979. However, design changes have caused delays and the system is not scheduled for implementation until 1982. Because of this, HUD has started making long-needed improvements to its existing accounting system. Procedures currently used are inconsistent with those followed in the private sector and could keep some mortgagees from knowing about delinquencies for years. HUD also had difficulty collecting the application fees that homeowners actually paid in advance from the mortgagees. This problem could be mitigated by requiring the mortgagee to pay the fees when the application is accepted rather than waiting until related documents are processed through the system. **Recommendation To Agencies:** In order to correct the deficiencies noted, the Secretary of HUD should: perform a mortgage reconciliation with each mortgagee, revise the billing system to include all delinquent as well as current premiums due on the anniversary date, send an acknowledgment to the mortgage holder which lists all delinquent premiums owed on the mortgage each time a mortgagee or servicing agent is changed in the master file, refrain from canceling current or delinquent premiums until receiving notification that all valid receivables that were due the Government when the insurance was canceled were in fact collected, and aggressively pursue the collection rather than the liquidation of valid delinquent premiums.

111895

[Protest of Army Contract Award]. B-196105. March 25, 1980. 7 pp.

Decision re: Logicon, Inc.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: Logicon, Inc.; Command Control and Communications Corp.; Department of the Army: Army Communications Research and Development Command, Fort Monmouth, NJ.

Authority: 4 C.F.R. 20. B-183677 (1976). B-183891 (1976). B-188787 (1978). B-190313 (1978). B-193124 (1979). B-193405 (1979). B-193469 (1979). B-194388.2 (1979). B-194398.1 (1979). B-195091 (1979).

Abstract: A firm protested the award of a contract issued by the Army to another company. The firm's proposed system contemplated the use of multiple computers with one of the computers dedicated to the Data Base Management System (DBMS). However, in its best and final offer, the firm proposed a change in the initial proposal's operating system for implementing DBMS. The Army found this to be a significant change to the firm's proposal as the firm did not adequately explain or provide sufficient supporting data to allow the evaluation team to determine what effect the change would have on the proposal's technical acceptability. Consequently, the Army notified the firm that its proposal was rejected and later awarded the contract to another company. In the firm's opinion, DBMS was not a major item of the procurement. It stated that the Joint Interface Test System could carry out all of its required functions without a DBMS. Further, the firm contended that the change was so minor that all the Army had to do was seek a clarification, and that the Army's failure to do so was so unreasonable as to constitute arbitrary and capricious action and a basis for GAO to recommend cancellation of the award of the contract. Additionally, the firm argued that a conflict of interest existed

because the awardee and its subcontractors had support contracts which allowed them direct access to the Army's decisionmaking personnel on a routine basis, that the Government would have realized a savings if the firm had received the award, and that the awardee's system contained serious design defects. GAO will not question a contracting agency's decision to reject a protester's proposal when the protester's final offer included revisions of significant solicitation requirements that the agency reasonably believed were not adequately explained or documented. Nor will GAO conduct an investigation to establish the validity of the protester's allegations concerning the conflict of interest between members of the evaluation panel and the successful offeror. Further, GAO held that the protester's lower cost was not a basis to consider its technically unacceptable proposal. Also, the questions about the awardee's compliance with contract requirements were matters of contract administration and were not for consideration under bid protest procedures. Thus, no basis was found to disturb the contract that the Army awarded.

111955

Logistics Management Issues. LCD-80-48. April 1, 1980. 1 p. plus 1 appendix (9 pp.).

Staff Study by Richard W. Gutmann, Director, GAO Logistics and Communications Division.

Contact: Logistics and Communications Division.

Budget Function: General Government: General Property and Records Management (0804).

Congressional Relevance: House Committee on Appropriations; House Committee on Government Operations; House Committee on Armed Services; Senate Committee on Appropriations; Senate Committee on Governmental Affairs; Senate Committee on Armed Services.

Authority: Property and Administrative Services Act. Budget and Accounting Procedures Act of 1950. Armed Services Procurement Act of 1947. National Security Act Amendments of 1949. Interstate Commerce Act. Defense Cataloging and Standardization Act. 10 U.S.C. 2701. 10 U.S.C. 3302.

Abstract: The GAO Logistics and Communications Division is responsible for analyzing the relevant legal, economic, social, managerial, and technical issues in the Government's management of its personal property. GAO reviewed the Division's audit plans for work in the logistics management area. **Findings/Conclusions:** The Federal Government owns billions of dollars of material subject to logistics management. Logistics management functions include determining and satisfying needs; storage and preservation; distribution and transportation; utilization; maintenance and repair; disposal; and cataloging and standardization. It does not include determination of requirements for new major systems or the acquisition process for new systems, and the contracting process itself.

112017

[Protest of Anticipated Rejection of Proposal]. B-195053. April 7, 1980. 7 pp.

Decision re: Memorex Corp.; by Elmer B. Staats, Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Department of the Army: Pentagon Consolidated Telecommunications Center; Memorex Corp.

Authority: B-193126 (1979). B-189214 (1978).

Abstract: A firm protested the anticipated rejection of its proposal to furnish the Department of the Army with plug-to-plug compatible disk storage equipment. The protester was unable to amend its proposal to conform to a solicitation amendment which was issued after the closing date for receipt of initial proposals. The

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amendment stated that the equipment offered must have interchangeability at the device level. In the protester's view, the Army's further requirement limited participation to equipment manufactured by the brand name product manufacturer and was inconsistent with industry practice and unwarranted. GAO agreed with the Army that requiring the interchangeability would theoretically offer the highest system availability rate, and GAO would have denied the protest if it were simply a matter of theoretical performance. However, the Army based its needs entirely on a mathematical analysis. GAO performed its own analysis and found that the Army's analysis was incorrect. While justification of the Army's needs depended in part on whether the assumptions on which its analysis was based are reasonable, its requirement was not rationally supported since the analysis on which it was based was performed incorrectly. Therefore, the specification was held to be unduly restrictive of competition and the protest was sustained.

112038

[*Significant Savings Resulting From GAO Accomplishments*]. B-198318. April 3, 1980. 1 p. plus 2 attachments (4 pp.).

Letter to Rep. Jamie L. Whitten, Chairman, House Committee on Appropriations; House Committee on Appropriations: Legislative Branch Subcommittee; Senate Committee on Appropriations: Legislative Branch Subcommittee; by Elmer B. Staats, Comptroller General.

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of the Air Force; General Services Administration.

Congressional Relevance: House Committee on Appropriations: Legislative Branch Subcommittee; House Committee on Appropriations; House Committee on Government Operations; Senate Committee on Appropriations: Legislative Branch Subcommittee; Rep. Jamie L. Whitten; Rep. Jack Brooks.

Authority: OMB Circular A-109.

Abstract: The investigations and work that GAO has undertaken have resulted in significant savings to the Government. The savings have far exceeded the costs to GAO. An example of such savings is the accomplishment resulting from the review of the Air Force Phase IV computer replacement program. GAO advised the Air Force and the House Government Operations Committee that a different plan using one computer instead of two could produce dramatic savings without any loss in operational capability. In response to the recommendation, the Air Force advised the Chairman that the program had been redirected to satisfy the GAO concerns and that a cost avoidance of \$800 million would result over several years. Additionally, the redirection would encompass the following areas: (1) reduction in the number of systems per base; (2) manpower savings; (3) facility program reductions; (4) purchase of equipment; (5) system modernization; and (6) functional analysis.

112077

The National Science Foundation's Management Information System: A Status Report. PAD-80-7; B-198136. April 8, 1980. Released April 8, 1980. 8 pp. plus 1 appendix (28 pp.) plus 6 attachments (37 pp.).

Report to Rep. Don Fuqua, Chairman, House Committee on Science and Technology; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Use of Computer Systems for Agency Mission Requirements and Support Functions (0108).

Contact: Program Analysis Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: National Science Foundation; National Science Foundation: Directorate for Administration; National Science Foundation: Division of Information Systems; Financial

Executives Institute.

Congressional Relevance: House Committee on Science and Technology; Rep. Don Fuqua.

Abstract: The current status of the National Science Foundation's (NSF) management information system (MIS) and NSF plans for making needed improvements were reviewed. The review focused on identifying major changes planned or in process, quality controls, user satisfaction, and cost. The goal of MIS is to automate all NSF administrative and program functions. Users of the system's data include NSF management, Congress, the Office of Management and Budget, and grantee institutions, with the system being managed by the NSF Directorate for Administration through the Division of Information Systems. NSF began developing MIS in 1971, and has spent over \$15 million on it through fiscal year 1979, excluding personnel costs. A management consultant assessed the system in 1976 and found that user objectives had not been met and that significant improvements in the system were needed. Some of the consultant's recommendations were implemented, and managers and users have found the changes useful. However, other recommendations such as data quality assessment, long-range planning, and system performance evaluation have not been implemented. **Findings/Conclusions:** Significant improvements are needed in MIS and its management if the system is to fulfill its intended purpose and achieve a degree of reliability which is satisfactory to its users. As a result of not implementing some of the consultant's recommendations, serious technical and management problems threaten the successful operation of the system. The absence of long-range planning and a knowledge of system effectiveness has caused NSF to give low priority to areas which should have had the highest priority, such as data quality and system reliability. GAO found MIS to be of medium reliability, which means that users of the system's data should verify the accuracy of the data before using it for important decisions. Users will not, nor should they, be satisfied with this level of reliability. **Recommendation To Agencies:** The Director of NSF should improve MIS by taking actions in the following areas: (1) resolve expeditiously the slow system response time problem which is frustrating system users, and reassess the need for acquiring additional hardware; (2) assess MIS data quality and establish procedures for periodically testing and maintaining data quality to insure high reliability; (3) develop and implement performance evaluation procedures to determine and control the efficiency of the system in meeting its goals, with the procedures assessing user needs and insuring system cost effectiveness; and (4) assess MIS short- and mid-range management efforts to insure that areas such as general system security, system documentation, and training receive adequate attention. The Director should strengthen the internal audit staff capability to monitor the performance of MIS. He should also develop and maintain a long-range system and hardware planning process to insure orderly and systematic development of MIS. The planning process should include top management participation; provide a reasonable 5-year projection of system requirements and costs, which would include life-cycle cost analysis; establish quantified goals and priorities for work projects; and set milestone completion dates.

112103

[*Protest of Navy Contract Award*]. B-195746. April 21, 1980. 4 pp. Decision re: Creative Electric, Inc.; by Milton J. Socolar, Acting Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Creative Electric, Inc.; Nuclear Research Corp.; Department of the Navy.

Authority: 4 C.F.R. 20.2(a). 58 Comp. Gen. 340. D.A.R. 1-1903(a). D.A.R. 1-1903(b). D.A.R. 9-202.2.

Abstract: A firm protested the award of a Navy contract for computer-indicators and three first articles. A prior solicitation for

the same articles contained a provision permitting waiver of first article testing, but that solicitation had been canceled. The protester contended that: the second solicitation did not contain the waiver as required by Defense Acquisition Regulations; the first article testing costs were not stated as an evaluation factor; the solicitation did not indicate which tests the first article would be subjected to; the extent of the testing required by the contractor was not made clear; there was no documented record to support the contracting officer's determination to acquire unlimited rights to the technical data; and its protest to the agency regarding the cancellation of the original solicitation was ignored. It was held that the Navy is not required to provide for waiver of first article testing when the solicitation is for an item with substantial specifications and requirements which have changed from those previously supplied. The record showed that all of the information which was allegedly missing from the invitation for bids, was in fact provided. The Navy's determination concerning rights to the technical data was appropriate. Finally, the allegation that the protester's first protest was untimely was not for consideration. Accordingly, the protest was denied in part and dismissed in part.

112116

[Protest Against Proposal Rejection as Technically Unacceptable]. B-196682. April 23, 1980. 4 pp.

Decision re: Universal Design Systems, Inc.; by Milton J. Socolar, Acting Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Universal Design Systems, Inc.; Bureau of Indian Affairs.

Authority: 4 C.F.R. 20.2(b)(1). 56 Comp. Gen. 291. B-190313 (1978).

Abstract: A firm protested the rejection of its proposal as technically unacceptable by the Bureau of Indian Affairs (BIA). Initially, the firm protested that the solicitation's corporate experience requirement was restrictive and would have an adverse impact on minority business. During the development of the protest, the firm submitted a proposal. Since BIA did not reject the proposal because of failure to comply with the corporate experience requirement, the protest on this basis was found to be academic. BIA contended that it rejected the firm's proposal because it failed to include sufficient detail to permit evaluation without a complete rewrite. The firm contended that it should have received fewer points for its proposal rather than being rejected from further consideration. Moreover, it contended that since it could not begin work on the proposal until the experience requirement was lessened and BIA would not extend the due date, it had to prepare the proposal in a short time period. GAO held that BIA properly rejected the proposal as technically unacceptable since it merely recited back the statement of work and did not provide sufficient detail to permit a technical evaluation. Also, since the protest concerning the timeframe for completing the proposal was filed after the closing date, it was held to be untimely filed. Thus, the protest was denied in part and dismissed in part.

112119

[Some Civil Service Retirees Subject to "Catch 62" Are Not Being Identified]. FPCD-80-47; B-198304. April 22, 1980. 3 pp.

Report to Alan K. Campbell, Director, Office of Personnel Management; by Hyman L. Krieger, Director, GAO Federal Personnel and Compensation Division.

Issue Area: Personnel Management and Compensation: Retirement Policies and Practices (0307).

Contact: Federal Personnel and Compensation Division.

Budget Function: Income Security: Federal Employee Retirement and Disability (0602).

Organization Concerned: Office of Personnel Management; Social Security Administration.

Authority: S. 92 (96th Cong.). 5 U.S.C. 8332(j).

Abstract: In reviewing the "Catch 62" provision of the civil service retirement system whereby military service performed after 1956 cannot be credited for both civil service and social security retirement benefits, GAO identified some administrative problems which could be readily corrected. Under current law, if a civil service retiree becomes eligible for social security benefits at age 62, the Office of Personnel Management (OPM) is to recompute the civil service annuity and exclude any military service after December 31, 1956, from the annuity computation. **Findings/Conclusions:** This is not always being done, and the problem may be greatly exacerbated as more individuals with post-1956 military service become eligible for civil service and social security benefits. A spot check of 1979 retiree folders at OPM revealed that records were not being prepared according to OPM claims adjudication procedures which require that OPM ask the Social Security Administration (SSA) if a retiree is eligible for social security benefits. Thus, OPM could not follow up on retirees' social security eligibility. Uncorrected, this problem could result in substantial overpayments. OPM procedures do not identify retirees who become eligible for social security after age 62. Without followup procedures for those who become eligible for social security after age 62, civil service annuities will not be properly reduced. Additional problems could develop because the transactions between OPM and SSA are handled manually. Both agencies need to establish an automated system to identify retirees eligible for social security at age 62 and those who become eligible after age 62. The OPM quality assurance staff recommended that the annuitant's master record file on the existing automated data processing system be revised to include the years of post-1956 military service. **Recommendation To Agencies:** The Director of OPM should implement changes outlined by its quality assurance staff to avoid future overpayments. OPM should explore the possibility of determining whether there are any current retirees who should have their annuities reduced but who may not have been previously identified by the manual procedures. It is further recommended that the Director of OPM explore the possibilities of developing an automated system for determining and following up on social security eligibility to properly implement the current law.

112159

DOD Automated Materials Handling Systems--Need To Standardize and Follow GSA ADPE Approval Process. LCD-80-49; B-198258. April 24, 1980. 19 pp. plus 3 appendices (5 pp.).

Report to Harold Brown, Secretary, Department of Defense; by Richard W. Gutmann, Director, GAO Logistics and Communications Division.

Issue Area: Facilities and Material Management: Single Logistics Managers (0716).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of Defense; General Services Administration; Defense Logistics Agency.

Authority: P.L. 89-306.

Abstract: Improvements are needed in the Department of Defense's (DOD) acquisition and management of automated materials handling systems for its supply distribution depots. DOD activities are procuring and planning to procure automated systems without adequately exploring the potential for standardizing the software used in these systems. Duplication of software is costly in both in terms of initial investment and in continuing costs of maintaining a variety of unique systems. **Findings/Conclusions:** Congress has directed DOD to eliminate overlapping and

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duplicating functions whenever and wherever possible, particularly in the areas of supply and automated data processing. DOD activities continue to buy computers as components of automated materials handling systems without complying with the General Services Administration's (GSA) approval process. Several million dollars could be saved by standardizing software. DOD took a first step toward standardization in a 1978 task order which established a program to develop and maintain a standard warehousing and shipping automated system for its distribution depots. This standard system would automate certain functions that take place in the depots but would not control materials handling equipment. GAO believes that including the automated materials handling systems in the standard system, thereby making them subject to the review and approval process described in the task order, would be one way of achieving the desired standardization. **Recommendation To Agencies:** The Secretary of Defense should instruct activities that general purpose computers acquired as integral components of automated materials systems must be procured in accordance with the GSA approval process established under P.L. 89-306. Also, he should modify the 1978 task order to specifically include automated materials handling systems at supply distribution depots as part of the DOD standard warehousing and shipping automated system, or require that all such systems not under contract be submitted to one central DOD focal point for review and approval to assure that maximum standardization of the systems' software is achieved.

112171

The Federal Procurement Data System--Making It Work Better. PSAD-80-33; B-160725. April 18, 1980. Released April 28, 1980. 24 pp. plus 3 appendices (7 pp.).

Report to Rep. Herbert E. Harris, II, Chairman, House Committee on Post Office and Civil Service; Human Resources Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: ADP Software That Meets Users' Needs and Conforms to ADP Standards (0154); General Procurement: Improving the Effectiveness of Civilian Agencies' Procurement Activities (1916).

Contact: Procurement and Systems Acquisition Division.

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058).

Organization Concerned: Commission on Government Procurement; Department of Commerce; Department of Defense; General Services Administration; Office of Management and Budget; Office of Federal Procurement Policy; Federal Procurement Data Center; Dun and Bradstreet, Inc.

Congressional Relevance: House Committee on Post Office and Civil Service: Human Resources Subcommittee; Rep. Herbert E. Harris, II.

Authority: Office of Federal Procurement Policy Act (P.L. 93-400).

Abstract: GAO was requested to examine the effectiveness of the Federal Procurement Data System. **Findings/Conclusions:** Progress has been made in setting up the system despite initial difficulties. Areas in need of greater progress include timeliness of reporting by the agencies and accuracy of the data submitted. Some agencies are still having difficulty in meeting the due dates for data. The Federal Procurement Data Center provided information from eight agencies which provided data in a timely manner, but had difficulty with the number of errors in their data. The accuracy of the system depends on the integrity of many individuals to prepare reports correctly. If a report is not prepared, the contract award data will not enter the system. The cost of converting the existing Department of Defense (DOD) contractor identification system to the recommended Dun and Bradstreet system would be about \$1.45 million. GAO does not believe that the difference between the capabilities of a modified DOD system and the Dun and Bradstreet system justify the added costs that the Government will incur. The

Center experienced a 5 percent cost overrun on its contract for computer processing time and paid for two software packages which it could not use because insufficient time was allowed for proper implementation of a data base management system. Consequently, a less complex system was installed. A feasibility study is planned to determine the most economic method of acquiring computer time. **Recommendation To Agencies:** The Office of Management and Budget should: monitor agency compliance and followup when agencies fail to report; provide for continuous followup until all agencies are routinely reporting in a timely manner; and provide for establishing positive and continuous internal controls at the agency level so the accuracy and completeness of data being submitted are assured. To improve the Center's procurement function the Administrator, Office of Federal Procurement Policy should: reassess the need for the Dun and Bradstreet system and consider the feasibility and economy of using a modified DOD system; have the Center expedite its planned feasibility study to determine if it is more economical to acquire a computer in lieu of buying computer processing time; and evaluate the need for any future contracts and develop an appropriate procurement plan before an award is made.

112172

Wider Use of Better Computer Software Technology Can Improve Management Control and Reduce Costs. FGMSD-80-38; B-115369. April 29, 1980. 42 pp. plus 4 appendices (15 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: User Requirements and Systems Specifications for Software (0105).

Contact: Financial and General Management Studies Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: General Services Administration; Department of Commerce; Office of Management and Budget; National Bureau of Standards.

Congressional Relevance: Congress.

Authority: OMB Circular A-54. OMB Circular A-71. OMB Circular A-109. OMB Circular A-113. F.P.M.R. 101-35.206. F.P.M.R. 101-35.206(a)(3). F.P.M.R. 101-36.16.

Abstract: Computer software is the most important part of automatic data processing (ADP) systems today. It is expensive to develop and maintain, and errors and omissions in software can seriously disrupt automated systems. Because the Federal Government spends billions of dollars annually on computer programs, GAO undertook a review to assess current practices in using software tools and techniques to maintain computer programs. **Findings/Conclusions:** In reviewing Federal agencies' use of software tools and techniques, GAO found that many opportunities exist for greater use of software tools and techniques. Many Federal installations have not exploited the benefits of modern software tools and techniques as well as they could have. Computer specialists at many agencies were unaware of the newer, better methods; others were reluctant to change to them. Additionally, GAO found that the Federal use of software tools and techniques can be improved by providing better guidance to agencies, more emphasis on software by management, and effective Government-wide coordination and sharing of tools. However, the agencies' adoption of the newer technology should be based on a careful study of all costs and benefits. Also, unless Federal ADP management makes more use of such technology, Federal computer software will continue to cost millions more than is necessary. **Recommendation To Agencies:** The Director of the Office of Management and Budget should: (1) require heads of Federal agencies to establish software quality assurance functions in their agencies; (2) more clearly define the responsibilities of agency heads and ADP managers for the acquisition, management, and use of software tools and techniques; and (3) direct the establishment of coordinated Government-wide research and development for software tools and techniques which

will include provision for disseminating information to all potential Federal users. In addition, the Administrator of General Services Administration should: (1) modify Federal procurement management regulations to incorporate actions agencies should take to improve their applications software; (2) establish a set of standard tools for solving operational problems and promoting efficiency and economy; (3) require that certain standard inspections, using software tools, be done on contractor-developed software; and (4) establish a software tools category in the Federal Software Exchange Center and provide technical aid for the sharing of tools. Moreover, the National Bureau of Standards should develop or adopt standards or guidelines for using software tools.

112173

[Protest Against RFP Cancellation]. B-195832. April 29, 1980. 6 pp.

Decision re: Cummins-Allison Corp.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: Federal Communications Commission; Cummins-Allison Corp.; General Services Administration; Nixdorf Computer Corp.

Authority: 54 Comp. Gen. 562. 54 Comp. Gen. 579. 56 Comp. Gen. 958. F.P.R. 1-4.1107-6(b)(3)i. 40 Fed. Reg. 40015. B-187776 (1977). B-193177.2 (1979). B-196221 (1980).

Abstract: A firm protested the cancellation of a request for proposals (RFP) by the Federal Communications Commission (FCC) for computer hardware and accompanying software to replace the existing system. The protester maintained that GAO should sustain the protest because the agency stated to GAO that it did not cancel the RFP because of budgetary limitations, the reason given to the protester. Rather, after an evaluation of the protester's technical proposal and costs, FCC decided that it could obtain the needed equipment at the lowest overall cost to the Government by upgrading its existing equipment through the General Services Administration (GSA) automatic data processing (ADP) schedule contractor. Moreover, the protester raised three substantive issues as to: (1) whether FCC properly solicited competitive proposals; (2) whether FCC could properly cancel the RFP instead of requesting a best and final offer from the protester; and (3) whether the protester's lease price, as proposed during negotiations, was less than the incumbent supplier to GSA. GAO held that the agency's decision to cancel the RFP and continue leasing ADP equipment from a GSA schedule contractor did not represent abuse of the competitive procurement system. Further, Federal procurement regulations require an agency to seek competition prior to making an award under a schedule contract. Additionally, where an agency provided an offeror with the opportunity to revise the proposal price, but concluded that the incumbent's schedule contract price represented the lowest overall cost for the computer system's life, the agency could reasonably cancel the RFP rather than request a best and final offer. Accordingly, the protest was denied.

112178

[Protest Against Cancellation of RFP]. B-195945.3. April 28, 1980. 2 pp.

Decision re: U.S. Financial Services, Inc.; by Harry R. Van Cleve (for Milton J. Socolar, General Counsel).

Contact: Office of the General Counsel.

Organization Concerned: U.S. Financial Services, Inc.; Defense Logistics Agency; General Services Administration.

Authority: 4 C.F.R. 20.2(b)(2).

Abstract: A firm protested the cancellation of a request for proposals (RFP) by the Defense Logistics Agency (DLA). The RFP was canceled because the General Services Administration (GSA) had

awarded a mandatory requirements contract for the disk storage subsystem to be procured under the canceled RFP. The protester contended that DLA canceled the RFP without recognizing that the GSA contract was not mandatory in the DLA situation and that DLA could obtain better economic terms by continuing with the competitive procurement rather than by ordering under the GSA contract. The protest was held to be untimely because it was apparent from a separate action filed by the protester and from an informal conference that the protester had possession of the pertinent portions of the GSA contract some time before March 10, 1980, but did not file the protest until March 28, 1980. Protests must be filed within 10 working days of the date that the basis of protest is known or should have been known. Accordingly, the protest was not considered on its merits.

112194

[Protest Against Delivery Order]. B-197081. April 30, 1980. 3 pp. *Decision re:* Telex Computer Products, Inc.; by Elmer B. Staats, Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Telex Computer Products, Inc.; Storage Technology Corp.; Department of the Army.

Authority: Legislative Reorganization Act of 1970 (31 U.S.C. 1176). 56 Comp. Gen. 1011. 44 Fed. Reg. 52208. 43 Fed. Reg. 40015. D.A.R. 1-1003.2. B-182858 (1975). B-191061 (1978).

Abstract: A firm protested the issuance of a delivery order by the Army for the rental and maintenance of tape drives and control units under the Federal Supply Schedule (FSS). The protester argued that applicable regulations required that a public notice be published in the Commerce Business Daily (CBD) prior to ordering against an FSS contract. Notice of the procurement appeared in CBD 2 days before the final date for receipt of requests for solicitations by the Army. Regulation also provide that contracting agencies should synopsize proposed procurements no later than 10 days before the issuance of solicitations. In publishing the notice, CBD omitted from the synopsis prepared by the contracting agency the statement that requests for the solicitation had to be received by the contracting agency by November 9, 1970. The protester's request for a solicitation was received on November 15, 1979, 2 days after award of the contract. Although there was no intention to preclude the protester from competing and the order price was reasonable, the late publication in CBD did not generate competition and there was no other independent competition attempted or received. Accordingly, it was determined that corrective action should be taken. GAO recommended that the remaining term of the requirement be resolicited without terminating the contract already formed. If the incumbent contractor should be successful in the resolicitation, the Army would avoid contract termination costs; if another firm should be successful, the contract termination costs would be reduced by the amount of the resultant savings.

112197

[Naval Supply Systems Command Acts To Improve Usefulness of Financial Reports Produced by the Aviation Supply Office's Automated Allotment Accounting System]. FGMSD-80-42; B-196862. April 30, 1980. 4 pp. plus 1 enclosure (10 pp.).

Report to Edward Hidalgo, Secretary, Department of the Navy; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Accounting and Financial Reporting: Reporting Systems' Adequacy To Disclose the Results of Government Operations and To Provide Useful Information (2811).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101).

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Organization Concerned: Department of Defense; Department of the Navy; Department of the Navy: Naval Supply Systems Command; Department of the Navy: Aviation Supply Office, Philadelphia, PA; Department of the Navy: Naval Audit Service.

Abstract: The need for, and usefulness of, financial reports produced by the Naval Supply Systems Command's automated Allotment Accounting System were evaluated. The System is used by the Aviation Supply Office to keep all needed financial records for the Navy Stock Fund and to produce monthly reports showing allotments, obligations, expenditures, materials on hand and in transit, and accounts payable. Problems with the System were brought to the attention of officials in 1975 and 1978, but corrective action was not taken until the GAO review was completed and a report was issued in January 1980. **Findings/Conclusions:** Because of computer systems problems and the lack of an effective revalidation program, the automated Allotment Accounting System produced reports that were inaccurate and so detailed and voluminous that managers and operating personnel made little use of them. Due to lack of confidence in the system, the Aviation Supply Office estimated the value of assets and liabilities in preparing its fiscal 1979 budget reapportionment request. It estimated that the system overstated assets by \$15.1 million and understated liabilities by \$32.6 million. The cost of preparing unused reports could not be determined because the Naval Supply Systems Command and the Aviation Supply Office do not accumulate the total cost of individual reports. Revisions to the system are currently being implemented and could appreciably improve the usefulness of financial information. The formats of the unused reports were changed, and changes were made in the underlying computer systems to eliminate unneeded detailed information. A reports revalidation group has been formed to determine the continued need for, and usefulness of, the outputs of standard Naval automated accounting and management information systems. **Recommendation To Agencies:** The Secretary of the Navy should direct that the group, which is still in organizational stages, provide for (1) an independent, indepth assessment of managers' and operating personnel's use of computer-produced reports; and (2) effective, prompt followup action to assure that report deficiencies are corrected. The Secretary should also see that other naval commands have effective reports revalidation programs. Finally, the Secretary should designate a representative to see that the ongoing revisions to the automated Allotment Accounting System are effectively and promptly implemented and that the Naval Audit Service review the system after it becomes operational to determine its effectiveness.

112212

[Pricing of Commercially Procured Printing]. April 30, 1980. 9 pp. plus 1 attachment (1 p.).

Testimony before the Senate Committee on Governmental Affairs; by Werner Grosshans, Associate Director, GAO Logistics and Communications Division.

Contact: Logistics and Communications Division.

Organization Concerned: Government Printing Office.

Congressional Relevance: Senate Committee on Governmental Affairs; Joint Committee on Printing.

Authority: 44 U.S.C. 501.

Abstract: Legislation requires that all Government printing, binding, and blank-book work, except for the U.S. Supreme Court, must be done at the Government Printing Office (GPO), unless otherwise stated by the Joint Committee on Printing. The commercial procurement of printing is allowed if it cannot be accomplished by GPO. The Federal printing program implemented by the Joint Committee is designed to increase the amount of commercially procured printing. GPO uses two types of contracts, one-time and term. To evaluate proposals, GPO includes line items in invitations. On the basis of the bids received, GPO ranks that bidders

from low to high based on the average of all line items under the contract. This method of securing the aggregate low bidder may not be the most favorable for any one line item. An individual order should be awarded to the contractor who will deliver the product of the particular purchase order at the lowest cost. The process of selecting the lowest cost for an order is called abstracting. GAO developed and demonstrated to the Public Printer a simple computer program capable of abstracting bids in minutes. GPO accepted the abstracting concept and has installed a computer abstracting system for the term contracts. Several agencies have identified a potential for savings, through various abstracting concepts, for their direct deal contracts. The agencies which have explored this potential have generally made use of computer technology to assist in the process. Based on prior work and current efforts, the abstracting method offers opportunities for savings. The issue is not whether to do abstracting, but who should provide the abstracting service, what tools should be used, and whether it should be provided centrally or on a decentralized basis. It appears that GPO should be the focal point for all abstracting since it has experience and it is working to reduce the cost of abstracting.

112219

[Central Agencies' Compliance With OMB Circular A-71, Transmittal Memorandum No. 1]. LCD-80-56-1; B-198551. April 30, 1980. Released May 2, 1980. 5 pp.

Report to Rep. Richardson Preyer, Chairman, House Committee on Government Operations: Government Information and Individual Rights Subcommittee; by Richard W. Gutmann, Director, GAO Logistics and Communications Division.

Issue Area: Automatic Data Processing: New ADP Technology (0156); Federal Information Management: Automated Systems Security (1403).

Contact: Logistics and Communications Division.

Budget Function: Automatic Data Processing: Security of ADP Systems (1011).

Organization Concerned: Office of Management and Budget; General Services Administration; Department of Commerce; Office of Personnel Management.

Congressional Relevance: House Committee on Government Operations; Government Information and Individual Rights Subcommittee; Rep. Richardson Preyer.

Authority: F.P.R. 1-4.11. OMB Circular A-71. F.P.M.R. 101-36.7. F.P.M. Letter 732-7.

Abstract: GAO summarized actions taken by the Office of Management and Budget (OMB) in its leadership role relating to agencies' automated systems security programs and actions taken by key central agencies to comply with the requirements of OMB Circular A-71, transmittal memorandum No. 1, entitled "Security of Federal Automated Information Systems." **Findings/Conclusions:** A task team's evaluations of agencies' plans showed that substantial differences existed in how agencies interpreted the memorandum's requirements and approaches to strengthening their computer security. OMB therefore issued a second set of plans, with a subsequent critique which identified two frequent weaknesses in implementation: a lack of provisions for personnel security, and inadequate contingency plans. OMB has established a new office which will play a Government-wide policy role and review agencies' implementation of Federal regulatory policies, reports management policies, and information policies. The OMB memorandum required: the Department of Commerce to develop and issue computer security standards and guidelines to ensure the security of automated information; the General Services Administration to issue policies and regulations for the physical security of computer rooms and to ensure that agency procurement requests for computers, software, and related services include appropriate security requirements; and the Office of Personnel Management to establish personnel security

policies for Federal personnel associated with or having access to data in Federal computer systems. The agencies are in the process of issuing and implementing the appropriate guidelines and requirements.

112258

[Protest Alleging Delivery Date Was Restrictive of Competition]. B-198434. May 9, 1980. 2 pp.

Decision re: Wang Laboratories, Inc.; by Harry R. Van Cleve (for Milton J. Socolar, General Counsel).

Contact: Office of the General Counsel.

Organization Concerned: Wang Laboratories, Inc.; Office of Personnel Management.

Authority: 4 C.F.R. 20.2(b)(2). 58 Comp. Gen. 248. B-193981 (1979).

Abstract: A firm filed a protest complaining that an announcement in the Commerce Business Daily (CBD) regarding the intended issuance of a delivery order for automatic data processing equipment specified a delivery date which was restrictive of competition. Bid protest procedures require that protests must be filed within 10 working days after the basis for the protest is known. This protest was filed 16 working days after the announcement in the CBD. Therefore, it was dismissed as untimely.

112260

[Protest Alleging RFP Was Unfair and Prejudicial to Offerors]. B-195773, B-195773.2. May 8, 1980. 10 pp.

Decision re: Cencom Systems, Inc.; Interscience Systems, Inc.; by Elmer B. Staats, Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Interscience Systems, Inc.; Cencom Systems, Inc.; Environmental Protection Agency: National Computer Center, Research Triangle Park, NC; Sperry Rand Corp.: Sperry Univac.

Authority: 54 Comp. Gen. 395. F.P.R. 1-2.407-8(b)(4). B-191616 (1978). B-153257 (1964). B-194763 (1979). B-195072 (1979). B-192807 (1979). B-184754 (1975).

Abstract: Interscience Systems, Inc. and Cencom Systems, Inc. protested an Environmental Protection Agency (EPA) request for proposals (RFP) as unfair and prejudicial to offerors on several grounds. Cencom protested the evaluation criteria of the IFB as ambiguous and subjective. The RFP was for numerous items of automatic data processing equipment to expand the already existing system and invited proposals for maintenance of the existing system and the newly acquired items. Notwithstanding the pendency of the protests, the award was made because of urgency. The protesters contended that the manner in which the RFP was structured limited competition because certain items were sole source to the awardee and because discounts for multiple awards were permitted. They argued that EPA should have been aware that certain items of the RFP were sole source to the awardee and should have been taken out of the RFP and directly negotiated with the manufacturer. The protesters alleged that the combination of the sole-source items with the other items for which there was competition and allowance of the multiple award discounts were attempts to assure that the awardee won the competition. GAO held that the responses to the RFP clearly supported the noncompetitive allegations of the protests. It believed that EPA was aware that no competition existed for the subsections in question because after receipt of initial proposals, it advertised that certain items of the RFP would be competed under a new RFP. It believed that the contract was improperly awarded and therefore recommended that it be terminated. As to the subjectiveness of the evaluation criteria, GAO believed that this is always the case where evaluation factors are utilized in a negotiated procurement. Accordingly, the

joint protests were sustained and the separate Cencom protest was denied.

112275

[Protest of D.C. Government Award of Purchase Order]. B-194549. May 9, 1980. 7 pp.

Decision re: Storage Technology Corp.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: Storage Technology Corp.; District of Columbia; Memorex Corp.

Authority: Buy American Act (41 U.S.C. 10a-d). 4 C.F.R. 20.2(b)(2). 4 C.F.R. 20.3. 58 Comp. Gen. 475. 58 Comp. Gen. 38. 56 Comp. Gen. 144. B-192154 (1979). B-193516 (1979). B-196832 (1980). B-187969 (1977). B-190659 (1978). B-193192 (1979). B-177758 (1974). B-192318 (1979). B-192588 (1978).

Abstract: A firm protested the award of a purchase order for the rental of tape drives and related equipment by the District of Columbia Government under a Federal Supply Schedule contract and the subsequent negotiation with the awardee of a lease-purchase agreement for the equipment. The protester asserted that the agency failed to obtain competition, contravened the requirements of the Buy American Act, and conducted an illegal auction in awarding the contract. It contended that the award was based on an invalid sole-source justification and objected to the purchase conversion action during the course of the protest on the grounds that the conversion based on purchase-option credits and trade-in allowances did not justify a sole-source award. On March 22, 1979, the protester was informed by telephone that its competitor would receive award of the purchase order. Award of the contract was made April 3, 1979, and the protester learned of it on April 5, 1979. Its protest was filed April 6. The agency and the awardee contended that the protest was untimely filed because the firm knew the basis of its protest on March 22, 1979, when it was told of the decision to award the systems to the competing firm. The agency stated that the competing firm was selected for award on the bases of satisfactory experience with the vendor's equipment, equipment features, and the fact that service would not have to be interrupted since the equipment was already installed. Its justification for the conversion was the same, and it made the award prior to resolution of the protest in order to preserve a trade-in allowance and to mitigate a daily rental expense. GAO held that the protest against the issuance of the purchase order was untimely filed more than 10 days after the protester received verbal notification of the agency's decision to issue the order to its competitor. The protest against the lease-purchase order was also held to be untimely filed more than 10 days after receipt of the agency report which first advised that the agency was evaluating the competitor's offer for purchase conversion. GAO would not object to the agency's decision to exercise the purchase option based on its determination that only the awardee met essential requirements. It held that purchase-option credits and trade-in allowances were proper factors for consideration in deciding to exercise the purchase options. Accordingly, the protest was dismissed in part and denied in part.

112284

[Protest Involving Procurement Under Multiple Award Schedule]. B-196286. May 12, 1980. 8 pp.

Decision re: ADP Network Services, Inc.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: ADP Network Services, Inc.; Small Business Administration; Computer Sciences Corp.

Authority: F.P.M.R. 101-36. B-190203 (1978). B-190822 (1978).

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B-191013 (1978). B-192927 (1978). B-192987 (1979).

Abstract: A firm protested the proposed procurement by the Small Business Administration (SBA) for teleprocessing services under the Teleprocessing Services Program's Multiple Award Schedule Contracts. The record showed that SBA issued a notice of mandatory requirements to the firm, notified the firm that all mandatory requirements had been met, and advised the firm that a benchmark would be held. On September 24, 1979, SBA and the firm participated in an informational conference concerning the benchmark package. On that day, the firm filed a protest with the contracting officer. But on September 28, 1979, the contracting officer advised the firm that benchmarks would proceed as scheduled. Four days later, the firm protested to GAO. In its protest, the firm requested: (1) the elimination of all unnecessary proprietary codes from the benchmark; (2) the postponement of the benchmark for 30 days to allow competing vendors to develop functional equivalents for all incumbent vendor proprietary codes that could not be eliminated or documented; (3) the elimination of all benchmark requirements that were not mandatory; and (4) permission for vendor personnel to attend the benchmark to assist SBA personnel in case they were unfamiliar with the vendor's system. Additionally, the protester contended that: (1) the benchmark narrative did not fully describe the complete functions to be performed; (2) the system-controlled variables tested in the benchmark were not set out; (3) one run-stream was not documented and had nonincumbent offerors questioning how to accomplish it; and (4) converting a relatively large amount of undocumented proprietary code was an unduly restrictive burden. GAO held that it would consider the merits of the protest because: (1) neither regulatory guidance nor express agency commitment guaranteed any participant a second benchmark attempt; (2) competition was not maximized when a vendor was forced to attempt a benchmark it could not successfully complete; and (3) the protester's participation in the benchmark could have resulted in a subsequent untimely protest. Additionally, GAO held that the protester's contentions were meritorious, and it was recommended that appropriate corrective action be taken. However, the protester's objections to the benchmark requirements on the ground that they provided the incumbent contractor undue advantage were without merit. Accordingly, the protest was sustained in part and denied in part.

112293

[Evaluation of the Health Care Financing Administration's Proposed Home Health Care Reimbursement Limits]. HRD-80-84; B-198735. May 8, 1980. Released May 13, 1980. 3 pp. plus 1 enclosure (17 pp.).

Report to Rep. Sam M. Gibbons, Chairman, House Committee on Ways and Means: Oversight Subcommittee; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Health Programs: Health Care Costs (1208).

Contact: Human Resources Division.

Budget Function: Health: Health Care Services (0551).

Organization Concerned: Health Care Financing Administration; Bureau of Labor Statistics; Department of Health, Education, and Welfare.

Congressional Relevance: House Committee on Ways and Means: Oversight Subcommittee; Rep. Sam M. Gibbons.

Abstract: In response to congressional concern that the limits proposed by the Health Care Financing Administration (HCFA) on home health care reimbursements were too high, GAO reviewed the accuracy of the database used to develop the limits, the methodology used, the accuracy of the HCFA estimated savings, and alternative methods HCFA could use to improve existing limits or develop subsequent home health reimbursement limits. A number of problems with the database and HCFA procedures were identified: under the methodology used, relatively minor changes in the

number of home health agencies included in the database or the data themselves could result in substantial changes to the computed reimbursement limits; and small changes in the level at which the limits were set could have a relatively large impact on the savings resulting from implementation of the limits. **Findings/Conclusions:** In reviewing the database, GAO found the following problems: (1) HCFA included home health agencies in the database which should have been excluded and excluded agencies which should have been included; (2) it included information from unaudited, unsettled home health agency cost reports; (3) costs reported under certain cost reporting methods permitted by HCFA had to be allocated in order to obtain the data needed to compute the proposed limits; and (4) a computer programming error resulted in the limits being set too high. In addition, anomalies were noted with the wage index data used to establish the reimbursement limits for individual agencies. Because of the problems with the database, GAO could not determine the correct levels at which the proposed limits should be set using the HCFA methodology, nor could it verify the accuracy of the estimated savings.

112301

Reduced Communications Costs Through Centralized Management of Multiplex Systems. LCD-80-53; B-198067. May 14, 1980. 25 pp. plus 3 appendices (4 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Communications: Assessing the Adequacy of Government Planning for Its Future Communications Needs (3702).

Contact: Logistics and Communications Division.

Budget Function: General Science, Space, and Technology: Telecommunications and Radio Frequency Spectrum Use (0258).

Organization Concerned: Department of Defense; General Services Administration; Office of Management and Budget; National Telecommunications and Information Administration.

Congressional Relevance: Congress.

Abstract: The Government's use of multiplex communications technology and the potential for increased exploitation of the technology to reduce long-distance communications costs are described. Long-distance and local communications services are used by the Government to process administrative data between user locations, to make computer inquiries, and to make high-speed bulk transfers of data between user locations. Significant savings and improved service can be achieved through centralized use of multiplex systems to satisfy Government communications requirements. Multiplexing, a technique whereby electronic devices at each end of a single circuit simultaneously transmit a number of messages, eliminates the need for numerous individual long-distance circuits between terminal points. The Department of Defense (DOD) and several civil agencies have developed multiplex systems, but not on a centralized Government-wide basis. If two Federal agencies could agree to share their multiplex systems under either joint or single management, the opportunities for economic benefits should increase. If all Federal agencies could agree, the opportunities for economic benefits should be maximized. **Findings/Conclusions:** Annual cost savings information on the 643 DOD operational multiplex systems is no longer maintained. An annual savings of over \$1.2 million has been achieved by three of the 240 existing civil multiplex systems agencies. Potential cost savings from centralized Government-wide development of multiplex systems cannot be estimated. However, GAO believes that about 7,650 of the 8,500 individual circuits operating directly between 39 geographic locations are candidates for multiplexing. The potential cost savings was demonstrated by creating theoretical multiplex systems in place of existing individual circuits between Washington, D.C., and five metropolitan areas. An analysis showed that 105 high speed circuits had potential for multiplexing which could reduce annual costs 42.2 percent. For the 293 low- and medium-speed circuits with the

potential for multiplexing, a net savings of 68.8 percent could be achieved. Multiplex devices are manufactured in fixed capacities, so users often acquire more capacity than they need. The cost effectiveness of existing multiplex systems could be improved if the unused capacity of one user's system is made available to other users. As a result of a GAO 1973 report on multiplexing, DOD and the General Services Administration (GSA) executed an agreement for joint use and sharing of a multiplex system. GSA has not yet forwarded a civil agency requirement to DOD. Of the 78 spare DOD channels linking Washington, D.C., and four geographic areas, 46 could be used to satisfy civil agency requirements at a net savings of 53.7 percent. **Recommendation To Agencies:** The Director, Office of Management and Budget, in coordination with the National Telecommunications and Information Administration, GSA, DOD, and other Federal agencies, should develop a policy, organizational structure, and implementing regulations to ensure that the Government is achieving the maximum benefits from multiplexing. The policy should require the use of multiplexing where economically and operationally feasible on a Government-wide basis. A single entity should be assigned responsibility for developing and managing multiplex systems for the entire Government. This entity must have the authority, necessary information, and adequate resources to fulfill the Government-wide management function envisioned. The implementing regulations should be designed to require compliance with the policy and to provide procedures that will ensure maximum benefits to the Government from multiplex technology.

112315

Immigration and Naturalization Service Attempt To Automate Its Operations. May 20, 1980. 5 pp.

Testimony before the House Committee on Government Operations: Government Information and Individual Rights Subcommittee; by Walter L. Anderson, Senior Associate Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Organization Concerned: Immigration and Naturalization Service.

Congressional Relevance: House Committee on Government Operations: Government Information and Individual Rights Subcommittee.

Abstract: Comments were provided on the progress made by the Immigration and Naturalization Service (INS) to automate its district offices. In a July 1979 review of INS, GAO stated that the agency had not developed an agency strategy plan to automate its operations, nor an automatic data processing (ADP) plan based on that strategy. In addition, INS had not: created a high level steering committee chaired by the Commissioner or his deputy; carefully analyzed the Houston experiment and prepared a system design concept based on these results, together with considerations of alternatives; deferred any large scale procurement until completing the system design concept; and conducted an analysis of the various lease and purchase alternatives to determine the method most favorable to the Government. After conducting further reviews in December 1979, and again in March 1980, GAO concluded that: (1) the INS mission statement was not an effective agency mission plan; (2) there is little likelihood that the long-range ADP plan will be completed by September 1980 since there is no mission plan to provide guidance; (3) INS has not analyzed the Houston Project and prepared a total system design concept based on its results; and (4) INS has made little effort to establish a high level steering committee to handle planning and problems associated with ADP. Accordingly, little progress has been made in developing effective mission and long-range ADP plans.

112327

More Stringent Revenue Sharing Act Requirements Are Upgrading State and Local Governments' Audits. GGD-80-35; B-198432. May 16, 1980. 29 pp. plus 2 appendices (13 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Internal Auditing Systems: Audit Agencies' Work Coordination (0204); Intergovernmental Policies and Fiscal Relations: Financial Assistance (0406).

Contact: General Government Division.

Budget Function: General Purpose Fiscal Assistance: General Revenue Sharing (0851).

Organization Concerned: Department of the Treasury: Office of Revenue Sharing; Department of the Treasury.

Congressional Relevance: House Committee on Government Operations: Intergovernmental Relations and Human Resources Subcommittee; Senate Committee on Governmental Affairs: Intergovernmental Relations Subcommittee; Senate Committee on Finance: Revenue Sharing, Intergovernmental Revenue Impact, and Economic Problems Subcommittee; Congress.

Authority: State and Local Fiscal Assistance Act of 1972 (P.L. 92-512). State and Local Fiscal Assistance Amendments of 1976 (P.L. 94-488). Revenue Sharing Act (Federal).

Abstract: With the passage of the Revenue Sharing Act, Congress adopted a new approach to giving general financial assistance to State and local governments. For the first 5-year period, ending on December 31, 1976, the Act authorized distribution of \$30.2 billion to State and local governments. State and local governments welcomed revenue sharing funds because fewer administrative requirements and controls applied to them than to other forms of Federal domestic aid. However, the 1976 amendments to the Act set more stringent audit requirements for about 11,000 State and local governments. The amendments required that beginning January 1, 1977, all revenue sharing recipients receiving \$25,000 or more in annual entitlement payments have independent audits of their entire financial operations. These audits should be conducted in accordance with generally accepted auditing standards at least once every 3 years, and reviewed by the Office of Revenue Sharing (ORS). **Findings/Conclusions:** Since few recipients have submitted acceptable audits, GAO was unable to determine the extent of compliance with the audit requirements or to evaluate ORS enforcement procedures. But the amended Act and quality control efforts of ORS are benefiting State and local governments by requiring State audit agencies and public accounting firms to upgrade their audit standards. A review of ORS records showed that 14 audit agencies in 12 States and 81 of the 188 public accounting firms deviated from generally accepted auditing standards required by the Act. In addition, six State audit agencies were not considered independent. The review also showed that corrective action had been taken to correct major weaknesses in the audit control system of ORS. One correction was the establishment of a time limitation for submitting audit reports. Failure to meet the time limitation, would result in the temporary withholding of the recipient's entitlement payment. Therefore, due to the time required to revamp their audit operations, some State agencies with substandard audit practices will not be able to complete acceptable audits in a timely manner. **Recommendation To Congress:** Congress should amend the Revenue Sharing Act to provide explicit authority for the Secretary of the Treasury to grant waivers to governments audited by State audit agencies which ORS concluded were not following generally accepted auditing standards or were not independent, provided the State agencies are making progress to meet these requirements. **Recommendation To Agencies:** The Secretary of the Treasury should: (1) amend the ORS regulations to eliminate the March 31, 1978, deadline for recipients requesting waivers based on unauditability, and to establish a time limitation for submitting audit reports; and (2) ensure that the statistical control procedures of ORS be changed to properly account for all audit and series of audit reports.

Citation Section

112353

[Review of VA's Revised Workload Study for Its Austin, Texas, Data Processing Facility]. FGMSD-80-44; B-198405. May 7, 1980. Released May 22, 1980. 8 pp.

Report to Rep. Ray Roberts, Chairman, House Committee on Veterans' Affairs; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Acquisition of ADP Resources Under the Brooks Act (0111).

Contact: Financial and General Management Studies Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: Veterans Administration.

Congressional Relevance: House Committee on Government Operations; House Committee on Veterans' Affairs; Rep. Ray Roberts.

Abstract: In 1978, GAO reviewed a Veterans Administration (VA) proposal to acquire an IBM 370/168 multiprocessor system to handle increased requirements for its Beneficiary Identification and Records Locator System (BIRLS). The major cause of the increased requirements was the installation of a new Target System which would use information in the BIRLS master data base. The Target System is being completed in phases. As more regional offices are provided with on-line capabilities, the workload increases, especially during the prime-day shift. GAO felt that an IBM 370/158 would be sufficient and proposed austerity actions to eliminate projected peak-hour shortfall. VA officials at first agreed with the GAO position, but later determined that the IBM 370/158 would not be sufficient to meet its needs. In 1979, Congress instructed VA to study the problem further. GAO reviewed the VA study which recommended that VA be authorized to use the IBM 370/168 computer rather than the IBM 370/158 recommended by GAO. The study contained new workload projections, and GAO was asked to reevaluate its earlier recommendation in light of these projections. **Findings/Conclusions:** The review showed that the workload has increased substantially and that additional capacity is needed. However, the workload projections which VA has prepared have varied widely. Because of these variations, GAO could not estimate with any confidence what size computer should be installed at the Austin computer center. Although VA was unable to explain why the projected workload has increased so rapidly, GAO found two factors that may have contributed to the problem. First, operator carelessness at the terminals, design problems, or improper operating procedures rather than changing requirements could be contributing to the wide variations in workload projections. Secondly, VA has not adequately analyzed the impact of new administrative procedures. GAO did not observe any efforts on the part of VA to validate the projection method used or to identify the causes of the increases. No effort has been made to reduce the peak hourly rate. Two alternatives for meeting the projected workload are for Congress to (1) require, as a prerequisite to acquiring a computer, that VA develop an accurate and valid workload projection, determine the cost effectiveness of implementing the changes recommended by GAO in 1979, and reduce the peak hourly workload by scheduling nonpriority transactions at other times; or (2) if urgency is an overriding consideration acquire a computer with a capacity greater than that of the IBM 370/158, contingent upon a commitment by VA to fulfill the above requirements.

112379

[Protest of Contract Award To Provide Software System]. B-196769. May 28, 1980. 3 pp.

Decision re: Data Use and Access Laboratories; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: Department of Health and Human Services; Cambridge Computer Associates; Data Use and Access Laboratories.

Authority: B-189730 (1978). B-192139.7 (1979).

Abstract: A firm protested the award of a contract to provide a software system on the basis that the successful offeror could not meet the technical requirements of the contract without subsequent modification. The firm also complained that the contract was awarded at a price which was higher for the first year than its price, and questioned the reasonableness of the proposed labor rates of the successful offeror. The agency responded that the technical requirements of the contract would be met particularly well by the system used by the awardee. GAO stated that it is not its function to independently evaluate the technical adequacy of proposals, that it is the function of the contracting agency. The proposal was awarded to the contractor with the lowest costs for both base and option periods. The record showed that the labor rates were examined and found to be reasonable. As the firm did not offer any evidence indicating that this conclusion was unreasonable, GAO found no basis for objecting to the agency's action. The protest was denied.

112381

GAO Findings on Federal Internal Audit--A Summary. FGMSD-80-39; B-198550. May 27, 1980. 32 pp. plus 3 appendices (15 pp.). Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Internal Auditing Systems (0200).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems: Internal Audit (1103).

Organization Concerned: Office of Management and Budget.

Congressional Relevance: Congress.

Abstract: Federal internal audit organizations save the Government billions of dollars each year. However, not all of their work is as effective as it could be, and internal audit problems have kept the Government from realizing the full benefit of their work. **Findings/Conclusions:** Problems in Federal audit organizations include: low priority on preventing and detecting fraud, insufficient financial auditing, inadequate and insufficient audits of grants and contracts, a need for more computer auditing, poor followup on findings, and insufficient staff. The establishment of the Inspector General Offices and other recent improvements have the potential to strengthen Government auditing, but it is too early to say whether their efforts will correct all deficiencies. GAO will continue to work with internal audit and Inspector General organizations and will advise Congress of any further actions needed to solve these problems.

112407

[Procurement of ADP Equipment and Services by Veterans Administration]. May 29, 1980. 10 pp.

Testimony before the House Committee on Veterans' Affairs: Special Investigations Subcommittee; by Gregory J. Ahart, Director, GAO Human Resources Division.

Contact: Human Resources Division.

Organization Concerned: Office of Management and Budget; General Services Administration; Department of Justice; Small Business Administration.

Congressional Relevance: House Committee on Veterans' Affairs: Special Investigations Subcommittee.

Authority: Small Business Act. Walsh-Healy Act (Government Contracts) (41 U.S.C. 35(a)).

Abstract: GAO reported on certain contracts and purchase orders related to the Veterans Administration's (VA) procurement of automatic data processing (ADP) equipment and services, using

end-of-year funds, specifically VA medical ADP activities. The Office of Management and Budget (OMB) reviewed these contracts and purchase orders and alleged irregularities relating to some of these procurements. They directed VA to refrain from further obligations against these procurements and asked the Government Services Administration (GSA) to report all VA requests for ADP procurements in excess of \$10,000. VA issued stop work orders on some of the contracts. OMB transmitted two of the contracts to the Department of Justice, requesting an investigation into questions of budgeting process, favoritism, and possible criminal violations. OMB recommended that VA terminate seven of the contracts, including the two which were referred to Justice, and that it continue with the remaining procurement contracts. VA responded by terminating four of the seven contracts, and subsequently terminating one other. It is continuing work on another with modifications and is working on one under Justice review. GAO is involved in all of these procurements as it is reviewing new starts by VA in the ADP medical program. GAO has not been able to fully document its observations, or discuss these observations with the organizations concerned, VA, OMB, or the Small Business Administration (SBA). GAO has found that, in many cases, VA did not comply with applicable Federal procurement regulations as they relate to negotiated procurements, it did not perform cost or price analyses nor avail itself of the scheduled prices and discounts available through GSA negotiated ordering. Some VA price negotiations were not documented. VA alleged Federal procurement regulations do not apply to the procuring agency when dealing with small business firms under the set-aside program. GAO suggested that the question of the use of the set-aside program was a matter for SBA review. GAO suggested that the VA resolve any open questions between OMB and VA, and review its present activities with an emphasis on compliance with Federal Procurement Regulations. GAO will include in its review of the SBA set-aside program any unresolved questions relating to the SBA involvement in VA procurements.

112420

[Federal and State Officials Views on the Operations of Five Federal/State Cooperative Statistical Programs]. GGD-80-71. June 2, 1980. 3 pp. plus 2 enclosures (9 pp.).
Report to Joseph W. Duncan, Director, Department of Commerce: Office of Federal Statistical Policy and Standards; by Arnold P. Jones, Sr. Associate Director, GAO General Government Division.

Issue Area: Data Collected From Non-Federal Sources: Federal Information-Management Controls (3106).

Contact: General Government Division.

Budget Function: General Government: Executive Direction and Management (0802).

Organization Concerned: Department of Commerce: Office of Federal Statistical Policy and Standards.

Abstract: Historically, Federal-State cooperative statistical programs have lacked Federal policy guidelines. It has been recognized that the need for joint Federal-State participation is a condition to successful policy development. The views of Federal and State officials were obtained in 10 States operating statistical programs that produce data on employment, occupational injuries and illnesses, population, health, and education to discover the types of problems being caused by the absence of policy guidance. **Findings/Conclusions:** Although Federal and State officials were generally satisfied with the level of funding, training opportunities, and the data quality controls, they expressed concern about the absence of program evaluations. Federal evaluations were limited and infrequent, and those at the State level were nonexistent. The Error Profiles being developed by the Office of Federal Statistical Policy and Standards should include the Federal-State cooperative pro-

grams. These Error Profiles disclose survey data errors in the programs which should help identify and rank areas of program operations where Federal policy guidance might be needed.

112429

The Law Enforcement Education Program Is in Serious Financial Disarray. FGMSD-80-46; B-198805. June 4, 1980. 41 pp. plus 2 appendices (10 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting: Reporting Systems' Adequacy To Disclose the Results of Government Operations and To Provide Useful Information (2811).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101).

Organization Concerned: Law Enforcement Assistance Administration; Department of Education.

Congressional Relevance: Congress; *Sen.* Jim Sasser.

Authority: Federal Claims Collection Act of 1966. Omnibus Crime Control and Safe Streets Act of 1968 (P.L. 90-351). B-198096 (1980).

Abstract: Since 1969, the Law Enforcement Education Program (LEEP) made over \$278 million in loans and grants without adequate management controls. The program was originally established by Congress in 1968 the purpose of assisting those working in law enforcement or planning to work in law enforcement to obtain a higher education. Under the program, grants and loans are made to individuals enrolled in law enforcement or criminal justice courses at almost 1,000 junior colleges, colleges, and universities. The grants and loans are canceled without repayment if the recipient works for a publicly supported law enforcement or criminal justice agency for a specified period. Otherwise, the recipient must repay the grant or loan with interest. **Findings/Conclusions:** A review showed that LEEP has suffered financial and administrative breakdowns because of inadequate controls and inaccurate records. GAO estimates that: (1) 84 percent of the billed recipients did not pay; (2) \$18.2 million currently owed LEEP will not be collected; (3) about \$2 million that should have been collected was not collected during one quarter of fiscal year 1977; and (4) about 90 percent of the bills to recipients were incorrect. Additionally, GAO found that: (1) payment checks were not promptly deposited and were poorly controlled from the day received until they were deposited in the Federal Reserve Bank; (2) accounting controls for returned certifications were inadequate; (3) forgiveness was granted for employment with agencies which have little to do with criminal justice; (4) loans and grants were not accurately recorded or reported to the Treasury Department; and (5) management did not effectively monitor the schools' performance and compliance with regulations. Consequently, in 1979, the Comptroller General approved the design of a new Law Enforcement Education Program accounting system. The new system should correct many of the accounting problems. **Recommendation To Agencies:** The Secretary of Education should promptly implement the new Law Enforcement Education Program accounting system and see that: (1) computer programs are changed to correct the billing and forgiveness problems, and are fully documented; (2) bills are sampled and reviewed periodically until full reliance can be placed on the computer; (3) grant recipients who do not certify employment are billed; (4) a comprehensive and aggressive collection program is adopted; (5) procedures are established for controlling and processing payments; (6) procedures for estimating allowances for uncollectible accounts, writing off bad debts, and estimating unrecorded grants and loans are established; and (7) the schools' implementation of program guidelines is better monitored.

Citation Section

112446

Major Deficiencies in Army's Washington, D.C., Finance and Accounting Operation. FGMSD-80-53; B-198588. June 5, 1980. 27

pp. plus 4 appendices (20 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting: Reporting Systems' Adequacy To Disclose the Results of Government Operations and To Provide Useful Information (2811).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101).

Organization Concerned: Department of Defense; Department of the Army; Department of the Army: Military District of Washington, D.C.: Finance and Accounting Office.

Congressional Relevance: Congress.

Authority: Antideficiency Act.

Abstract: The Military District of Washington's Finance and Accounting Office disburses about \$1.5 billion annually and provides finance and accounting services to many Army and Defense organizations in the Washington, D.C., area. The adequacy of the Finance and Accounting office's internal controls and procedures for the processing of disbursements and for transactions involving accounting and civilian payroll were reviewed and analyzed as part of an effort to determine whether executive departments and agencies have accounting control over funds and assets. **Findings/Conclusions:** Despite numerous internal management and audit reports and a prior GAO report, conditions at the Office remained unsatisfactory. The disbursing and payroll operation was inadequate for preventing erroneous payments and for deterring fraud. The Office has also failed to provide adequate accounting services to Army and Defense organizations. Inadequate systems, procedures, and internal controls contributed to this ineffectiveness. However, the most pressing problem was in retaining enough competent people to handle the very large workload. **Recommendation To Agencies:** The Secretary of Defense should direct the Secretary of the Army to: develop a plan with specific objectives and timeframes for reducing personnel turnover and retaining competent staff at the Military District of Washington Finance and Accounting Office; assign experts on a temporary basis from the Army Finance and Accounting Center or other Army finance and accounting offices to help the Military District of Washington develop and implement adequate internal procedures and controls; implement the Standard Army Civilian Payroll System design, as approved, and develop and implement additional automated edits, if feasible to help prevent duplicate and erroneous payments; assure that legal and regulatory requirements for reporting fraudulent actions are followed; consider increasing the number of days allotted to payroll preparation and processing to allow sufficient time for supervisory review of work before check processing; seek to minimize the differences between Army and Defense organizations' accounting requirements; and require that the Military District of Washington make a reasonable attempt to determine whether the adjustment to the General Ledger for over \$500 million made in 1977 and the adjustment for \$31 million made in 1978 can be adequately supported. The Secretary of Defense and the Secretary of the Army should also consider reducing the workload of the Military District of Washington Finance and Accounting Office if the Army cannot, within a reasonable period of time, adequately reduce the Office's personnel turnover and begin to retain competent personnel. If a decision is made to reassign the workload, the capability of another Defense or Army organization to provide adequate finance and accounting services must be considered.

112450

FDA Drug Approval--A Lengthy Process That Delays the Availability

of Important New Drugs. HRD-80-64; B-198724. May 28, 1980. Released June 6, 1980. 65 pp. plus 5 appendices (18 pp.).

Report to Rep. George E. Brown, Jr., Chairman, House Committee on Science and Technology: Science, Research and Technology Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Use of Computer Systems for Agency Mission Requirements and Support Functions (0108); Consumer and Worker Protection: Evaluation of Drug Safety and Efficacy Prior to Marketing (0907).

Contact: Human Resources Division.

Budget Function: Health: Consumer and Occupational Health and Safety (0559).

Organization Concerned: Food and Drug Administration; Department of Health, Education, and Welfare; Food and Drug Administration: Bureau of Drugs.

Congressional Relevance: House Committee on Science and Technology: Domestic and International Scientific Planning, Analysis and Cooperation Subcommittee; House Committee on Science and Technology: Science, Research and Technology Subcommittee; Rep. George E. Brown, Jr.

Authority: Food, Drug, and Cosmetic Act (21 U.S.C. 301). H.R. 4258 (96th Cong.). S. 1075 (96th Cong.).

Abstract: Responsible for regulating the testing and marketing of all human drugs in the United States, the Food and Drug Administration (FDA) must assure that the public health is protected by carefully assessing the risks and benefits associated with new drugs and making such drugs available to the public as soon as possible. The Federal Food, Drug and Cosmetic Act gives FDA the legal authority and responsibility for regulating and approving new drugs. The Act requires that FDA approve new drug applications (NDA's) within 180 days, or about 6 months after they are filed, or that FDA give an applicant notice of an opportunity for a hearing on the application's deficiencies. Where more time is needed, the Act permits the time to be extended by mutual agreement between FDA and the applicant. The GAO review of the FDA drug approval process consisted of (1) obtaining the views and concerns of the drug industry, pharmaceutical associations, and other knowledgeable members of academia and FDA officials; (2) comparing drug approval procedures in Canada and eight European countries with those of the United States; (3) analyzing the FDA review process for selected NDA's; (4) analyzing the workload of FDA physicians, chemists, and pharmacologists involved in reviewing NDA's; (5) interviewing FDA reviewers of NDA's for their perceptions of the drug approval process; and (6) reviewing the FDA use of scientific and management information systems in its drug approval activities. **Findings/Conclusions:** Of the 132 NDA's submitted in 1975, 52 percent had been approved by the end of May 1979. The average approval time for these applications was about 20 months. Many important drugs were approved in some foreign countries in less time than in the United States. Both FDA and the drug industry contribute to the time it takes to approve new drugs. Major factors affecting drug approval time were: (1) imprecise FDA guidelines, subject to varying interpretations; (2) scientific and professional disagreements between FDA and industry; (3) slow or inadequate FDA feedback to industry and a lack of promptness in notifying drug firms of deficiencies in applications; (4) lengthy chemistry and manufacturing control reviews; (5) limited time spent reviewing and uneven workload; and (6) incomplete NDA's and industry's slow rate of resolving deficiencies. Practices and policies in countries that tended to speed up approval included the development of postmarketing surveillance systems in which widespread usage of drugs after marketing indicate the safety and efficacy which is not obtainable through controlled clinical trials; the use of an expert committee to review and approve, or recommend approval of, important new drugs; and acceptance of foreign clinical data to demonstrate the safety and efficacy of a new drug. Legislation has been proposed which would require drug firms to collect

and report adverse drug reaction information and provide informal procedures for resolving scientific disagreements between FDA and drug firms. **Recommendation To Agencies:** The Secretary of Health, Education, and Welfare (HEW) should direct the Commissioner of FDA to: monitor the FDA progress toward achieving the goals of reducing processing time for new drug applications 25 and 15 percent over a 3-year period and revise actions when necessary to assure that these goals are met; establish additional goals until the statutory 6-month time period is achieved or propose to Congress that it revise the 6-month timeframe; use paraprofessionals to assist reviewers, particularly those with heavy workloads; give the industry timely feedback on deficiencies in NDA's and instances where it is responsible for delaying approval of new drugs; expedite development of an improved postmarketing surveillance program and provide for feedback on program results to reporting physicians; and formally clarify the FDA policy on the acceptance of foreign data. Further, the Secretary of HEW should direct the FDA Commissioner to evaluate the Bureau of Drugs information systems to determine how well they serve the drug review process. This effort should consider the need to: increase the drug reviewers' awareness of existing information systems; make the existing systems more responsive to the needs of drug reviewers by conducting more comprehensive surveys of the reviewers' needs; encourage user participation in the development or redesign of information systems; and expedite the assessment of the potential benefits of using microfilm or microfiche submissions of new drug applications.

112506

[Evaluation of the Health Care Financing Administration's Proposed Home Health Care Cost Limits]. HRD-80-85; B-198735. May 8, 1980. Released June 9, 1980. 3 pp. plus 1 enclosure (17 pp.). Report to Sen. Bob Packwood; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Health Programs: Health Care Costs (1208).

Contact: Human Resources Division.

Budget Function: Health: Health Care Services (0551).

Organization Concerned: Health Care Financing Administration; Bureau of Labor Statistics; Department of Health, Education, and Welfare.

Congressional Relevance: Sen. Bob Packwood.

Abstract: In response to congressional concern that the limits proposed by the Health Care Financing Administration (HCFA) on home health care reimbursements were too high, GAO reviewed the accuracy of the database used to develop the limits, the methodology used, the accuracy of the HCFA estimated savings, and alternative methods HCFA could use to improve existing limits or develop subsequent home health reimbursement limits. Under the methodology used, relatively minor changes in the number of home health agencies included in the database or the data themselves could result in substantial changes to the computed reimbursement limits. And, small changes in the level at which the limits were set could have a relatively large impact on the savings resulting from implementation of the limits. **Findings/Conclusions:** In reviewing the database, GAO found the following problems: (1) HCFA included home health agencies in the database which should have been excluded and excluded agencies which should have been included; (2) it included information from unaudited, unsettled home health agency cost reports; (3) costs reported under certain cost reporting methods permitted by HCFA had to be allocated in order to obtain the data needed to compute the proposed limits; and (4) a computer programming error resulted in the limits being set too high. In addition, anomalies were noted with the wage index data used to establish the reimbursement limits for individual agencies. Because of the problems with the database, GAO could not determine the correct levels at which the proposed limits should be

set using the HCFA methodology, nor could it verify the accuracy of the estimated savings.

112512

[Feasibility of Automating the Search Process at the Patent and Trademark Office]. FGMSD-80-40; B-198514. May 9, 1980. Released June 9, 1980. 10 pp.

Report to Sen. Lloyd Bentsen, Chairman, Joint Economic Committee; by Elmer B. Staats, Comptroller General.

Issue Area: National Productivity: Federal Productivity Improvements Through Capital Investments (2952).

Contact: Financial and General Management Studies Division.

Budget Function: General Government: Other General Government (0806).

Organization Concerned: Patent and Trademark Office; Department of Commerce.

Congressional Relevance: Joint Economic Committee; Sen. Lloyd Bentsen.

Abstract: An examination was made of the Patent and Trademark Office's patent search process to determine whether automation of the process would reduce costs and improve quality. **Findings/Conclusions:** Timeliness and quality can be improved by making procedural changes. Automation of the search process at this time would not significantly improve timeliness or quality; it would merely make the process more costly. Whether or not the search process can ever be automated depends on future technology. However, the Patent Office should continue its ongoing experiments with techniques for automating the search process. If pendency time is to be reduced, the two basic options are to request additional staff to reduce the backlog of applications awaiting review, or limit the amount of time allowed an applicant to submit the issuance fee after approval. GAO is concerned about patent quality. The lack of integrity in the examiner's files is detrimental to the quality of patents issued and contributes to the perception that the patent process does not result in quality patents which can withstand challenge. **Recommendation To Agencies:** To improve patent quality, the Secretary of Commerce should direct the Commissioner of Patents and Trademarks to develop a system that will let examiners and clerical support staff know what patent documents are removed from the examiner's files. A system should be developed that will protect the examiner's search files from nonexaminer abuse. This could be accomplished either by making the public search files comparable to the examiner's search files and then denying the public access to the examiner's files, or by improving the security and controlling access to the examiner's files so that public users could not misfile or permanently remove patent documents.

112513

Correct Balance of Defense's Foreign Military Sales Trust Fund Unknown. FGMSD-80-47; B-198131. June 3, 1980. Released June 10, 1980. 17 pp. plus 3 appendices (6 pp.).

Report to Rep. Jamie L. Whitten, Chairman, House Committee on Appropriations; by Elmer B. Staats, Comptroller General.

Issue Area: International Affairs: Foreign Military Sales and Other U.S. Military Assistance (0605); Accounting and Financial Reporting: Systems To Insure That Amounts Owed the Federal Government Are Fully and Promptly Collected (2803).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101).

Organization Concerned: Department of the Air Force; Department of the Army; Department of the Navy; Defense Security Assistance Agency; Security Assistance Accounting Center; Department of the Treasury.

Citation Section

Congressional Relevance: House Committee on Appropriations; *Rep.* Jamie L. Whitten.

Authority: DOD Instruction 2140.3.

Abstract: A report was undertaken on the accounting differences between cash balances reported to foreign customers by the Department of Defense (DOD) and cash balances carried in those customer's trust fund accounts for all services, and on financial management problems DOD experienced in the administration of the Foreign Military Sales Program. **Findings/Conclusions:** Specifically, GAO found that as of September 30, 1979, detailed accounting records for foreign military sales customers differed by \$1.5 billion from trust fund records showing cash on hand. After considering normal processing delays, system deficiencies, and identifiable accounting errors, unexplained differences were still about \$390 million. GAO was unable to determine the cause of these differences because DOD activities have not routinely reconciled all key accounting records. Unless and until these differences are explained, the correct cash balances held in trust for 97 foreign customers cannot be determined. **Recommendation To Agencies:** In the short range, the Secretary of DOD should direct the military departments and the Security Assistance Accounting Center to establish adequate control over customer trust funds by: (1) identifying and correcting existing differences in trust funds and supporting detailed sales records; and (2) enforcing DOD policies requiring reconciliation of key accounting records so that unexplained differences will not arise in the future. In the long range, the Secretary should continue actions to centralize foreign military sales accounting and disbursing as the most viable alternative to finally resolve DOD foreign military sales accounting and financial management problems.

112516

The Marine Corps Military Pay System: Too Many Errors and Inefficiencies. FGMSD-80-49; B-198425. June 10, 1980. 37 pp. *Report to Congress*; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting: Reporting Systems' Adequacy To Disclose the Results of Government Operations and To Provide Useful Information (2811).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101).

Organization Concerned: Department of Defense; United States Marine Corps; United States Marine Corps: Finance Center, Kansas City, MO.

Congressional Relevance: Congress.

Authority: Accounting and Auditing Act. DOD Instruction 7330.3. DOD Instruction 7330.4.

Abstract: As part of an effort to determine whether executive departments and agencies have adequate accounting control over payroll systems, a review was made of the Joint Uniform Military Pay System/Manpower Management System. The system is the combination of the former Marine Corps Joint Uniform Military Pay System and the Manpower Management System. The primary purposes of the automated system were to provide: adequate service to members; the maximum practicable uniformity between the services; centralized and computerized pay account maintenance; and optimum support of planning, programming, and budgeting systems. **Findings/Conclusions:** The Marine Corps spent millions of dollars in developing, implementing, and operating the system. However, records of these costs were not kept and procedures for measuring system effectiveness were never established. Therefore, Marine Corps and Defense management do not know how much has been spent, what economic benefits have been gained, or to what extent system goals and objectives have been met. Since the System is not reliable enough to centrally compute pay accurately, extensive and inefficient manual procedures are followed to verify

the accuracy of pay. As a result, manual procedures, rather than the automated system, constitute the real pay system. There are basic system weaknesses on the part of management which need to be corrected. **Recommendation To Agencies:** The Secretary of Defense should direct the Commandant of the Marine Corps to: (1) establish a single manager who will be clearly responsible for the system's performance; (2) establish measurable goals and objectives for improving timeliness and accuracy of the system; (3) require that internal auditors periodically report to top management on the progress being made toward meeting system goals and objectives; (4) identify, through improvement of reporting procedures, those organizations which submit untimely and erroneous pay data and take corrective action; (5) identify, document, and correct software deficiencies; (6) establish a task force to determine how best to improve staffing of the system's computer processing activities, system documentation, programming language and logic, and testing for and correction of computer errors; (7) establish a realistic timetable for eliminating the redundant and inefficient manual procedures; and (8) direct that the problems in the existing pay system be carefully considered in the design, development, and implementation of the new one. The Secretary should also direct the Assistant Secretary of Defense (Comptroller) to monitor the progress of the Marine Corps in complying with Department memorandums, directives, and instructions calling for (1) development and implementation of a reliable central pay system, (2) goals and objectives expressed in measureable terms, and (3) an analysis of costs versus benefits of system development. Compliance with this guidance should be required.

112530

[Intransit Visibility and Performance Evaluation Systems Need Improvement]. June 9, 1980. 2 pp. plus 1 enclosure (18 pp.).

Report to Gen. John R. Guthrie, Commanding General, Department of the Army: Army Materiel Development and Readiness Command; by Henry W. Connor, Associate Director, GAO Logistics and Communications Division.

Issue Area: Logistics Management: Logistics Management Information Systems (3852).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of the Army: Army Materiel Development and Readiness Command; Department of Defense; Department of the Army: Office of the Inspector General.

Authority: A.R. 725-50. A.R. 700-54.

Abstract: The Army's Logistic Intelligence File (LIF) does not receive complete, accurate, and timely information on the movement of material through the supply and transportation pipeline. This delays information processing on the status of material requisitions and reports on logistical performance. Problems include delays in notification of actions, erroneous dates furnished, and omission of some required information. The existence of both the LIF and Military Supply and Transportation Evaluation Procedures (MILSTEP) performance reporting system has resulted in the duplication and overlapping of work, and confusion and conflicts when statistics from the two systems are reviewed for comparable periods. LIF is an information computer data file which accumulates and assembles standard supply and transportation data and provides visibility of the supply and transportation pipeline. LIF tracks Army requisitions, evaluates procurement performance, and produces monthly individual Direct Support System activity performance reports. It is also used to analyze the Army's supply and distribution system. MILSTEP is a separate and distinct data base for evaluating logistics performance. The existence of the two systems has caused the development and maintenance of separate Army organizations, data bases, and logistical performance

reports, resulting in duplication and overlapping of work and confusion and conflicts. Multiple reporting systems cannot be cost effective and provide a built-in basis for conflict. **Findings/Conclusions:** GAO determined that the quality of supply and transportation information to LIF needs improvement. Delays occur in the system due to work backlogs, lack of trained staff, indifference by key military personnel responsible for processing LIF intransit data cards, and lack of procedural information. A major contributing cause of confusion at the installation level was LIF use of an intransit data card that was almost identical to that used in the MILSTEP system. There is a need to eliminate the existing duplication and overlapping of efforts of MILSTEP and LIF. A merger could be effected without jeopardizing the fulfillment of the Defense Department's requirements for the implementation of MILSTEP. Such a merger would result in a more efficient and effective logistical performance reporting system and create greater opportunities for reducing operating costs. **Recommendation To Agencies:** The Commanding General, DARCOM, should take the following actions: emphasize to the various commands, depots, and installations the need to provide LIF with accurate, complete, and timely information on the Army requisitions; assure that there is an adequate number of trained personnel responsible for processing data to LIF; authorize and direct the Logistic Control Activity to take a more active and direct role in the training of personnel responsible for preparing and processing required data to LIF; develop one intransit data card that will serve the needs of both MILSTEP and LIF present TK4 cards; and either assume full responsibility for preparing and processing all required LIF documentation for the Defense Logistics Agency and the General Services Administration or obtain their firm agreement to provide documentation. It was also recommended that the Commanding General, DARCOM, develop a standard reporting system and data base, and merge or consolidate the LIF and MILSTEP organizations, personnel, and facilities to the extent feasible.

112533

Conversion: A Costly, Disruptive Process That Must Be Considered When Buying Computers. FGMSD-80-35; B-197681. June 3, 1980. Released June 11, 1980. 29 pp. plus 5 appendices (49 pp.). Report to Rep. Jamie L. Whitten, Chairman, House Committee on Appropriations; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Agencies' Efforts To Convert Software (0107).

Contact: Financial and General Management Studies Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: General Services Administration; Department of the Navy.

Congressional Relevance: House Committee on Appropriations; Rep. Jamie L. Whitten; Rep. George H. Mahon.

Authority: Automatic Data Processing Equipment Act (P.L. 89-306). F.P.M.R. 101-35.2. OMB Circular A-109.

Abstract: The objectives of Federal procurement policy are to obtain the best prices for goods and services and give all responsible vendors an opportunity to compete. The policy requires competitive acquisition to the extent practicable. However, competitive procurement of computers has been complicated by the lack of clear and concise procurement policy on the treatment of conversion costs in evaluating vendor proposals and difficulties in estimating these costs. When replacing a computer system, an agency must choose between: (1) buying a compatible computer from the same manufacturer, thereby denying other manufacturers an opportunity to compete; or (2) holding a competitive procurement and possibly facing substantial effort, high costs, and operational disruption to convert its application software and change over to the new equipment. In addition to software conversion costs, an agency can spend substantial amounts to retrain its personnel, operate both the

old and new computers during the conversion, and modify the computer facility to house both the old and new computers during this period. However, GAO examined six competitive computer procurements involving conversions and concluded that even though conversion costs are frequently substantial, changing to a different brand can be less costly on a life cycle basis. **Findings/Conclusions:** GAO adjusted the costs used in selecting the winning vendors by including appropriate conversion costs and correcting for significant underestimates. Conversion costs considered in the six competitive procurements varied significantly from case to case, and each installation had underestimated the cost and time necessary to convert its application software to the replacement system. A primary cause of poor conversion cost estimating is that adequate data have not been collected on the experiences of installations that have converted. The problems found by GAO pointed out the need for guidance to agencies as to what conversion costs should be considered in evaluating proposals and for better conversion cost estimating techniques. The General Services Administration (GSA) has drafted regulations calling for consistent treatment of conversion costs and announced the establishment of a support center which will provide technical assistance to help agencies make better estimates and improve conversion management. In the cases reviewed, the lack of adequate planning contributed to the disruption and higher costs. An agency must carefully develop a conversion strategy and plan before initiating its procurement action. Finally, conversion costs and disruption can be reduced by placing greater emphasis on developing better quality application software in the first place. **Recommendation To Agencies:** To improve the acquisition and management of data processing resources, the Administrator of GSA should: (1) issue, for agency guidance, the provisions contained in the draft regulations covering treatment of conversion costs in evaluating competing vendor proposals; (2) develop technical guidelines to help Federal agencies determine conversion requirements, plan for and manage conversion, contract for conversion support services, and evaluate life cycle costs of vendor proposals; and (3) consider adapting for Government-wide use the Navy's project management and control system for estimating software conversion costs and managing conversions.

112581

[Protest of GSA Contract Award]. B-198705. June 17, 1980. 3 pp. Decision re: Vanguard Technologies Corp.; by Harry R. Van Cleave (for Milton J. Socolar, General Counsel).

Contact: Office of the General Counsel.

Organization Concerned: Vanguard Technologies Corp.; OAO Corp.; General Services Administration; Systems and Applied Sciences Corp.

Authority: Small Business Act (P.L. 95-507; 15 U.S.C. 637(a); 92 Stat. 1757). 4 C.F.R. 20.1(a). 56 Comp. Gen. 730. F.P.R. 1-2.407-8(b)(3). B-196437 (1979). B-190479 (1977). B-197750 (1980). B-197673 (1980).

Abstract: A firm protested the award of a contract for automated data processing services contending that the firm who received the award did not qualify because it exceeded the allegedly applicable small business size standard, and it intended to subcontract a large portion of the work. Under bid protest procedures, the protesting firm could not be considered an interested party, since the record indicated that the firm was a proposed subcontractor of another offeror for the contract, which did not protest the award. GAO found the firm's interest in the relief requested entirely contingent upon factors outside of the contract award process. Moreover, a firm's eligibility for a small business program is basically a matter for the determination of the Small Business Administration, not GAO. The protest was dismissed.

Citation Section

112583

[Protest of Proposal Rejection]. B-197946. June 17, 1980. 4 pp. *Decision re:* Control Data Corp.; by Milton J. Socolar, Acting Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Control Data Corp.; Sandia Laboratories; Department of Energy.

Authority: 4 C.F.R. 20.2(b)(2). 54 Comp. Gen. 468. B-193851 (1979). B-194318 (1979). B-195216 (1979). B-194728 (1979).

Abstract: A firm protested the decision of a Department of Energy prime operating contractor of a Government-owned, contractor-operated facility to reject a proposal to furnish automatic data processing equipment. The operating contractor had advised the firm that its proposal would not be considered as it had failed to comply with all of the mandatory solicitation requirements. At a debriefing, the firm was advised as to the points on which its technical proposal was unacceptable. The firm did not protest the decision at this point, but delayed its protest until the receipt of a written notice of proposal rejection, making the filing of the protest untimely. GAO found that the information given in the written denial had all been covered at the time of the debriefing, and the complaints were dismissed as untimely. GAO would not consider the merits of the firm's protest regarding the initial rejection of its technical proposal. Once the firm's proposal was rejected and the time for its protest expired, the firm no longer had a legitimate basis for complaint. The protest was denied.

112594

The Department of Defense's Standardization Program for Military Computers--A More Unified Effort Is Needed. LCD-80-69; B-199008. June 18, 1980. 8 pp. plus 2 appendices (21 pp.). *Report to* Harold Brown, Secretary, Department of Defense; by Donald J. Horan (for Richard W. Gutmann, Director), GAO Logistics and Communications Division.

Issue Area: Automatic Data Processing: Agencies' Efforts To Convert Software (0107); Military Preparedness Plans: Non-Line-of-Effort Assignments (0851).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of Defense; Department of the Air Force; Department of the Army; Department of the Navy.

Authority: Military Standard 1750.

Abstract: A review was made of the Department of Defense's (DOD) efforts to standardize military computers and software used in combat support and weapon systems. DOD has increasingly become dependent on automation to assist in accomplishing its mission. Associated with this huge computer growth has been a proliferation of many different kinds of computers with wide ranges of speed, size, power, and weight. This widespread proliferation has adversely affected DOD in terms of increased logistical support costs and operational difficulties. The overall cost to develop, operate, and maintain automated systems has increased dramatically because systems using different computers require unique system interfaces, logistics support, software development, maintenance, and training. Moreover, as the requirements for automated systems increase, problems and costs continue to grow. As a result, DOD has been forced to examine different techniques to lessen these adverse impacts so that it can deploy and maintain more cost affordable and operable automated systems in the future. Each military service has placed increased emphasis on computer standardization and is pursuing its own program to provide for standardization in future tactical systems. Although the services have many common functional requirements, they continue to spend funds on separate standardization programs. **Findings/Conclusions:** GAO questioned the need for separate standardization programs,

especially in view of studies which indicate that a Defense-wide standardization base could be the most cost advantageous for DOD. It is believed that DOD has an opportunity to maximize standardization of military computers and software for combat support and weapon systems use. The lack of a standard programming language is a major contributor to the high cost of developing and maintaining automated systems military applications, and DOD is to be commended for its initiative to fill that void by developing a common high-order programming language called Ada, which is expected to be ready for use in 1983. However, it is believed that DOD is rapidly losing an opportunity to achieve maximum Defense-wide standardization of military computers and software used for combat support and weapon systems automation. GAO is concerned that economic and operational benefits of standardization will be lost unless DOD controls the standardization program. Control should be centralized with periodic reviews. **Recommendation To Agencies:** The Secretary of Defense should establish a high-level steering committee with decision-making authority and a triservice program office with responsibility for maximizing standardization of military computers and software in a manner that will promote and ensure the use of new technology, reduce software and acquisition costs, simplify logistics, and realize economies of scale. This responsibility should include implementing Ada as the standard programming language and managing its implementation and use, determining with the military services the computer architecture(s) that should be standardized and level of standardization to be achieved, and establishing the appropriate standardization policies. The triservice program office should be responsible to the steering committee for planning and controlling the implementation of those policies and DOD standardization efforts. These actions should be expedited so that the various independent efforts can conform to the new policies before long-term commitments are made.

112596

[Protest of Subcontract Award]. B-197373. June 19, 1980. 3 pp. *Decision re:* MISSO Services Corp.; by Harry R. Van Cleve (for Milton J. Socolar, General Counsel).

Contact: Office of the General Counsel.

Organization Concerned: MISSO Services Corp.; Computer Software Analysts, Inc.; Systems Management Associates, Inc.; Department of the Army: National Guard Bureau; Small Business Administration.

Authority: Small Business Act (P.L. 95-507; 15 U.S.C. 637(a); 92 Stat. 1757). Walsh-Healey Act (41 U.S.C. 35-45). B-190957 (1978). B-192519 (1978). B-193212 (1979).

Abstract: A firm protested the selection of another firm by the Small Business Administration (SBA) for a subcontract to provide the National Guard Bureau with 54 minicomputer-based processing systems. The record showed that SBA recommended three firms to the Department of the Army for consideration; the protester, and two other firms. The Army then conducted a competition among the three firms, resulting in the Army's recommendation to SBA of the awardee as the most capable of meeting the Government's requirements. The protester was viewed as not having demonstrated that capability, whereas the third firm was judged to be capable. The protester contended that under the SBA Standard Operating Procedures neither of the other firms should have been considered eligible for this subcontract, and that neither is a manufacturer or regular dealer under the Walsh-Healey Act. Additionally, the protester contended that the instant subcontract involves capabilities other than those reflected in the business plans of the other two firms. GAO held that: (1) it will not question the choice of a particular small business firm by SBA for subcontract award without a showing of fraud or bad faith on the part of Government officials; and (2) the determination of whether a small business firm is a

manufacturer or regular dealer under the Walsh-Healey Act is the responsibility of the contracting agency subject to final review by SBA and the Secretary of Labor. Accordingly, the protest was dismissed.

112616

[A/E Use of Computer Aids on Federal Projects]. June 10, 1980. 10 pp.

Speech before the Second Conference on Computing in Civil Engineering; by Ronald L. King, Supervisory Auditor, GAO Logistics and Communications Division.

Contact: Logistics and Communications Division.

Abstract: A survey of 800 firms was made to determine the extent to which architectural-engineering (A/E) firms providing design services to Federal agencies use computer-aided techniques in the design process, and whether or not Federal policies and procedures inhibit the beneficial use of computer-aided methods provided by these firms. Computer use was defined as any and all applications of computers to the design process; accounting, fiscal, and personnel management uses were excluded. The responding firms were classified into four categories: architects, engineers, architect-engineers, and other. Applications currently used and those planned for use by December 1980, included: structural, civil, mechanical, and electrical engineering; energy, soil, and lighting analysis; life-cycle costing; specifications; cost estimating; construction management; functional programming; drafting; and perspective drawing. Most firms primarily used computers to carry out tasks not practical using manual methods and to improve the quality of the designs produced. Computer services were provided through the utilization of commercial time-sharing, commercial service bureaus, leasing, consultants, and a firm's own computers. Except for facility renovations, the computer was used on more than half of the 20 Federal projects listed by the responding firms. Computers were not used on 266 projects for the following reasons: the firm did not ordinarily use computers; work did not involve aspects where a computer is normally used; work was not extensive or complex enough to require a computer; or computer use would have created difficulty in recovering costs under the contract. Frequently in fee proposals, firms either buried costs in overhead or labor figures. Only 172 firms listed computer costs as direct costs, and 24 others identified the cost by some label other than computer services costs.

112642

Better Controls and Data Needed To Distribute Defense Medical Supplies. LCD-80-77; B-198914. June 25, 1980. 25 pp. plus 3 appendices (8 pp.).

Report to Harold Brown, Secretary, Department of Defense; by Donald J. Horan (for Richard W. Gutmann, Director), GAO Logistics and Communications Division.

Issue Area: Health Programs: Non-Line-of-Effort Assignments (1251); Logistics Management: Effective Material Distribution (3806).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of Defense; Defense Logistics Agency; Defense Logistics Agency; Defense Personnel Support Center; Department of the Army; Department of the Navy; Department of the Air Force.

Abstract: The Department of Defense's (DOD) multiple systems for distributing medical supplies to the military services were evaluated regarding medical supply purchasing, inventory control and distribution, and possible duplication among systems. The Surgeons General of the Army, Air Force, and Navy were among the

officials consulted. Field medical activities in the United States, Japan, Korea, and the Philippines were visited to examine the distribution methods used and to analyze the data provided by these activities on supply distribution effectiveness. **Findings/Conclusions:** Distribution was hindered by excessive and old inventories, limited monitoring by the Defense Logistics Agency (DLA) of the diverse DOD purchasing and delivery systems, and weaknesses in the DLA centralized supply system. High medical supply inventories throughout the system increased cost and handicapped control over perishable items. The DLA personnel support center disposed of \$12 million of its fiscal year 1978 medical inventory because the supplies were either outdated or no longer needed. Overseas depots stocked up to two and three times the authorized levels. These high inventories and inventory control weaknesses contributed to the high rates of loss for perishable supplies. During the first quarter of FY 1979, \$10 million worth of perishable medical supplies were unusable or were of limited use because shelf lives would expire soon. Field activities experienced unnecessary losses when they received outdated supplies or did not properly store perishable items. Reporting on disposals was inadequate. DLA depots shipped too many supplies out of their assigned regions. Only Air Force requisitions regularly reached DLA within the DOD 2-day standard. The timeliness of Army and Navy orders was reduced by sequential edits and reviews by intermediate organizations. DLA experienced serious difficulty in meeting its goal of delivering nonstocked medical items within 30 days after receiving the requisition. Consolidating medical support functions in Japan, Korea, and Hawaii could reduce cost and improve control. **Recommendation To Agencies:** The Secretary of DOD should direct DLA and each military service to eliminate excess medical supply inventories, maintain future inventories more in line with authorized levels, and review and improve inventory management practices and controls over perishable medical supplies. To improve DLA management of locally purchased nonstandard items, the Secretary of DOD should instruct the Director of DLA to take the following actions and require the military departments to cooperate in the DLA efforts to: establish a uniform numbering system for locally purchased nonstandard medical supplies; develop uniform criteria for reporting such supplies; prepare a DOD-wide directory of nonstandard medical supplies; and expand monitoring of local purchases to include all medical supplies shown on triservice reports, so that all possible candidates for central management can be considered. To reduce transportation costs, the Director of DLA should prepare and approve a plan to reduce unnecessary out-of-area shipments by DLA depots and set a specific timetable to carry out the plan. To improve timely processing of requisitions for medical items, the Secretary of DOD should direct the military departments to reconsider the need for sequential edits of such requisitions being sent to the Defense Personnel Support Center. Further, the Director of DLA should increase current efforts to improve timeliness of service by carrying out interim changes now, even where changes to the automated system are planned for the future. The Secretary of DOD should direct Defense Retail Interservice Program managers to prepare implementation plans to consolidate medical supply support in Japan, Korea, and Hawaii. Where the plans show opportunities to reduce medical support costs and to increase supply effectiveness, the Secretary should direct the military services to consolidate these functions.

112672

The World Wide Military Command and Control System--Evaluation of Vendor and Department of Defense Comments. LCD-80-22A; B-163074. June 30, 1980. 65 pp. plus 1 appendix (5 pp.).

Report to Congress; by Milton J. Socolar, Acting Comptroller General.

The report referred to is "The World Wide Military Command and Control System--Major Changes Needed in Its Automated Data

Citation Section

Processing Management and Direction" LCD-80-22. December 14, 1979.

Issue Area: Automatic Data Processing (0100); Automatic Data Processing: Use of Computer Systems for Agency Mission Requirements and Support Functions (0108).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of Defense; Department of the Army; Department of the Air Force; Department of the Navy; Honeywell Information Systems, Inc.

Congressional Relevance: House Committee on Government Operations; House Committee on Appropriations.

Abstract: A December 14, 1979, GAO report criticized the World Wide Military Command and Control System automated data processing (ADP) program for lacking effective management and for being unresponsive to operational needs. The report recommended that Congress consider withholding current and future funding for the program. Comments are presented from the vendor, the Honeywell Information Systems Inc., and the Department of Defense (DOD) were not received in time to be incorporated in that report along with the GAO evaluation. **Findings/Conclusions:** The vendor generally agreed with the contents of the 1979 report and offered some suggestions for resolving computer and software problems through field modifications of the computers and revised versions of the vendor-supplied software. GAO objected to making field modifications as such action would have the effect of a sole-source procurement. As a result, alternative and perhaps more economical and efficient system designs by other vendors would not be considered. GAO does not agree that the original procurement specifications exceeded the state-of-the-art. The Department of Defense (DOD) characterized the GAO report as being inaccurate and misleading, containing inappropriate conclusions, and presenting inapplicable recommendations. GAO found that DOD has still not clearly defined the functional requirements of the military commanders who must use and rely on the ADP program capabilities for their operational needs. It is time to begin designing a system that, when placed into operation, will provide needed support capabilities to military commanders, particularly during a time of crisis. DOD selected a computer configuration and related software that were not suited for the environment in which they were to operate. DOD seemed reluctant to recognize the need for change. The program management structure was so fragmented that no one individual or organization had any responsibilities. The current ADP program does not support the operational needs of military commanders.

112679

[Protest Against Proposal Evaluation]. B-197123. June 30, 1980. 6 pp.

Decision re: C. L. Systems, Inc.; by Milton J. Socolar, Acting Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: C. L. Systems, Inc.; DataPhase Systems; Department of Agriculture: National Agricultural Library; Department of Agriculture.

Authority: B-194398.1 (1979). B-193124 (1979). B-185103 (1976).

Abstract: A firm protested the award of a contract for an automated library information system. The protester argued that the price and technical evaluations of both the protester's and the awardee's offers were in error and that, if they had been done properly, the protester's proposal would have been the highest rated. In an evaluation of the performance of the proposed systems, the awardee received an average score of 7.5, while the protester received an average score of 5. It has been held that procuring officials enjoy a reasonable degree of discretion in the evaluation of proposals

which must not be disturbed unless it is shown to be arbitrary or in violation of procurement statutes or regulations. Thus, GAO will not substitute its judgment for that of the procuring agency by making an independent determination. The protester did not show that the evaluation was unreasonable or arbitrary. The solicitation requested offerors to furnish a lease with option-to-purchase price proposal. A system's life cost evaluation was performed, and the agency determined that the awardee's proposal offered the most advantageous price. After a protest was filed, the agency performed a new analysis which was reviewed by the GAO audit staff. Based on these, it appeared that the prices of the two offers were closer than initially indicated, but that the awardee's proposal was still the least expensive. It held that the protester did not show the agency's conclusion to be erroneous. Accordingly, the protest was denied.

112721

[Protest of Contract Award by State Agency]. B-194365. July 7, 1980. 7 pp.

Decision re: International Business Machines Corp.; by Milton J. Socolar, Acting Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: International Business Machines Corp.; Sperry Rand Corp.: Sperry Univac; Connecticut: Department of Labor: Employment Security Division; Department of Labor.

Authority: Wagner-Peyser Act (Federal Employment Service) (29 U.S.C. 49-49K). 20 C.F.R. 602.16. 56 Comp. Gen. 575. 57 Comp. Gen. 175. 54 Comp. Gen. 1080. 40 Fed. Reg. 42406. OMB Circular A-102. Department of Labor Employment Security Manual IV 2800-2818. B-192478 (1980). B-194168 (1979). B-184560 (1977). 31 U.S.C. 53.

Abstract: A firm requested GAO review of the award of a contract by the Employment Security Division of the Connecticut State Labor Department, conducted under a grant from the United States Department of Labor. The firm complained that the agency improperly conducted negotiations with the awardee after best and final offers were received, which resulted in an award based on equipment other than that proposed by the awardee in response to the request for proposal and under terms different from those in the request for proposal. The protester argued that the contract must be terminated and the requirement resolicited, even though the Department of Labor has required the agency to modify the contract to conform with the original request for proposal. GAO agreed with the firm that the original award was improper, however, since the contract had been modified GAO did not believe it would be appropriate to recommend corrective action. The awardee argued that GAO should not consider this complaint as State grantees are responsible for the resolution of award protests. GAO believed that its review of grantee awards was both appropriate and well settled. A State agency may use its own procurement procedures, but these procedures must insure that the maximum practicable competition is obtained and that all suppliers are given full and fair opportunity to compete on an equal basis. Where there does not appear to be any such State law cited, as in this case, GAO generally reviews the matter. GAO agreed that the holding of post-selection discussions and awarding a contract to the awardee for equipment other than that proposed was improper and, if permitted to stand, would create an unfortunate precedent. However, the current award was based on the proposal which was determined technically superior and cheaper than that of the protester. The Department of Labor remedied the situation and no useful purpose would be served by a resolicitation. The protest was denied.

112745

Computers in Government: We Couldn't Do Without Them. June 1980. 53 pp.
by Elmer B. Staats, Comptroller General.

Contact: Office of the Comptroller General.

Authority: Fair Credit Reporting Act. Privacy Act of 1974. Social Security Act.

Abstract: The Federal Government became a large user of computers because of increases in Government services, population growth, and concern for efficiency and effectiveness. The development and widespread use of computers in Government operations has been a giant step forward in man's use of a new technology as a means to progress and development of his knowledge. One of the effects of the Government's usage of computers has been to increase Government services without large increases in total costs. However, the most pervasive effects of computers on Federal operations have been the changes in ways and methods which have become necessary to take full advantage of a whole set of new technological capabilities. But with great benefits have come corresponding risks. The Government is still faced with some pressing issues arising from its use. The Government needs safeguards against misuse of computerized data and must resolve concerns about privacy, security, and better use of computers. Additionally, better management, control, and training of personnel in the use of computer resources are essential.

112747

[Claim for Computer Services]. B-198344. July 9, 1980. 2 pp.
Decision re: Cyber-Synetics Group, Inc.; by Milton J. Socolar, Acting Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Cyber-Synetics Group, Inc.; General Services Administration.

Authority: 40 Comp. Gen. 447. 40 Comp. Gen. 451. B-183878 (1975). B-183915 (1975).

Abstract: The General Services Administration (GSA) requested a decision on whether a firm was entitled to payment of \$64,909.56 for computer services rendered to a Presidential Commission. In June or early July 1979, the members of a task force of the Commission met with the firm to discuss its requirements for computer services. Sometime after that meeting, the firm gave the task force an invoice for \$6,600. The members of the task force apparently understood this to be the bill for the entire job. However, the firm stated that the invoice was a prebilling for 1 man-month's worth of work and did not represent an estimate for the entire job. In any case, the members of the Commission did not have the authority to enter into a contract and no written contract was ever signed. The firm and the task force were in disagreement regarding the usefulness of the work performed by the firm. The task force contended that the work was untrustworthy, totally useless and, therefore, had to be done again by hand. The firm asserted, however, that it completed the job it was hired for and that the materials were used by the task force. The only evidence the firm offered to indicate that the task force used the material was that it continually insisted that the firm produce the work product until the end of the project. The apparent reason for the task force taking such a posture is that it was hoping to salvage some of the work of the firm. The task force stated that it was unable to do so. In view of the fact that the firm did not produce a product that was a benefit to the Government, it was not entitled to quantum meruit recovery. The claim was denied.

112766

Changes in Public Land Management Required To Achieve Congressional Expectations. CED-80-82A; B-199056. July 16, 1980. 34 pp.

Report to Congress; by Milton J. Socolar, Acting Comptroller General.

The report referred to is "Mining Law Reform and Balanced Resource Management" EMD-78-93 February 27, 1979.

Issue Area: Energy: Federal Government Trusteeship Over Energy Sources on Federal Lands (1614); Materials: Access to Materials (1809); Environmental Protection Programs: Institutional Arrangements for Implementing Environmental Laws and Considering Trade-Offs (2210); Land Use Planning and Control: Management of Federal Lands (2306).

Contact: Community and Economic Development Division.

Budget Function: Natural Resources and Environment: Conservation and Land Management (0302).

Organization Concerned: Department of the Interior; Department of Agriculture; Office of Management and Budget; Bureau of Land Management; Department of the Treasury; Forest Service.

Congressional Relevance: Senate Committee on Governmental Affairs: Federal Spending Practices and Open Government Subcommittee; Congress.

Authority: Forest and Rangeland Renewable Resources Planning Act of 1974 (16 U.S.C. 1600 et seq.). National Forest Management Act of 1976. Land Policy and Management Act (43 U.S.C. 1701). Wilderness Act. Mining Resources Act. H.R. 6257 (96th Cong.). 16 U.S.C. 559.

Abstract: Public lands comprising approximately 600 million acres primarily in the Western States and Alaska contain significant quantities of natural resources and values essential to the national economy, growth, and quality of life including: energy and nonenergy minerals; timber; grazing forage for livestock; outdoor recreation; wilderness; fish and wildlife habitat; water and watersheds; scenic beauty; and historic and cultural sites and artifacts. Sharing the responsibility for managing the public lands are the Bureau of Land Management (BLM), which administers about 417 million acres, and the Forest Service, which administers about 187 million acres. Fundamental public land management policies and procedures have been prescribed by three comprehensive statutes wherein a common and challenging goal has been set for BLM and the Forest Service to manage these lands and associated resource values in a manner which best meets the present and future needs of the American people. This requires balancing the three competing and usually conflicting basic objectives: using and developing resources, protecting and conserving resources, and maintaining the quality of the environment. It also requires ensuring appropriate balance and diversity among resource uses. Both agencies are required to plan for and manage their lands according to the multiple-use/sustained yield principle. **Findings/Conclusions:** Both agencies are having difficulty achieving the congressional expectations of producing the natural resources the Nation needs, while protecting the environment and conserving sufficient resources for the future. Production goals must account for limitations resulting from wilderness studies, environmental protection laws and programs, and lawsuits and administrative appeals. Because these events are usually unforeseen and are reflected in long-range goals, it is important for agencies to set annual goals reflecting such events as they occur. BLM does not have, nor is it legislatively required to have, long-range programs and quantified production goals for renewable resources. Consequently, it has no realistic basis for determining the production levels necessary to meet its share of the Nation's needs. The Forest Service is required to assess the Nation's public and private renewable resources and to develop a long-range program and goals for its lands. Many existing plans are inadequate because they are based on incomplete or obsolete resource inventory data or do not identify specific actions required to meet production goals while achieving environmental protection objectives. Under both agencies, natural resources have been damaged, stolen, and abused because of insufficient staffing and funding to protect them. Staff funds for both agencies have not kept pace with the number of responsibilities and tasks assigned to

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them. A continuing budgetary emphasis on certain resource management programs has hampered the balanced use and development of resources. **Recommendation To Congress:** Congress should, in consultation with BLM, amend the Land Policy and Management Act to require a long-range renewable resource program development process for BLM. Congress should also revise the 1872 Mining Law in accordance with recommendations made in the GAO report of February 27, 1979; consider modifying section 393 of the Land Policy and Management Act to authorize BLM employees to ticket persons violating Federal resource protection laws; and enact legislation which authorizes the Forest Service to sell or, in some instances, give away small, scattered land holdings which are too costly or impractical to administer properly. Further, Congress should review BLM and Forest Service staffing and funding levels and provide for a more realistic balance between the agencies' responsibilities and capabilities by either reducing responsibilities or appropriating more funds. **Recommendation To Agencies:** The Secretary of Agriculture should direct the Forest Service to place greater emphasis on conflicts, interactions, and trade-offs among potential resource uses in future assessment and program updates. The Secretaries of Agriculture and the Interior should direct the Forest Service and BLM to set yearly production goals during the annual program and budget process which reflect changes in production capabilities as they occur. The Secretary of the Interior should direct BLM to adopt a policy for all resources similar to its policy on timber of guaranteeing access to potential developers by obtaining easements and rights-of-way. The Secretaries should direct the Forest Service and BLM to develop staffing and funding needs necessary to regulate users of public lands and maintain facilities and resources and present the needs to the Departments of Agriculture and the Interior for review and approval. Further, the Secretaries should direct BLM and the Forest Service to carefully monitor and evaluate management improvements which result from new workyear personnel ceilings after they have been in effect for a reasonable period and aggressively seek higher ceilings from the Office of Management and Budget if, in their judgments, the new ceilings fail to provide BLM and the Forest Service sufficient staff to adequately carry out their assigned land management responsibilities.

112791

[Protest Against the Award of a Contract]. B-194984. July 16, 1980. 5 pp.

Decision re: Optimum Systems, Inc.; by Milton J. Socolar, Acting Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Optimum Systems, Inc.; Department of Energy; Energy Information Agency; Electronic Data Systems, Inc.

Authority: 54 Comp. Gen. 1080. B-196442 (1980).

Abstract: An incumbent-contractor firm protested the award of a contract by the Department of Energy (DOE) for the operation of the Energy Information Administration's computer facility. The request for proposals contemplated a cost-plus-award fee contract on a level-of-effort basis for a broad range of services including computer and data network operations, system and user support programming, user technical assistance, hardware and software analysis and planning, and management services. All of the hardware was to be provided by the Government. The contract was awarded to the highest ranked offeror and the firm considered technically substantially more acceptable. During final negotiations with the awardee, DOE altered its system configuration by substituting hardware. DOE did not feel that this required a solicitation amendment or a new round of revised proposals. The protester challenged the propriety of awarding a contract which it contended was different from that contemplated in the request for proposals.

It argued that, had DOE advised the offerors of the hardware switch and requested another round of offers, its cost estimate would have been significantly lower and its technical score evaluation increased. DOE contended that the Government was providing all of the equipment necessary for the contract and that the offerors should experience no significant cost savings attributable to the use of newer equipment. GAO agreed with DOE and did not think that the procurement had to be reopened to advise all of the offerors of the substitution of the newer computers. The protest was denied.

112794

Problems in Implementing Regulatory Accounting and Costing Systems for Railroads. FGMSD-80-61; B-199161. July 17, 1980. 35 pp. plus 1 appendix (4 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Data Collected From Non-Federal Sources: Accounting Rules Established by Federal Regulatory Agencies (3111).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems: Regulatory Accounting Rules and Financial Reports (1106).

Organization Concerned: Interstate Commerce Commission.

Congressional Relevance: Congress.

Authority: Railroad Revitalization and Regulatory Reform Act of 1976.

Abstract: Railroads have faced major difficulties for many years; difficulties which have caused great concern among shippers and the Government as well as among the railroads themselves. Because the Interstate Commerce Commission (ICC) prescribes regulatory accounting requirements for railroads and uses the accounting data that railroads submit to judge the appropriateness of their rates, its actions and decisions can bear heavily on whether the railroad's financial viability improves. Until recently, the Uniform System of Accounts for railroads had remained essentially unchanged since 1907. Effective January 1, 1978, ICC prescribed a revised and expanded system which resulted from several years of developmental efforts and was required by the Railroad Revitalization and Regulatory Reform Act of 1976 (4-R Act). The 4-R Act also required ICC to develop a revised costing system for estimating the cost of service by using data that railroads report under the revised system of accounts. The revised costing system is intended for use not only by ICC, but also by railroads and shippers in rate proceedings. Legislation was introduced in Congress and passed in the Senate, which would place added importance on cost of service as a basis for setting rates in the railroad industry. **Findings/Conclusions:** Although railroads have begun reporting under the new uniform system of accounts, ICC has not assured itself that the information being reported is reliable and consistent. Furthermore, the revised costing system needed to develop estimates of railroad costs for regulatory and other purposes is not yet operational. Until the revised costing system is operational, the only practical alternative for ICC and others is to continue using a prior costing system, even though that system has disadvantages. Although the new costing system is to replace a system which has been widely used before ICC by railroads, shippers, and others in rate cases, ICC has not assured itself that such entities will be able to use or understand the revised costing system. The revised costing system was designed to produce better cost estimates, but it is not possible at this time to predict whether users will view the results as better than the prior costing system or even consider them as acceptable. ICC is considering additional changes to its regulatory accounting and costing systems for railroads. However, if new major accounting and costing requirements are introduced too soon, the railroad industry could be burdened with complex and difficult reporting requirements which do not necessarily serve Federal regulatory needs. **Recommendation To Agencies:** ICC should:

(1) expeditiously review and evaluate the railroads' implementation of the new Uniform System of Accounts to assure that the conversion processes used by railroads produce reliable accounting information and that adequate guidance on system implementation has been issued; (2) communicate to those outside ICC the importance of the new costing system, its intended benefits, and its technical characteristics and limitations; (3) provide appropriate technical guidance to assist non-ICC users to understand and appropriately use the costing system's results; and (4) delay implementation of a cost center accounting system until the system of accounts and associated costing system are effectively operational and their value can be judged.

112795

[Improvements Are Needed in the Department of Agriculture's Centralized Payroll System]. FGMSD-80-69; B-199187. July 17, 1980. 6 pp.

Report to Joan S. Wallace, Assistant Secretary for Administration, Department of Agriculture; by John J. Cronin, Jr. (for John F. Simonette, Associate Director), GAO Financial and General Management Studies Division.

Issue Area: Accounting and Financial Reporting: Reporting Systems' Adequacy To Disclose the Results of Government Operations and To Provide Useful Information (2811).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101).

Organization Concerned: Department of Agriculture: National Finance Center; Department of Agriculture.

Authority: 6 GAO 20.6.

Abstract: Weaknesses in the Department of Agriculture's (USDA) centralized payroll system have caused pay problems such as duplicate, late, or erroneous payments, and incorrect deductions for health care premiums. The payroll-personnel system is operated by the National Finance Center (NFC) in New Orleans, Louisiana. The system has operated under the same basic design for the past 17 years. However, a redesigned payroll system is scheduled for implementation in late 1980. The system, which GAO has approved, will pay about 130,000 employees in almost 15,000 USDA offices. **Findings/Conclusions:** An analysis of the redesigned NFC payroll system by GAO showed that the new payroll system will not correct many of the current pay problems which result from inadequate controls by NFC over manual payroll processes. To correct these problems, NFC needs to: (1) ensure that predetermined control totals of time and attendance documents are established by all submitting offices; (2) ensure that manually prepared paychecks are independently verified; (3) periodically reconcile health enrollment records with health carriers' records; and (4) improve physical security, administrative controls, and security planning in the computer operations at NFC.

112836

[Problems in Implementing the Department of Housing and Urban Development's New Payroll System]. FGMSD-80-72; B-199134. July 22, 1980. 8 pp.

Report to Moon Landrieu, Secretary, Department of Housing and Urban Development; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Accounting and Financial Reporting: Ensuring That Employees Are Paid Accurately and Promptly (2813).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101).

Organization Concerned: Department of Housing and Urban Development; Department of the Treasury.

Congressional Relevance: *Rep.* M. Caldwell Butler.

Authority: 31 U.S.C. 529. 31 U.S.C. 82(c).

Abstract: A Congressman requested that the new Terminally Operated Personnel/Payroll System (TOPPS) at the Department of Housing and Urban Development (HUD) be examined because some HUD employees have not been paid promptly and accurately under the system. The employees complained that they received paychecks for wrong amounts due to incorrect withholding and overtime computations, and other errors. Some complained about system delays in adding or terminating personnel and changing employee status. **Findings/Conclusions:** Most complaints were attributable to four basic problems: (1) the system contained some design weaknesses; (2) it was implemented before operating personnel were adequately trained; (3) an adequate means of resolving complaints had not been provided; and (4) emergency salary payments were improperly treated as advances. It was noted that the TOPPS system design has not been submitted to GAO for approval because HUD has been unable to devote adequate staff to do the system's documentation. Although the system contained procedures to control the accuracy of data inputs that affect pay and related records, it was not designed to deal with inaccurate data carried over from the old payroll system, completely process all transactions affecting summary pay records, nor reject automated processing of pay for excessive amounts. Officials agreed that a formal training program was necessary for system employees; but at the end of the review, action had not been started to develop the program. According to HUD officials, present staffing allowed little or no chance of reducing the current backlog of complaints in the near future. To handle the complaints about not receiving paychecks, the Treasury allowed HUD to implement emergency salary payments from imprest funds. It cautioned that the payments were to be for actual hours worked. HUD emergency payments were for an approximation of the salary due. Many emergency payments became advances or loans that were outstanding for extended periods. Many outstanding payments became uncollectable because employees had left HUD. **Recommendation To Agencies:** The Secretary of HUD should revise the emergency salary procedures to comply with pertinent laws and Treasury requirements and start to collect the outstanding balances.

112843

[Protest Against Alleged Solicitation Improprieties]. B-197776. July 21, 1980. 4 pp.

Decision re: Data General Corp.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: Data General Corp.; International Business Machines Corp.; Department of Health and Human Services.

Authority: 4 C.F.R. 20.2(b)(1).

Abstract: A firm protested the award of a contract to purchase an information processing system. The firm contended that one component of the awardee's system did not meet Government standards, making the entire system unacceptable. It also contended that the agency should not satisfy its network requirement by using an approach which was proprietary to the awardee rather than by a more competitive approach. In the protester's view, the system would be locked into the awardee firm when expansion was necessary. The agency argued that the protest was untimely as it was a protest against an irregularity or impropriety in the solicitation and should have been filed before the closing date for receipt of proposals. The agency also argued that there was no merit to the protest as purchase of the component in question had not been, nor was being, contemplated. The agency stated it would continue to support approaches to the network without excluding any vendor. The protester wanted the agency to cancel its order, develop a functional specification, and conduct a competitive procurement. GAO

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concluded that the protester's argument was without merit. The protest concerning the agency's solicitation requirement for network capability, which used an approach which was proprietary to the awardee, was held to be untimely. Accordingly, the protest was denied in part and dismissed in part.

112851

[Farmers Home Administration's Computer-Based Unified Management Information System]. July 24, 1980. 14 pp. plus 1 enclosure (1 p.).

Testimony before the House Committee on Government Operations: Legislation and National Security Subcommittee; by Henry Eschwege, Director, GAO Community and Economic Development Division.

Contact: Community and Economic Development Division.

Organization Concerned: Farmers Home Administration.

Congressional Relevance: House Committee on Government Operations: Legislation and National Security Subcommittee.

Abstract: The Farmers Home Administration has dramatically expanded from a small credit agency for low income farmers to a major Federal agency providing financial assistance for agricultural and other rural development. The agency requires a responsive computer-based accounting and information system to meet its mission and program needs. The information must be timely, accurate, and available to the agency's top management and Congress. Previous problems which existed in the original antiquated system were that information was not available or easily accessible, was not reported on a timely basis, was frequently inaccurate, and was fragmented in independently maintained computer files resulting in conflicting and inconsistent reporting. The design precluded automating many tasks and necessitated considerable operator intervention. The present system rejected data which resulted in a considerable backlog. This cannot be adequately improved without a major redesign of the current information system. The goal of the proposed information system is to provide more complete and timely information and to help monitor program effectiveness and identify possible abuses. The new system should also be able to handle increases in transactions resulting from newly enacted loan programs, meet demands for better management information and program direction, and increase productivity when the workload increases without a corresponding increase in the number of employees. The program could produce significant personnel savings, freeing staff to spend more time with borrowers. Top agency management has not been adequately involved in this project. A formal control mechanism for the project was lacking, and the cost benefit analysis was incomplete because adequate total development and operating costs had not been determined. The agency should redefine its requirements, establish performance criteria for evaluating alternatives, submit its study for congressional review, identify alternatives, and develop and implement standard project control techniques. The most recent draft of the agency's task force on this matter does not adequately address the use of good management principles or the organizational issues, provide a requirements study, or address all the major technical design problems.

112925

The Post-Implementation Review. July 1980. 2 pp. by Paul S. Benoit, Senior Financial Systems Analyst, GAO Financial and General Management Studies Division. In *Management Review*, Volume 69, Number 7.

Contact: Financial and General Management Studies Division.

Abstract: The post-implementation review phase of automated information system development work provides a feedback mechanism to management that can measure project results and gather

data necessary to analyze what corrective action may be required before beginning another system development effort. The project leader, together with the members of the original development, conversion, and implementation team, performs the post-implementation review. The first step in this process is identifying the project objectives to determine whether they were met. The review team should be provided with the developmental, conversion, and implementation cost estimates; the detailed schedule for developing, converting, and implementing the system; the layout of the proposed system; the quantitative and qualitative benefits expected; and the estimated cost of operating the system. Gathering the data to be used in measuring results against the objectives is the next step. Actual costs through implementation and completion date information should be available from the organization's project control system or financial accounting records. Deviations and danger signals indicating a less than satisfactory system performance need to be identified and their root causes determined. The causes usually fall into the following categories: (1) a lack of clear objectives or clearly delegated responsibility and accountability; (2) inadequately detailed plans, insufficient, undertrained, or poorly motivated staff; and (3) inadequate resources allocated to the project. The final step in the review process is the recommendation of corrective action. Once these recommended corrective actions are developed, the post-implementation review is made final and submitted to management. The action taken by management will generally involve management process improvement, procedural documentation or standardization, or the upgrading of personal skills.

112929

[Proposed Substitute Bill for S. 1411]. B-182087. July 25, 1980. 13 pp. plus 2 enclosures (11 pp.).

Letter to Sen. Lawton Chiles, Chairman, Senate Committee on Governmental Affairs: Federal Spending Practices and Open Government Subcommittee; by Elmer B. Staats, Comptroller General.

Contact: Logistics and Communications Division.

Organization Concerned: Office of Management and Budget; Commission on Federal Paperwork.

Congressional Relevance: Senate Committee on Governmental Affairs: Federal Spending Practices and Open Government Subcommittee; Sen. Lawton Chiles.

112931

The Senate Should Explore Other Word Processing Alternatives To Improve Cost Effectiveness and Productivity. FGMSD-80-63; B-199292. July 17, 1980. Released August 4, 1980. 34 pp. plus 4 appendices (44 pp.).

Report to Sen. Warren G. Magnuson, Chairman, Senate Committee on Appropriations; by Elmer B. Staats, Comptroller General.

Issue Area: National Productivity: Productivity for Common Government Functions (2902).

Contact: Financial and General Management Studies Division.

Budget Function: Congressional Information Services (1008).

Organization Concerned: General Services Administration.

Congressional Relevance: Senate Committee on Appropriations; Sen. Ted Stevens; Sen. Jim Sasser; Sen. Warren G. Magnuson.

Abstract: A survey was undertaken of the Senate's word processing needs and the methods currently employed to meet those needs. Each year, Senators receive more than 11 million letters from their constituents. Almost 40 percent of the Senate's personnel costs, \$24 million, is for staff who handle constituent mail. An additional \$4 million is spent on equipment, supplies, and support services. To keep up with the flood of mail, Senator's offices use automated word processing systems. The systems used include a Correspondence Management System (CMS), stand-alone word processors, and different types of paper-display word processors.

Findings/Conclusions: In its survey, GAO found that: (1) correspondence production on the stand-alone system cost 34 percent less than on CMS and 38 percent less than on the other types of paper-display processors; (2) the special features of CMS which include letter assembly, production capabilities, indexing, and filing of correspondence have become an essential part of most of the correspondence systems in the Senators' offices which use CMS; (3) there has been inadequate planning for the development of the Senate network even though funds were specifically allocated for this purpose; (4) commercial network services cost 20 percent less than the Senate's current network structure which ties the Senate's computer center into a data communications network; (5) distributed-logic systems offer the same letter assembly and production capability as CMS, but even greater text editing power and flexibility; and (6) the Senate could save over \$1 million per year over the next 5 years if it were to replace CMS with a distributed-logic system. **Recommendation To Congress:** The Senate should: (1) fully explore and evaluate an alternative word processing approach based on the use of distributed-logic systems; (2) defer its consideration of purchase of CMS until the design study is completed; (3) evaluate alternative commercial data communications network structures to determine potential benefits and costs; and (4) replace older, paper-display word processing systems as quickly as possible to improve the productivity of offices where these systems are used to process correspondence.

112942

[Improving Social Security Administration Procedures for Acquiring ADP and Telecommunications Resources]. March 31, 1980. 11 pp. Report to William J. Driver, Commissioner, Social Security Administration; by Michael Zimmerman, Associate Director, GAO Human Resources Division.

Issue Area: Automatic Data Processing; Acquisition of ADP Resources Under the Brooks Act (0111).

Contact: Human Resources Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: Social Security Administration; Social Security Administration: Office of Systems.

Congressional Relevance: House Committee on Government Operations.

Authority: 41 C.F.R. 1-4. F.P.R. 46, Supp. 2. F.P.M.R. 101-35.206(a).

Abstract: GAO reviewed the Social Security Administration's (SSA) systems development plans and its proposals for upgrading its telecommunications network. It summarized the segment dealing with SSA procedures for acquiring automatic data processing (ADP) and telecommunications resources. Under the agency's recent functional reorganization, the Office of Systems is responsible for managing the acquisition of ADP and telecommunications resources. The Associate Commissioner for Systems has recently been developing and implementing steps to improve agency performance in this area. In screening agency ADP and telecommunications resource acquisition proposals, GAO noted that some lacked required procurement authority and others did not contain adequate justification of need. The agency was not sufficiently monitoring acquisition status in many cases. These deficiencies have resulted in excessive staff time expenditures, unnecessary acquisition delays, and the actual or potential acquisition of unneeded services and equipment. **Findings/Conclusions:** SSA violated Federal Procurement Regulations by retaining or attempting to acquire ADP resources without valid delegations of procurement authority (DPA). GAO believes this occurred because SSA has not stressed the need to assure that adequate procurement authority is currently in effect. The Office of Systems initiated action to obtain the required DPA's when it became an issue, but SSA should employ a more systematic procedure to ensure that all

DPA's remain current. SSA is currently revising its ADP procurement guidelines. It is including specific instructions which provide more detailed guidance on justification preparation than is contained in the guidelines currently in effect. It should also include provisions requiring that all justifications contain the date of original preparation, so that routine revalidation at specific intervals can be made to ensure that the ADP equipment, software, or service to be acquired is still needed. The Office of Systems has taken action to provide specific acquisition milestones and to establish an effective acquisition monitoring system. This should enable SSA to monitor the progress of ADP acquisitions from initiation through final contract award. Such monitoring would alert SSA management immediately when any ADP resource acquisition falls behind schedule, enabling them to take quick, appropriate action to alleviate further delay. **Recommendation To Agencies:** SSA should routinely verify that a current and proper DPA is in effect prior to extending or awarding any ADP resource contract requiring such a DPA, and automatically suspend all further procurement actions concerning such acquisitions when DPA renewal has not been obtained.

112957

[Protest Against Bid Rejection as Nonresponsive]. B-196380. August 6, 1980. 5 pp. plus 1 enclosure (1 p.).

Decision re: Sage Systems Software Products, Inc.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: Sage Systems Software Products, Inc.; CGA Software Products Group; District of Columbia: Department of General Services; Department of Labor.

Authority: 46 Comp. Gen. 315. 46 Comp. Gen. 318. B-186429 (1976).

Abstract: A firm protested the award of a contract for computer software packages by the District of Columbia Department of General Services. The procurement was funded by the Department of Labor with the aim of upgrading the computer capabilities of State public employment offices. Both the District of Columbia and the Department of Labor evaluated the bids received under the invitation for bids (IFB) which required bidders to submit descriptive literature on the software packages to be supplied. The firm protested that its low bid was improperly rejected as nonresponsive and that both agencies were biased in favor of the awardee. The firm believed that the agencies' first ground for rejection of its bid constituted an attempt to improperly introduce, after bid opening, a requirement for three specific reports at the system level. The record showed that the agencies accepted the awardee's bid which stated that the company was still developing or modifying its descriptive literature for some computer interface requirements. The protester urged the remedial action of contract termination with the awardee and award of the requirement to the protester. The protesting firm also insisted that it be permitted to furnish maintenance on some of the purchased software, corollary to the extant contract. Neither remedy was feasible. GAO concluded that the IFB was defective because it failed to set forth specifically the agencies' minimum needs for report generating capability, and the agencies' interface requirements may have been overstated. Nevertheless, the protester admitted that its software packages currently did not meet a key need, a need which can not be questioned based on GAO review of the record. The only theoretical available remedy here would be resolicitation of the requirement rather than award to the protester. However, the packages have all been delivered and paid for. Recompetition is precluded as a practical matter even as to the maintenance aspect of the requirement. Regarding the allegation of bias, GAO did not believe the descriptive literature of the respective bidders was evaluated in an even-handed manner. However, it found no evidence in the record to

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support the charge of bias. Although the protest was sustained on the merits, remedial action was not practical.

112971

[Protest Against Rejection of Proposal as Unacceptable]. B-197000. August 8, 1980. 3 pp.

Decision re: Interscience Systems, Inc.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: Interscience Systems, Inc.; Department of the Army: Army Missile Command, Redstone Arsenal, AL.

Abstract: A company protested the software requirements of a request for proposals and rejection of its proposal as unacceptable under those requirements. The protester viewed the contracting agency's requirements as unduly restrictive of competition and believed that the agency should have met its needs by simply soliciting for compatible disk memory of proven reliability and accepting each vendor's commercial diagnostic software. The protester also argued that its proposal was improperly evaluated. GAO found no basis for taking exception to the agency's position. Any proposal which does not satisfy the agency's legitimate need for specified software requirements should be rejected as unacceptable. Accordingly, the protest was denied.

112980

[Request for Reconsideration]. B-195773. August 11, 1980. 6 pp. *Decision re:* Cencom Systems, Inc.; Interscience Systems, Inc.; by Elmer B. Staats, Comptroller General.

Contact: Office of the General Counsel.

Organization Concerned: Interscience Systems, Inc.; Cencom Systems, Inc.; Environmental Protection Agency; Sperry Rand Corp.: Sperry Univac; Environmental Protection Agency: National Computer Center, Research Triangle Park, NC.

Authority: B-188454 (1977). B-195773.2 (1980).

Abstract: The Environmental Protection Agency (EPA) requested reconsideration of a GAO decision which involved a contract awarded for various items of automatic data processing equipment. The prior decision held that EPA had improperly included two items in the request for proposals for which there was no reasonable expectation of competition. GAO recommended that the contract be terminated and that sole-source negotiations be commenced with the awardee for two subsections of the contract and that two subsections be recomputed in a separate procurement. GAO contended that EPA misinterpreted its prior decision, GAO held that by commingling sole-source items with competitive items and permitting multiple-award discounts, EPA had precluded competition on two subsections. In effect it awarded sole-source contracts for the two others under the guise of competition. The awardee could have lowered its prices on the first two items to meet the competition and make up for it on the other two without concern as to competition or the need to justify its prices to the agency. Cost and pricing data had not been obtained. The GAO recommendation for corrective action was aimed at EPA curing the defect in the procurement. As much of the software was proprietary to the awardee, there was no new evidence submitted by EPA to present a basis that a reasonable expectation of competition existed. The fact that the most costly of all items was a sole-source item was enough to taint the procurement in view of the allowability of multiple-award discounts in the request for proposals which commingled sole-source and competitive items. The agency contended that competition existed, the discounts offered by the awardee were substantial, and the awardee's prices were reasonable. The agency questioned the recommended termination of the contract, as termination without a replacement contractor ready to perform would adversely impact on the Computer Center

operations. To assure continuity of the service, the recommendation was modified so that the contract might continue during the recompitation and sole-source negotiations. If the successful offeror is other than the present contractor, the contract should be terminated when performance is imminent. Cost and pricing data should be obtained and EPA should investigate thoroughly whether competition exists. The prior decision was affirmed, and the recommendation was modified in part.

112982

[Protest Against Contract Award]. B-196433. August 8, 1980. 13 pp.

Decision re: Monchik-Weber Associates, Inc.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: Monchik-Weber Associates, Inc.; Booz-Allen & Hamilton, Inc.; Office of Personnel Management.

Authority: 4 C.F.R. 20. 57 Comp. Gen. 217. 57 Comp. Gen. 468. B-185418 (1978). B-192899 (1979). B-192965 (1979). B-193256 (1979). B-195956 (1980). B-196346 (1980). B-196360 (1980).

Abstract: A firm protested the award of a contract by the Office of Personnel Management for the development and implementation of a Retirement Interface Processing System. The protester challenged the fairness of the procurement and alleged numerous improprieties in its conduct. The protester's allegations included: (1) bias in the procurement; (2) claim of error; (3) delegation of procurement authority; and (4) change in contract. GAO found that: (1) the protester did not satisfy its burden of proof; (2) the contracting officer was acting reasonably in concluding that there was no need to verify the protester's offer; (3) the General Services Administration limitation was observed; and (4) contract changes being contemplated were to expedite implementation of functions to be assumed by the system.

112999

Triennial Assessment of the Tennessee Valley Authority--Fiscal Years 1977-1979. EMD-80-91; B-125042. August 13, 1980. 40 pp. plus 2 appendices (15 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Energy: Federal Government's Role as Producer and Marketer of Electrical Power (1626).

Contact: Energy and Minerals Division.

Budget Function: Energy: Energy Supply (0271).

Organization Concerned: Tennessee Valley Authority; Department of Energy; Trades and Labor Council.

Congressional Relevance: Congress.

Authority: Government Corporation Control Act (31 U.S.C. 850 et seq.). Tennessee Valley Authority Act of 1933 (16 U.S.C. 831h). Clean Air Act Amendments of 1970.

Abstract: GAO summarized its work and reports accomplished during fiscal years 1977, 1978, and 1979 at the Tennessee Valley Authority (TVA). It assessed the TVA role as a leader in the electric utility industry and made recommendations concerning: TVA systems for planning and for forecasting electricity needs in its service area; a number of supply and demand options available to TVA to permit it to better manage the demand on its power system and thus to reduce the need for additional generating facilities; and a number of methods for generating electricity in more ecologically acceptable ways. GAO evaluated what action TVA could take to better manage demand on its power system through load controls. It also did two reviews of TVA water resource development activities. One focused on actions that might increase power production at TVA dams; the other looked at the adequacy of its benefit-cost study for the controversial Tellico Dam. It also reported on the TVA basis for estimating its nuclear powerplant cost and

construction schedules and for assessing its need for automatic data processing equipment. GAO evaluated the adequacy of statutory protection given TVA employees in the collective bargaining process and provided information on certain contracting and personnel management activities. From 1977 to 1979, TVA was the subject of what has been characterized as the largest environmental enforcement litigation ever involving its 10 coal-fired plants. TVA was involved in defending itself on both sides of the clean air issue, with one group alleging that TVA is doing too little and the other alleging that it is doing too much. During this period, the TVA debt ceiling was doubled to \$30 billion to enable the agency to meet power program commitments during the next 5 years.

Findings/Conclusions: Many of the activities either underway or planned by TVA are responsive to the recommendations in these GAO reports. The agency is trying to improve its planning and electrical forecasting processes, undertaking several conservation and demand management programs, working to develop energy from renewable resources and using new technologies, pursuing development of ecologically acceptable methods of using coal, basing nuclear facility estimates on better information, and exercising better management and control of its automatic data processing resources. However, TVA has not acted very rapidly in developing joint solar projects with the Department of Energy. TVA has focused its cogeneration efforts on developing cogeneration using proven technologies and has limited its pursuit of cogeneration using less proven fuels and technologies to its fuel cell and coal gasification programs. It could achieve greater cogeneration potential and serve the people of both the region and the Nation by also developing innovative cogeneration demonstrations that use other less proven fuels and modes of cogeneration. Agency officials have not implemented a Valley-wide program to control water heaters. It has not established a system to periodically reevaluate its hydroelectric projects. TVA has not enhanced participation by its employees in the collective bargaining process. TVA employees are still exempt from labor relations legislation affecting private and other public employees.

Recommendation To Congress: Congress should revise the TVA charter to better reflect current national energy priorities by directing TVA to (1) take the lead in developing electricity management plans and programs, (2) promote energy conservation and the most efficient production and use of energy, (3) encourage the use of renewable resources, and (4) assure adequate public involvement in energy planning and policy making. Congress should act favorably on TVA requests for funding of energy supply demonstration projects meeting the criteria GAO recommended. Congress should include TVA employees under statutory labor relations procedures applicable to private or other Federal employees.

Recommendation To Agencies: TVA should increase its coordination and cooperation with the Department of Energy and accelerate the development of joint projects. When funding for a demonstration having national benefits exceeds TVA incremental cost, agency officials should request Federal funding. It should undertake cogeneration applications and demonstrations that use less proven fuels and technologies in addition to its program for fuel cell and coal gasification development while actively pursuing development of cogeneration that uses already existing technologies. Funding should be as in the preceding recommendation. It should implement a water heater control program to (1) install remote control devices on existing water heaters; (2) provide incentives for installation and control of super-insulated 120-gallon water heaters in new and remodeled homes; and (3) encourage replacement of existing units with larger, more efficient units when possible. TVA should develop a system to periodically reevaluate its hydroelectric projects to insure prompt action on energy-efficient and economical improvements. In its capacity as employer and party to agreements negotiated with the Trades and Labor Council, TVA should take action to enhance employee influence over the bargaining process.

113016

DOD Energy Monitoring and Control Systems: Potential for Nonenergy Savings; Better Planning and Guidance Needed. LCD-80-81; B-199081. August 14, 1980. 39 pp. plus 3 appendices (4 pp.). Report to Harold Brown, Secretary, Department of Defense; by Richard W. Gutmann, Director, GAO Logistics and Communications Division.

Issue Area: Automatic Data Processing: Non-Line-of-Effort Assignments (0151); Facilities and Material Management: Operation and Maintenance of Government Facilities in the Most Cost-Effective Manner (0713).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of Defense; Department of the Air Force; Department of the Army; Department of the Navy.

Abstract: To help energy conservation goals for federally owned buildings, the Department of Defense (DOD) is installing Energy Monitoring and Control Systems (EMCS) at military installations. EMCS provided central control over heating, ventilating, and air conditioning systems to maintain temperatures at predetermined levels. Personnel requirements can be reduced through the use of EMCS for centralized monitoring of boiler plants, water treatment, and sewage disposal systems. Since the fiscal year 1976, Congress has appropriated about \$144 million for 131 projects at 115 locations of the Energy Conservation Investment Program under DOD. Although energy systems can contribute to economical and efficient operation of facilities, present funding criteria, which require projects to be justified on the basis of energy savings, do not permit DOD to take full advantage of other savings such as reductions in staffing needs.

Findings/Conclusions: A review of 16 projects at 14 Army, Navy, and Air Force bases disclosed the following problems: (1) thirteen bases programmed systems without the benefit of master plans; (2) nine installations did not consider all buildings which might be serviced by the system, or included buildings which were demolished or were not suitable for an energy system; (3) the services did not know if they had selected the most cost-effective buildings; (4) insufficient planning and poor cost estimating resulted in reduced scopes for six projects; (5) inaccurate savings or cost estimates were used by the services to justify 10 projects; and (6) programmed savings for nine projects will not be achieved because of reduced scopes, inaccurate savings assumptions, or failure to offset savings with recurring costs. Generally, systems have been installed to service a single installation. Except for the Air Force, the services lack guidance on providing staff to manage energy systems. Adequate and timely staffing is necessary if an installation expects to achieve efficient and full use of its system. DOD has adopted tri-service specifications to provide competitive procurement. DOD does not have access to manufacturers' information about how the systems work or how they may be made compatible with other systems. Although the Army and the Air Force have flexible policies for expanding proprietary systems, the Navy insists on using the tri-service specifications. Tri-service specifications, if used properly, can be an effective tool to obtain competition on new systems.

Recommendation To Agencies: The Secretary of Defense should: (1) assure that energy system projects with substantial nonenergy cost reduction potential be given full consideration for inclusion in the military construction program; (2) issue guidelines requiring the services to prepare energy system master plans that would evaluate, by building, the cost and savings for energy, as well as nonenergy features, and be revised periodically to reflect updated costs; (3) oversee and evaluate the services' efforts in carrying out economic analysis policy of DOD and closely review energy system projects; and (4) establish policy on joint use of energy systems which will require consideration when planning and evaluating systems.

Citation Section

113048

[Protest Against Air Force Contract Award]. B-196211. August 15, 1980. 5 pp.

Decision re: Applicon, Inc.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: Applicon, Inc.; Department of the Air Force: Air Force Communications Service; M & S Computing, Inc.

Authority: B-193325 (1979).

Abstract: A firm protested the award of a contract and complained that the agency relaxed its specification by accepting the awardee's proposal, because the awardee failed to provide both on- and off-line edit station operation of computer equipment. It believed that, since it was the only firm to conform to the requirements set out in the solicitation, it should have received the award. The agency stated that the specification was intended to permit the use of either an on-line or off-line mode as deemed appropriate for the system. GAO believed that the agency was adequate to alert offerors to the meaning of off-line, and true off-line operating capability was not a requirement of the specification if the desired result could be achieved in a different fashion. GAO found no merit in the protester's restrictive interpretation of the specification. The protest was denied.

113053

[Protest of Navy Contract Award]. B-196799. August 18, 1980. 6 pp.

Decision re: Planning Research Corp.: Data Dissemination Systems; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: Planning Research Corp.: Data Dissemination Systems; Volt Technical Corp.; Department of the Navy.

Authority: Service Contract Act of 1965 (41 U.S.C. 351 et seq.). 4 C.F.R. 20.2(b)(1). 4 C.F.R. 20.2(c). 54 Comp. Gen. 375. 59 Comp. Gen. 27. 56 Comp. Gen. 160. B-195957 (1980). B-195208 (1980). B-193047 (1979).

Abstract: The incumbent contractor for computerized publication services protested the award of the contract to another firm. The protester alleged that the Navy failed to conduct benchmark testing as required by the solicitation and that the solicitation was defective in that the Navy did not comply with the statutory requirements. The Navy asserted that the request for proposals (RFP) did not require benchmark testing as a prerequisite for award, and the contracting officer determined that such testing would be inappropriate. However, the Navy had placed a purchase order with the protester for data which could be used for such testing. This led the protester to believe that benchmark testing was mandatory. It has been held that a bidder or offeror relies on extra-solicitation information and circumstances at its own risk. GAO did not agree that the RFP required benchmark testing. The protest that the solicitation was defective was based on alleged improprieties in the RFP which were apparent prior to the closing date for initial receipt of proposals. Since regulations require that such protests be filed before the initial closing date, this protest was untimely and not for consideration. Thus, the protest was denied in part and dismissed in part.

113096

Opportunities for Further Improvement of Government Logistics Management. LCD-80-78; B-198700. August 21, 1980. 5 pp. plus 1 appendix (6 pp.).

Report to Rep. Jamie L. Whitten, Chairman, House Committee on Appropriations; Sen. John C. Stennis, Chairman, Senate Committee on Armed Services; Rep. Melvin Price, Chairman, House

Committee on Armed Services; Sen. Warren G. Magnuson, Chairman, Senate Committee on Appropriations; by Elmer B. Staats, Comptroller General.

Issue Area: Logistics Management (3800); Logistics Management: Alternative Logistics Concepts, Structures, and Policies To Provide Necessary Mission Support (3801); Logistics Management: Sound Logistics Policies (3802); Logistics Management: Determination and Satisfaction of Needs at the Wholesale and Retail Level (3803); Logistics Management: Equipment Maintenance and Procurement Achieving Optimum Efficiency and Effectiveness (3808).

Contact: Logistics and Communications Division.

Budget Function: National Defense (0050).

Organization Concerned: Department of Defense; Department of the Air Force; Department of the Army; Department of the Navy; General Services Administration; Department of Energy.

Congressional Relevance: House Committee on Armed Services; House Committee on Appropriations; Senate Committee on Appropriations; Senate Committee on Armed Services; Rep. Jamie L. Whitten; Rep. Melvin Price; Sen. John C. Stennis; Sen. Warren G. Magnuson.

Abstract: To help Federal agencies improve their operations and save money, many recommendations have been made over the years for improving logistics management policies, planning, and practices. **Findings/Conclusions:** Logistics management areas examined over the past 5 years are discussed. The areas include: (1) using less costly alternative logistics concepts; (2) making logistics support system decisions earlier; (3) ordering and stocking the proper amount and kind of material; (4) distributing material efficiently; (5) using equipment more efficiently; (6) maintaining equipment better; (7) improving logistics management information systems; (8) disposing of unneeded property; (9) improving cataloging and standardization; and (10) protecting inventories. **Recommendation To Congress:** During future hearings, the Senate Committee on Appropriations, the Senate Committee on Armed Services, the House Committee on Appropriations, and the House Committee on Armed Services should follow up on agency actions to reconsider and implement those recommendations not fully implemented. **Recommendation To Agencies:** The Secretary of Defense; the Secretaries of the Air Force, Army, and Navy; the Administrator of General Services Administration; and the Secretary of Energy should reconsider those recommendations which have not been fully implemented.

113116

[Protest Alleging Restrictiveness of Solicitation]. B-198006. August 22, 1980. 3 pp.

Decision re: HETRA Computer and Communications Industries, Inc.; by Harry R. Van Cleve (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: HETRA Computer and Communications Industries, Inc.; Department of Agriculture.

Authority: 4 C.F.R. 20.2. B-182104 (1974).

Abstract: A firm protested the actions of the U.S. Department of Agriculture (USDA) regarding a testing requirement in a request for proposals. The procurement was for the purchase of electronic data processing hardware, software, and support services. A benchmark was required of the lowest cost offeror, and the offeror was required to move its equipment of the test site within 5 days after notification of the benchmark date. USDA requested best and final offers from the protester and the other offerors. The protester did not offer to meet the benchmark requirement in its best and final offer. The protester contended that: (1) the fact that USDA requested a best and final offer led it to believe that its proposal was fully acceptable without meeting the 5-day requirement, even though the request of USDA reiterated that requirement; and (2)

the subsequent refusal by USDA to discuss the issue of the 5-day benchmark requirement and its affect on the protester's acceptability was inconsistent with the competitive procurement intent of Federal procurement policies. GAO held that: (1) the firm's protest concerning the restrictiveness of the 5-day benchmark requirement was untimely because protests based on alleged deficiencies obvious from the face of a solicitation must be filed with GAO or the contracting agency prior to the closing date for receipt of initial proposals; and (2) it was clear from the request for best and final offers that USDA intended to adhere to the 5-day requirement and that no further discussions would be conducted after the due date for the offers. Accordingly, the protest was dismissed in part and denied in part.

113124

Weak Financial Controls Make the Community Services Administration Vulnerable to Fraud and Abuse. FGMSD-80-73; B-199245. August 22, 1980. 62 pp. plus 3 appendices (38 pp.). Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Internal Auditing Systems: Management Control Systems in Federal Agencies for the Prevention of Fraud and Abuse (0206); Income Security and Social Services: Fraud and Abuse (1308).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems (1100).

Organization Concerned: Community Services Administration.

Congressional Relevance: Congress.

Authority: Budget and Accounting Procedures Act of 1950. OMB Circular A-71.

Abstract: On a number of occasions, GAO has testified before Congress on embezzlement, apparent abuse, and questionable transactions involving grantees of the Community Services Administration (CSA). A study was made to determine: (1) whether CSA itself had a system of internal controls to adequately protect against fraud, theft, and abuse; and (2) how grantees protect against improper use of Federal funds and the assets purchased with Federal funds. CSA and its grantees annually handle about \$2 billion in Federal, State, local, and public funds. Some of this money is appropriated to other agencies but is spent by grantees whose operating expenses are provided by CSA. **Findings/Conclusions:** CSA headquarters and its regional offices lacked some necessary internal controls over grant and payroll disbursements, grantee monitoring, cash receipts, and property management and have yet submitted their accounting system design for Comptroller General review and approval. Because of the lack of sound controls and an approved accounting system design, CSA is more vulnerable to fraud and abuse in these areas than is acceptable. The computer facility of CSA was highly vulnerable to unauthorized entry of the computer, manipulation or theft of computer programs and files, and fire. GAO found that the auditing efforts of CSA had recently improved, but more must be done if the agency's vulnerability to fraud and abuse is to be minimized. Grantee organizations continue to disregard the need for strong internal controls even after audits have identified weaknesses. GAO believes that Federal funds at grantees and delegate agencies are highly susceptible to fraud and abuse because essential internal controls are lacking in almost every functional area. Furthermore, grantees could strengthen their internal controls at little or no additional cost. **Recommendation To Agencies:** The Director of CSA should: (1) emphasize to all management levels the significance of good fiscal internal controls and the need for managers to make sure that tasks and functions for which they are responsible are adequately controlled; (2) implement a timely and accurate grant monitoring system; (3) reduce or suspend funding of grantees who are found repeatedly to have inadequate internal controls or have withdrawn excess Federal

cash; (4) design, implement, update, and maintain proper controls and documentation of the computer system that will further reduce the risk of erroneous payroll and grant disbursements and improve the efficiency of data processing; (5) write, distribute, and implement detailed procedures for headquarters and regional offices to use in receiving, recording, and disposing cash receipts; (6) properly separate property management functions; (7) improve the physical control and recordkeeping of furniture and equipment; (8) complete the formal security risk analysis of the computer center; (9) correct the remaining computer security and system control deficiencies; (10) continue testing the quality of audits; (11) require each grantee to arrange with an independent public accounting firm to document the internal controls; and (12) follow up on the specific grantee deficiencies for recovering money owed to CSA.

113132

[Request for Reconsideration]. B-197776. August 22, 1980. 2 pp. Decision re: Data General Corp.; by Harry R. Van Cleve (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: Data General Corp.; Department of Health and Human Services.

Authority: 4 C.F.R. 20.2(b)(1). 4 C.F.R. 20.9(a). B-196986.3 (1980).

Abstract: After its original protest was denied as untimely, a firm requested reconsideration of its case on the merits. Requests for reconsideration must contain a detailed statement of the factual and legal grounds upon which reversal or modification is deemed warranted, specifying any errors of law made or information not previously considered. The protester did not advance any additional facts or legal arguments showing that the earlier decision was erroneous. Therefore, GAO declined to reconsider the previous decision.

113137

[Protest of Small Business Set-Aside Contract Award]. B-99855. August 25, 1980. 2 pp. Decision re: Intersystems, Inc.; by Harry R. Van Cleve (for Milton J. Socolar, General Counsel).

Contact: Office of the General Counsel.

Organization Concerned: Intersystems, Inc.; OAO Corp.; General Services Administration.

Authority: Small Business Act. 58 Comp. Gen. 665. B-197550 (1980). B-199392 (1980).

Abstract: A firm protested the potential award of a contract issued by the General Services Administration under the Small Business Administration's (SBA) section 8(a) set-aside program. The protester contended that the awardee did not qualify as a small business and that an award to that firm would be improper. GAO held that the question of whether a firm is eligible for the 8(a) program is basically a matter for determination by SBA. Review of SBA determinations by GAO is limited to determining whether SBA has followed its own regulations. Since neither fraud nor bad faith was alleged in connection with the determinations of which the protester complained, and there was no indication that SBA failed to comply with its own regulations, the protest was dismissed.

113171

[Improvements Needed in NOAA's Long-Range ADP Plans]. CED-80-136; B-199898. August 29, 1980. 9 pp. Report to Philip M. Klutznick, Secretary, Department of Commerce; by Henry Eschwege, Director, GAO Community and Economic Development Division.

Citation Section

Issue Area: Automatic Data Processing (0100).

Contact: Community and Economic Development Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: Department of Commerce; National Oceanic and Atmospheric Administration; National Oceanic and Atmospheric Administration: National Weather Service; National Oceanic and Atmospheric Administration: National Marine Fisheries Service; National Oceanic and Atmospheric Administration: Environmental Research Laboratories; National Oceanic and Atmospheric Administration: Office of Management and Computer Services.

Abstract: A review of the National Oceanic and Atmospheric Administration's (NOAA) management of its automatic data processing (ADP) resources focused on the adequacy of the NOAA efforts to plan for and meet its current and future ADP needs and to ensure the efficient use of such resources. **Findings/Conclusions:** NOAA has certain organizational weaknesses that have hindered past efforts to plan for ADP resources and may continue to limit its ability to plan effectively for its future ADP needs. It has not defined the central planning office's authority to prepare agency-wide plans, which establish priorities and objectives and consolidate the ADP needs of various programs. Some of the agency's main program elements, such as the National Weather Service, the National Marine Fisheries Service, and the Environmental Research Laboratories, have not adequately planned to meet their own long-range ADP requirements. Improvements are needed in integrating separate ADP project plans and in defining and consolidating program requirements. **Recommendation To Agencies:** The Secretary of the Department of Commerce should, in evaluating the plans provided by NOAA and other Department agencies, review the organizational structure, policies, procedures, and processes used to collect the information to assure that actions proposed in the plans are the most efficient and effective alternatives. Further, the Secretary should direct the NOAA Administrator to give the Office of Management and Computer Services (OMCS) the authority necessary to require the main program elements to provide information for the NOAA-wide plans. As a minimum, OMCS should have the authority to require formalized ADP planning structures for ADP at the main program elements.

113186

[Five Contracts Awarded by VA at the End of Fiscal Year 1979]. HRD-80-101; B-199666. July 31, 1980. Released September 2, 1980. 2 pp. plus 1 enclosure (33 pp.).

Report to Rep. Ronald M. Mottl, Chairman, House Committee on Veterans' Affairs: Special Investigations Subcommittee; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Health Programs (1200); Health Programs: More Efficient and Effective Administration of Programs (1265).

Contact: Human Resources Division.

Budget Function: Veterans Benefits and Services: Hospital and Medical Care for Veterans (0703).

Organization Concerned: Veterans Administration; Office of Management and Budget.

Congressional Relevance: House Committee on Veterans' Affairs: Special Investigations Subcommittee; Rep. Ronald M. Mottl.

Abstract: As a result of hearings before the Subcommittee on Special Investigations, House Committee on Veterans' Affairs, a review was conducted of five Veterans Administration (VA) procurements for automatic data processing services and equipment. These contracts were included in a number of procurements entered into by VA at the end of fiscal year 1979 for which the Office of Management and Budget (OMB) recommended termination due to procurement irregularities. **Findings/Conclusions:** About half of the OMB charges were confirmed. It was concluded that VA violated certain Federal procurement regulations or did

not adhere to generally accepted good business practices in awarding the contracts. The VA officials responsible for the questionable actions relating to the procurements have been identified. In some cases, the contracting officer was cited as the responsible official, although many other officials involved in the procurements have also been identified. It was noted that VA is continuing to investigate the OBM observation of favoritism.

113194

[Opportunities for Improving the Quality and Efficiency of the Securities and Exchange Commission's Process for Reviewing Reports]. FGMSD-80-81; B-199434. September 2, 1980. 11 pp.

Report to Harold M. Williams, Chairman, Securities and Exchange Commission; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Issue Area: Accounting and Financial Reporting: Accounting and Financial Regulations for Publicly Held Companies (2814).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101).

Organization Concerned: Securities and Exchange Commission.

Congressional Relevance: House Committee on Banking, Finance and Urban Affairs; Senate Committee on Governmental Affairs: Governmental Efficiency and the District of Columbia Subcommittee.

Authority: Securities Act of 1933. Securities Exchange Act of 1934.

Abstract: A review was undertaken of the administrative procedures used by the Securities and Exchange Commission (SEC) in examining company reports to determine whether they comply with Federal legislation requiring them to send periodic financial disclosure reports to SEC. **Findings/Conclusions:** While the number of statements and reports filed with SEC has increased dramatically over the last 10 years, the number of people reviewing the reports has been reduced. Consequently, SEC has decreased the number of thorough reviews and resorted to abbreviated reviews despite evidence calling for greater scrutiny of the reports. The annual 10K and 10Q reports, the key source for data used to assess a firm's financial condition, have been particularly subject to the shorter review. In addition, SEC has devoted increased staff time and computer resources to identifying and following up on firms which either did not file required reports or failed to file them on time. The staff was given little written guidance for reviewing reports. The adequacy of the reviews and the resulting analyses could not be determined. **Recommendation To Agencies:** To improve the efficiency and effectiveness of SEC efforts to monitor whether companies filing reports under the securities acts are meeting disclosure requirements, the Chairman of SEC should: prepare more detailed guidelines telling the reviewing staff what vulnerabilities they should look for and what analysis they should make in reviewing reports; establish a quality review process to (1) check the adequacy of staff reviews, (2) see that the staff follows SEC guidelines, and (3) identify the need for new data and analysis and possible obsolescence of present data and analysis; investigate the benefits of using computers to assist in making financial analyses; improve the accuracy of computer files and delinquent report listings and eliminate unnecessary information from these listings; establish better procedures for following up on delinquent reports to minimize duplication; and evaluate the effectiveness of the delinquent reports program and the remedial action that SEC is taking against delinquent companies.

113215

[Protest Alleging Improper RFP]. B-199946. September 4, 1980. 2 pp. **Decision re: Chama Corp.;** by Harry R. Van Cleve (for Milton J. Socolar, General Counsel).

Contact: Office of the General Counsel.

Organization Concerned: Chama Corp.; Department of Labor: Job Corps: Arizona Job Corps Center, Phoenix, AZ.

Authority: 4 C.F.R. 20.4 C.F.R. 20.2(b)(1).

Abstract: A firm protested the impending award of a contract by a Job Corps Center for the acquisition of computer hardware. The successful offeror would be required to train selected personnel in the operation of certain proprietary software written by another vendor. The firm contended that this requirement would ensure a sole-source award to the writer of the software. The protest was filed after the due date for initial proposals; thus, it was untimely filed and was dismissed.

113223

[DOD's Management of Automatic and General Purpose Electronic Test Equipment]. LCD-80-106; B-199353. September 4, 1980. 7 pp.

Report to Harold Brown, Secretary, Department of Defense; by Richard W. Gutmann, Director, GAO Logistics and Communications Division.

Issue Area: Logistics Management: Improvements in Equipment Utilization (3807).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of Defense; Department of the Air Force; Department of the Navy; Department of the Navy: Naval Electronic Systems Command.

Abstract: A survey was conducted to evaluate the Department of Defense's (DOD) policies and procedures for authorizing, acquiring, selecting, and using automatic and general purpose electronic test equipment and to determine the magnitude of test equipment problems previously identified. *Findings/Conclusions:* The Air Force and the Navy are the largest users of automatic testing, and have about \$15 billion invested in current automatic test equipment inventories. The Navy has recognized its opportunities to improve its visibility over and use of general purpose electronic test equipment and has taken action to better redistribute equipment to meet the needs of fleet activities. It has also taken steps to establish a centralized system to provide visibility over all general purpose electronic test equipment inventory estimated at over \$1 billion. A system is being developed by the Naval Electronic Systems Command to identify general purpose electronic test equipment shortages and overages among commands. The system is expected to be complete in about 3 years. Currently, the Command has data available from air and sea activities to identify overages in one command to fill shortages in other commands, but does not have authority to direct intercommand transfers of equipment. *Recommendation To Agencies:* The Secretary of Defense should direct the Navy to eliminate the obstacles that currently inhibit the redistribution of excess general purpose electronic test equipment among using commands. The Secretary should also direct the Navy to require the Naval Electronic Systems Command to certify that all available general purpose electronic test equipment has been screened for availability and redistribution before purchasing new equipment.

113233

[Use of Automatic Data Processing in the Veterans Administration To Support Medical Care Facilities]. September 4, 1980. 16 pp.

Testimony before the House Committee on Government Operations: Government Information and Individual Rights Subcommittee; by Walter L. Anderson, Senior Associate Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Organization Concerned: Veterans Administration.

Congressional Relevance: *House Committee on Governmental Operations: Government Information and Individual Rights Subcommittee.*

Authority: F.P.R. 1-3.801-3(a).

Abstract: A review of the use of automatic data processing (ADP) resources throughout the Veterans Administration (VA) revealed that long-range planning is poor. ADP support to the medical centers has been decentralized, poorly coordinated, and sporadic. A future support system has begun without the planning, coordination, and user involvement needed to assure its success. While VA uses and manages data processing resources in specialized areas in its 172 medical centers, about 13 common functions have been identified at each center that could be automated. To date, automation within the VA medical centers has hinged largely on the degree of initiative of the individual medical centers. Functions already independently automated by the various medical centers must be critically examined to determine whether they can contribute to the support system currently being developed to capitalize on the existing VA investment in automated medical support. The functional interdependencies between automated systems operated by other VA departments must also be investigated. At the close of fiscal year 1979, VA entered into 16 medical ADP procurements. Subsequent to the award of these contracts and purchase orders, inquiries conducted into their propriety disclosed that VA violated Federal procurement regulations in five terminated contracts. In response to recommendations for overcoming these problems, VA has moved to establish a greater degree of senior management involvement in the management and control of VA-wide ADP resources. Several policy directives have been signed which tighten the approval, coordination, and control of ADP resources. A user group representing the medical centers has been established, and five separate committees, each concerned with a specific area of medical center automation, has been organized within this group. While these are important steps in the right direction, it is too soon to assess the contribution they will make toward helping to improve patient care in the medical centers.

113238

VA Must Strengthen Management of ADP Resources To Serve Veteran's Needs. FGMSD-80-60; B-199276. July 16, 1980. 40 pp. *Report to Rep. Jack Brooks, Chairman, House Committee on Government Operations; by Elmer B. Staats, Comptroller General.*

Issue Area: Automatic Data Processing: Acquisition of ADP Resources Under the Brooks Act (0111).

Contact: Financial and General Management Studies Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: Veterans Administration; Veterans Administration: Office of Data Management and Telecommunications.

Congressional Relevance: *House Committee on Government Operations; Rep. Jack Brooks.*

Authority: Automatic Data Processing Equipment Act (P.L. 89-306). F.P.M.R. 101-35. OMB Circular A-71.

Abstract: A review was undertaken of the Veterans Administration's (VA) management and use of its automated data processing (ADP) resources. VA uses computers extensively to aid in administering its various programs. Under the direction of its Office of Data Management and Telecommunications, VA operates six ADP centers and has a total staff of about 2,000. In addition to this ADP capability, VA has at least 400 minicomputers located at 172 VA medical centers in the United States, Puerto Rico, and the Philippines. An estimated \$113 million was spent in 1979 for ADP system support, and VA expects to spend substantially more in the near future. Currently, VA has three major system development efforts underway. Two deal with its compensation, pension, and education applications, and the third effort deals with the development of a Health Care Information System. *Findings/Conclusions:*

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In its review, GAO found that VA needs to make better use of its ADP resources if it is to effectively support veterans' needs. A master ADP plan, guided more by overall ADP needs than by parochial wants, must be developed and followed. Serious weaknesses in the management of ADP resources can adversely affect the acquisition, development, and maintenance of ADP systems. Some of the weaknesses GAO found present in the ADP system used by VA include: (1) computer acquisition practices that do not meet user needs or comply with Federal policies; (2) software work approval practices that do not assure that resources spent on software are channeled to the most important projects; (3) ineffective control of software work in process; (4) poorly coordinated use of data processing by VA hospitals; and (5) a need for more systematic and responsible involvement of hospitals in planning for a critical Health Care Information System estimated in 1978 to cost \$520 million. Experience has shown that when users do not participate in a responsible manner in the development of a system, the system is destined for failure. **Recommendation To Congress:** Congress should withhold further funding for the Health Care Information System until the Appropriations Committees are satisfied that VA will implement the substance of the recommendations contained in this report. **Recommendation To Agencies:** The Administrator of Veterans Affairs should: (1) make a firm commitment to competitive procurement and establish management procedures as well as a formal planning process that will further the prompt competitive acquisition of the correct type and size of ADP equipment; (2) strengthen the planning process by requiring wider user participation, a distinction between required and discretionary software work, and more accountability at the senior management level; (3) establish a staff dedicated to performing discretionary software work such as development, redesign, enhancement, and conversion; (4) adopt and act to enforce the management techniques and procedures being proposed for controlling software work; (5) establish better coordination of hospitals' use of ADP resources; and (6) with the aid of users, analyze more thoroughly the health care system being planned. This analysis should include a detailed study of available capabilities in-house, in other Federal agencies, and in the private sector.

113241

VA Improved Pension Program: Some Persons Get More Than They Should and Others Less. HRD-80-61; B-114859. August 6, 1980. Released September 8, 1980. 41 pp. plus 15 appendices (47 pp.). Report to Rep. Ray Roberts, Chairman, House Committee on Veterans' Affairs; Sen. Alan Cranston, Chairman, Senate Committee on Veterans' Affairs; by Elmer B. Staats, Comptroller General.

Issue Area: Income Security and Social Services: Payment Processes (1309).

Contact: Human Resources Division.

Budget Function: Income Security: Public Assistance and Other Income Supplements (0604).

Organization Concerned: Veterans Administration; Department of Health and Human Services; Social Security Administration.

Congressional Relevance: House Committee on Veterans' Affairs; Senate Committee on Veterans' Affairs; Rep. Ray Roberts; Sen. Alan Cranston.

Authority: Social Security Act.

Abstract: Congress hoped that the law improving pension for needy veterans which went to effect January 1, 1979, would enable veterans and their survivors to receive benefits above the poverty level and help them avoid turning to welfare, such as the Supplemental Security Income (SSI) program provides. **Findings/Conclusions:** Some couples who receive SSI and Veterans Administration (VA) pensions receive more in benefits from these two programs than do other couples with similar or smaller incomes from other sources. The principal coordination of benefit informa-

tion between VA and the Social Security Administration (SSA) occurs through automated data exchanges. Some changes are needed in this coordination to improve the accuracy of benefit payments by VA and to eliminate the exchange of unnecessary records. GAO estimate \$14.5 million of inaccurate pensions payments were made, principally in 1978. This consisted of: (1) \$9.6 million in overpayments because the veterans or their spouses failed to report to VA receipt of social security benefits and because VA did not use the benefit data provided by SSA in the January 1979 data exchange; (2) \$1.7 million in overpayments and \$0.3 million in underpayments substantially because one of the matching characteristics SSA used was not on the VA records; (3) \$2.0 million in overpayments because veterans or their spouses did not accurately report receiving SSA black lung benefits; and (4) \$0.9 million in underpayments because VA pensioners improperly reported their SSI benefits as social security benefits. VA is providing SSA, in the quarterly data exchange, an estimated 5.1 million unneeded records because it did not use the SSI indicators to limit the number of records provided. Additionally, VA is unnecessarily requesting SSA data for an estimated 618,700 known deceased veterans in the annual data exchange. **Recommendation To Agencies:** The Secretary of Health and Human Services (HHS) should direct the Commissioner of SSA to immediately notify SSI-VA recipients residing in those States and the District of Columbia where Medicaid eligibility is not directly related to SSI eligibility that they must file for VA improved pension benefits and elect such benefits if they are higher than VA benefits presently being received. The Secretary should revise HHS regulations for the SSI program so that VA pension benefits received by a veteran ineligible for SSI will be counted as income to the spouse of the veteran in determining the eligibility of the spouse and be allocated and treated in the same manner as other Federal benefits not based on need. The Administrator of Veterans Affairs should: (1) use the SSA annual data exchange to identify and adjust pension payments to pensioners who did not report their social security benefits and have not yet been detected; (2) establish a data exchange to verify Federal black lung benefits and review other Federal benefit programs to determine the need for, and feasibility of, obtaining benefit information from other agencies; and (3) stop providing records during the annual data exchange on veterans deceased more than 1 year. The Administrator should also stop providing records during the quarterly exchange for pensioners who are not SSI recipients. In this regard, the Commissioner of SSA should provide VA with sufficient information to identify those pensioners who are SSI recipients. The Administrator and Commissioner should also take the necessary action to resolve identification problems in the annual data exchange. VA should ask SSA to search for surviving spouses by using, when provided, a spouse's social security number.

113260

The GAO Review, Summer 1980, Vol. 15, Issue 3. 1980. 120 pp. John D. Heller, Editor; Elaine Orr, Assistant Editor. Citations to individual articles appear elsewhere in this issue of GAO Documents.

Contact: Office of the Comptroller General.

Abstract: This quarterly publication is prepared primarily for use by the staff of the General Accounting Office. Articles in this issue cover such topics as: trends in evaluation, a history of the Claims Division, Civil Service career challenges, automobile safety standards, Hispanic Americans, The General Accounting Office Act of 1980, managing electronic data processing resources, working on a Senate subcommittee, the New York Field Office, alternative mortgage instruments, and audits.

113264

Career Challenges in a Changing Civil Service. 1980. 3 pp.

by Elmer B. Staats, Comptroller General.
In *The GAO Review*, Vol. 15, Issue 3, Summer 1980, pp. 34-36.

Contact: Office of the Comptroller General.

Organization Concerned: National Civil Service League.

Authority: Civil Service Reform Act of 1978.

Abstract: The broad civil service reforms in the Civil Service Reform Act of 1978 have focused on the top levels of Government. The Senior Executive Service has been created, and the Merit Pay System will soon go into effect. These reforms are intended to maximize the productivity of Federal workers at all levels of Government. When the Merit Pay System is implemented, employee performance, rather than longevity, will be the determining factor in salary increases. Introduction of the competitive element into the civil service system will have far reaching effects. Future executives will have to be farsighted. There will have to be less emphasis on procedure manuals, on dogmas of system and method. Essential disciplines must be maintained, but made more efficient. Public officials will have to see the big picture and the interrelationships between programs. Relations between the Government, industry, and academia must be fostered through reciprocal internships and residencies. Managers of the future must have a keen comprehension of the values and limitations inherent in the use of data, the art of timing its collection, designing investigations, the ethics of reporting and disclosure, and the judgment that interprets the significance of the information and applies it to policymaking. They will have to be at home with theoretical statistics and the rarer attitudes of mathematical science. They must grasp the meaning of science and technology.

113269

The Road to a Billion Dollar Saving: A Team Effort. 1980. 4 pp.
by Steven J. Jue, Management Analyst, GAO Field Operations Division: Regional Office (Seattle).
In *The GAO Review*, Vol. 15, Issue 3, Summer 1980, pp. 61-64.

Contact: Field Operations Division: Regional Office (Seattle).

Organization Concerned: Department of the Air Force; General Services Administration.

Congressional Relevance: *House* Committee on Government Operations; *Rep.* Jack Brooks.

Abstract: The Air Force Phase 4 project, to replace current computer systems at Air Force bases around the world at an estimated 20-year cost of \$4 billion, is the largest single computer acquisition in Government history. Most of the Air Force bases have two computer systems, one for processing supply applications and one for processing administrative applications. The replacement plan would exchange computers on a one-for-one basis. The House Committee on Government Operations asked GAO to review the project to determine why the Air Force needed to acquire two separate computer systems at each base, why few vendors participated in the competition, and how the Air Force handled unsolicited proposals made by an incumbent vendor before the request for proposals was issued. The audit was made difficult by Air Force opposition to the audit as unnecessary, delays in information, and the advance of the timetable for the committee hearings. GAO testified that it found little justification for two computer systems at most air bases. GAO found that the amount of classified processing was minimal, no Air Force requirement for onsite backup existed, work could be prioritized during increased workload, and conversion to two systems would provide no more flexibility than one. The reasons most vendors cited for not bidding on the project were the unnecessary technical restrictions specified in the request for proposals and the Air Force requirements for outdated technology. GAO recommended that the Air Force cancel the Phase 4 request for proposals and issue a new one to increase competition and more accurately reflect actual system user needs. Cost savings were estimated at between \$663 million and \$1 billion. The Air Force

disputed the estimated cost savings as well as the GAO recommendations. The General Services Administration (GSA) suspended the Air Force's authority to acquire the Phase IV equipment pending the completion of a GSA review. The committee adopted all the GAO recommendations. The Secretary of the Air Force agreed to redirect the Phase 4 project to satisfy the concerns of GAO and the congressional committee. It will amend the request for proposals, reduce the proposed number of computers, eliminate 250 staff positions, reduce construction, improve current systems processing, and better define its equipment requirements.

113270

A Structure for Managing ADP Resources. 1980. 3 pp.
by Harold R. Sheely, Management Analyst, GAO Field Operations Division: Regional Office (Atlanta), Jimmy R. Rose, Supervising Auditor, GAO Field Operations Division: Regional Office (Atlanta).
In *The GAO Review*, Vol. 15, Issue 3, Summer 1980, pp. 65-67.

Contact: Field Operations Division: Regional Office (Atlanta).

Authority: OMB Circular A-71.

Abstract: Automatic data processing (ADP) activities still present major management problems which have resulted, in part, from the lack of an appropriate organizational structure and procedures for managing ADP activities. Top management does not consider information systems as a corporate asset; thus, it does not devote enough attention to managing them as a discrete entity. There is a need for more centralized organization of ADP activities. Agency ADP systems were designed to accomplish specific tasks in support of an individual group's management responsibilities. This did little to minimize duplication among databases or to ensure that applications were adaptable to the needs of multiple users. Federal agencies are clearly obligated to manage ADP resources efficiently. Effective ADP planning depends on how an agency organizes to accomplish the planning function and how it assigns the responsibilities for planning. A strong central office is needed for such planning. It will function best if it has top management involvement and commitment. A good ADP plan will contain a clear statement of short- and long-term ADP objectives; a concise, well-documented statement of existing and future requirements for computer support; and a sound, management-endorsed strategy for achieving the agency's ADP objectives. Without management controls, an agency could not effectively allocate its ADP resources among the many competing ADP activities of its independent components. Three basic management controls to be applied are a project authorization process, a standard approach to managing the project, and a uniform financial and estimating system.

113282

Extent of Billings by Nonpsychiatric Specialty Physicians for Mental Health Services Under CHAMPUS. HRD-80-113; B-200047. September 11, 1980. 2 pp. plus 2 appendices (13 pp.).
Report to Sen. Daniel K. Inouye; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Health Programs: Quality Care and Its Assurance (1213).

Contact: Human Resources Division.

Budget Function: Health: Health Care Services (0551).

Organization Concerned: Department of Defense; American Medical Association; American Psychiatric Association.

Congressional Relevance: *Sen.* Daniel K. Inouye.

Abstract: A Senator requested an indepth study of the state of the art of financing for mental health services provided by four categories of providers. After it had been determined that nonpsychiatric specialty physicians, those physicians with specialties other than psychiatry, were providing 30 to 50 percent of all

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mental health services, GAO agreed to focus its work on identifying the extent to which those physicians were billing for mental health services. It also agreed to concentrate on the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS). **Findings/Conclusions:** An analysis of mental health billings processed for CHAMPUS during 3 months in late 1978 showed that nonpsychiatric specialty physicians provided an estimated 4.3 percent of the total mental health services billed; they may be providing additional mental health services, but not billing them as such. Often, when a mental disorder diagnosis was given, the service billed was an office visit. CHAMPUS beneficiaries receiving mental health services from nonpsychiatric specialty physicians were generally treated for a short time. Most patients received services in metropolitan areas, where it might be expected that mental health specialists are practicing. GAO had reservations about the accuracy and completeness of some of the statistical data because of the CHAMPUS inability to extract all of the billing information from its computer tapes. The overall data extracted from the computer tapes had to be adjusted due to many coding errors made by contractors processing claims for CHAMPUS. Both the American Medical Association and the American Psychiatric Association (APA) supported nonpsychiatric specialty physicians providing mental health services, because these physicians are often in the best position to diagnose and treat mental problems at an early stage. Because nonpsychiatric specialty physicians lack special training in treating seriously ill mental patients, APA officials had reservations about their treating such patients.

113321

[*Internal Auditing in the Government: An Annotated Bibliography*]. July 1979. 24 pp.

Contact: Office of Librarian.

Authority: Inspector General Act of 1978.

Abstract: Reports, monographs, and journal articles have been compiled in an annotated bibliography dealing with internal auditing in Federal, State, and local governments and their cooperative ventures. The following areas are covered: growth of the internal audit; current practices in the development of guidelines; the types of internal audit; and issues of pervasive interest, including the relative position of the internal auditor, auditing of electronic data processing systems, and the auditing of grant programs. All material cited in the bibliography is available through the GAO Technical Library.

113338

Electronic Funds Transfer--Its Potential for Improving Cash Management in Government. FGMSD-80-80; B-200032. September 19, 1980. 19 pp. plus 2 appendices (10 pp.).
Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Acquisition of ADP Resources Under the Brooks Act (0111); Accounting and Financial Reporting: Sound Cash Management (2805).

Contact: Financial and General Management Studies Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: Office of Management and Budget; Department of the Treasury; Federal Reserve System.

Congressional Relevance: Congress.

Authority: P.L. 95-147.

Abstract: Electronic funds transfer (EFT) technology is being increasingly used in Government and industry to replace checks for sending and receiving money. The use of EFT in the Federal Government is expected to increase the Government's opportunities for realizing interest savings. Funds which flow faster into the Treasury's interest-earning tax and loan accounts at banks and other financial depositories begin earning interest sooner. In addition,

funds which flow faster into the Treasury's accounts at the Federal Reserve can also begin earning income sooner. **Findings/Conclusions:** However, EFT has only limited ability to affect borrowing decisions. Although it can make funds available a few days earlier, borrowing decisions are generally insensitive to short-term changes in the timing of receipts. The overriding consideration in the Treasury's borrowing decisions is debt management, not cash management. Faster EFT receipts can sometimes reduce the amount borrowed. This can occur when the aggregate of such receipts effectively raises the monthly low points of the Treasury's projected cash balances. To avoid a shortage of cash, borrowing decisions tend to focus on these low points, which normally occur around midmonth and are created by the timing differences in Government disbursements and receipts. For EFT to have a more positive influence on borrowing decisions, the faster flow must be tied into the forecasting process. EFT can give the Treasury greater accuracy in forecasting its daily cash balances because it eliminates the timing uncertainties in the mailing, cashing, and clearing of checks. Recurring EFT payments and receipts can provide more reliable data for estimating the future effect of these transactions on the daily cash balances. **Recommendation To Agencies:** The Secretary of the Treasury should ask all Federal agencies to report to the Treasury the amounts and timing of large receipts and payments to be made by EFT as soon as they know when such transactions will be made, preferably at least 10 days in advance.

113376

[*Review of the District of Columbia's Automatic Data Processing Operations*]. GGD-80-103; B-200196. September 9, 1980. Released September 25, 1980. 4 pp.

Report to Sen. Thomas F. Eagleton, Chairman, Senate Committee on Governmental Affairs: Governmental Efficiency and the District of Columbia Subcommittee; by William J. Anderson, Director, GAO General Government Division.

Issue Area: Automatic Data Processing: Use of Computer Systems for Agency Mission Requirements and Support Functions (0108).

Contact: General Government Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: District of Columbia.

Congressional Relevance: Senate Committee on Governmental Affairs: Governmental Efficiency and the District of Columbia Subcommittee; Sen. Thomas F. Eagleton.

Abstract: GAO reviewed the District of Columbia's data processing personnel and training processes as a part of its effort to assess the overall effectiveness of the District's management of its automatic data processing resources and recommend improvements. Preliminary work indicated that the District was experiencing problems attracting and retaining employees and keeping them abreast of the ever-changing technology of data processing. **Findings/Conclusions:** The District of Columbia does not have formal career development programs and training programs for automatic data processing personnel. In the agencies which GAO visited, there were no formal data processing career development programs to identify and define computer personnel positions and salaries, specific skills and knowledge needed at each stage of the career ladder, alternate career paths available for each type of data processing personnel, and the types of training and experience required for career advancement. There were indications that low salaries have resulted in hiring individuals not fully qualified for the positions. Because the agencies lack career opportunities, a large number of data processing employees leave the District for employment with private industry or the Federal Government. In one agency, a contractor was hired to assume management of data processing activity because of dissatisfaction with in-house data processing management.

113378

Service Contract Act Should Not Apply to Service Employees of ADP and High-Technology Companies. HRD-80-102; B-200149. September 16, 1980. Released September 25, 1980. 97 pp. plus 10 appendices (16 pp.).

Report to Rep. Jack Brooks, Chairman, House Committee on Government Operations; by Elmer B. Staats, Comptroller General. Report referred to is HRD-80-102(A), Accession Number 114597.

Issue Area: Automatic Data Processing: Changing ADPE Acquisition Regulations To Meet the Objectives of the Brooks Act (0112); Consumer and Worker Protection: Labor Standards (0916); General Procurement: Increasing the Effectiveness of Socioeconomic Legislation Impacting on the Procurement Process (1953).

Contact: Human Resources Division.

Budget Function: Education, Training, Employment and Social Services: Other Labor Services (0505).

Organization Concerned: Department of Labor; Department of Defense; National Aeronautics and Space Administration; Department of Energy; General Services Administration.

Congressional Relevance: House Committee on Government Operations; Rep. Frank Horton; Rep. Jack Brooks.

Authority: Service Contract Act of 1965 (41 U.S.C. 351 et seq.). Walsh-Healy Act (Government Contracts) (41 U.S.C. 35 et seq.). Fair Labor Standards Act of 1938 (29 U.S.C. 201). Davis-Bacon Act (Wage Rates). Communications Act of 1934. Classification Act (5 U.S.C. 5102(c)(7)). Truth in Negotiations Act (Military Procurement) (P.L. 87-653). 29 C.F.R. 4.132. 29 C.F.R. 4.141. 29 C.F.R. 541. P.L. 91-379. 5 U.S.C. 1082(7).

Abstract: The Service Contract Act of 1965 protects workers' wages on Federal contracts when the contracts' principal purpose is to provide services in the United States using service employees. Minimum wages and fringe benefits must be based on rates that the Secretary of Labor determines as prevailing for service employees in the locality. The Department of Labor notified the General Services Administration (GSA) that the maintenance and repair services specifications of all Federal contracts for the purchase or rental of supplies or equipment were subject to the Act. Soon thereafter, several major automatic data processing (ADP) and other equipment manufacturers announced their refusal to accept any Government contract subject to the Act. Labor later issued an interim, nationwide wage determination covering ADP maintenance and repair services which accepted currently paid wages and fringe benefits as prevailing for such services. Nevertheless, major ADP and other equipment manufacturers continued to reject Government contracts subject to the Act. Labor then developed a proposed average entrance-level wage rate that could be paid to the industry's service technicians subject to the Act. Labor's attorneys raised serious legal and policy questions concerning use of a nationwide entrance-level wage rate, thus Labor shelved the rate and issued wage determinations that extend and expand the interim determination, while Labor officials continue to study the matter.

Findings/Conclusions: Labor's decision could seriously affect maintenance and repair of the Government's computers, many of which are critical to national defense and security. GAO believes Labor's position is not supported by the Act's language and legislative history, Labor's regulations, or its administrative manual. The Act was not intended to cover maintenance services related to commercial products acquired by the Government. ADP, high-technology, and other commercial product-support service contracts, where Government sales represent a relatively small portion of a company's total sales, do not have the same characteristics or incentives for contractors to deliberately pay low wages to successfully bid on Government contracts. The industries' argument, that the Act's application to such services is not needed, has merit. Industry compliance would be counterproductive and costly. The administrative burdens and operating costs of each corporation

would be increased. Merit pay systems and staff assignment practices would be disrupted. The application of the Act could also have an inflationary impact on the industries' wage rates. **Recommendation To Congress:** Congress should amend the Service Contract Act to make it clear that the Act excludes coverage for ADP and other high-technology commercial product-support services, that is services the Government procures based on established market prices of commercial services sold in substantial quantities to the public. **Recommendation To Agencies:** Pending such action by Congress, the Secretary of Labor should temporarily exempt from the Act's coverage certain contracts and contract specifications for ADP and other high-technology commercial product-support services.

113382

[Request for Reconsideration]. B-193527. September 22, 1980. 5 pp.

Decision re: International Business Machines Corp.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: International Business Machines Corp.; General Services Administration; Amdahl Corp.

Authority: B-190983 (1979). 40 U.S.C. 759. 40 U.S.C. 759(a).

Abstract: A firm requested reconsideration and clarification of a prior decision. In that decision, GAO considered the propriety of the General Services Administration's (GSA) Master Terms and Conditions (MTC) Program for procuring automatic data processing (ADP) equipment. GAO found that the MTC was within the authority of the Administrator of GSA to coordinate and provide for the economic and efficient purchase, lease, and maintenance of ADP equipment, and that it was not contrary to Federal law or otherwise detrimental to the Government's interest. On reconsideration, the protester requested that GAO further address the question of conduct by GSA in administering the MTC program. The protester alleged that GSA had been inconsistent in its administration of the program in recent procurements. According to the protester, GSA had summarily rejected several of its proposals which deviated from the MTC, while accepting proposals from the protester and other offerors which also deviated from the MTC. GAO agreed that the actions of GSA could have caused confusion on the negotiability of the MTC. However, the recommendation that GSA cure the inconsistency by amending the MTC to explicitly provide for the acceptance of offers not in literal compliance with the MTC is not necessary, since the MTC program has already been revised to permit negotiation with respect to the method of meeting MTC requirements.

113384

[Review of Five Contracts Awarded by the Veterans Administration at the End of Fiscal Year 1979 for ADP Services and/or Software]. September 24, 1980. 7 pp.

Testimony before the House Committee on Veterans' Affairs: Special Investigations Subcommittee; by Gregory J. Ahart, Director, GAO Human Resources Division.

Contact: Human Resources Division.

Organization Concerned: Veterans Administration; Office of Management and Budget; Department of Justice; General Services Administration; National Data Communications, Inc.; Intersystems, Inc.; Sunquest Information Systems, Inc.; Galler Associates, Inc.

Congressional Relevance: House Committee on Veterans' Affairs: Special Investigations Subcommittee.

Abstract: GAO reviewed five of seven automatic data processing procurement contracts which the Office of Management and Budget (OMB) had recommended that the Veterans Administration

(VA) terminate. GAO assessed OMB charges concerning procurement irregularities and VA responses to these charges. GAO also identified the VA officials responsible for any confirmed irregularities, citing the contracting officer as the responsible official, as well as other officials who were directly involved. As the Administrator of Veterans Affairs had approved several of the projects leading to these yearend contracts, the only options available to the contracting officers were to refuse to process the contracts or take shortcuts. They took various shortcuts. For one or more of the contracts, GAO found VA did not conduct cost or price analysis; did not conduct preaward price negotiations even when there was only one responsive bidder; substituted a postaward audit clause for the conduct of negotiations, a practice precluded by Federal procurement regulations; and awarded a contract without proper authority from the General Services Administration. Other questionable practices involved: a lack of a determination of why only one contractor submitted a proposal for a pharmacy application; an unclear clause in two requests for proposals; and the Small Business Administration not being involved early enough in preaward discussions on one contract. GAO confirmed about half of the OMB charges, and agreed with the VA responses to OMB for the remainder. The VA Office of Inspector General is continuing to investigate OMB observations of favoritism. VA has proposed several corrective actions which should improve and strengthen its procurement practices.

113410

The Navy's Computerized Pay System Is Unreliable and Inefficient--What Went Wrong? FGMSD-80-71; B-199833. September 26, 1980. 28 pp. plus 1 appendix (1 p.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing; Use of Computer Systems for Agency Mission Requirements and Support Functions (0108).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems (1100).

Organization Concerned: Department of the Navy; Department of Defense.

Congressional Relevance: Congress.

Authority: 2 GAO 31.

Abstract: Over the last 12 years, the Navy has spent more than \$150 million to develop and operate a central automated military pay system that is largely unreliable and inefficient. Although GAO approved the system design, it is not working as designed because it was not implemented as designed. **Findings/Conclusions:** Two studies conducted in 1978 revealed that 42 percent of 291 selected pay accounts reviewed were inaccurate and 52,200 accounts remained in an overpaid status for more than 90 days. In 1979, GAO found that 34 of the accounts were in error in amounts ranging from \$5 to over \$1,800. The major problems with the system stem from the lack of timely and accurate input data from field organizations to the central computer. Field units average 12 days to prepare input as opposed to the 3 days required by the system design. The approved system design required an automated control over rejects, but management does not rely on it for control purposes because the automated system was not properly implemented. Navy management did not establish overall goals and objectives to measure pay system performance as required by the Assistant Secretary of Defense (Comptroller). The Assistant Secretary's office did not provide the necessary guidance and monitoring of the Navy's pay system development and implementation, or require the Navy to comply with the Department of Defense requirements for managing the automated pay system. It has not determined whether the Navy implemented the pay system design as approved by GAO. Changes made in creating a parallel manual system would not have been approved by GAO if the changes had been

submitted to GAO as required. The quality of the input was also very poor. Despite costly efforts to overcome system inefficiencies, the system continues to operate inadequately. **Recommendation To Agencies:** The Secretary of Defense should require the Secretary of the Navy to improve the reliability, efficiency, and effectiveness of the Navy's military pay system by: requiring commanding officers, disbursing officers, and administrative officers to operate the pay system as designed and as approved by GAO; identifying those organizations which submit untimely and erroneous pay data and taking corrective action where indicated; expediting the Navy's plans to transmit input data to the Finance Center electronically rather than by mail; setting a standard for when an override of computer-produced Leave and Earnings Statements by all local disbursing officers can take place; and strengthening supervisory controls over pay technicians' resolution of the system rejections. Further, the Secretary of Defense should specifically require the Secretary of the Navy to: establish procedures to measure system effectiveness; insure that internal auditors periodically report to top management on the progress responsible officials are making toward operating the system as designed and in meeting the established goals and objectives; and comply with all Defense policies and procedures in future work now planned to correct the problems with the automated pay system. Finally, the Secretary of Defense should monitor the Navy's compliance with Defense requirements more closely to improve its military pay system.

113436

[The IRS Document Matching Program]. October 1, 1980. 14 pp. plus 5 attachments (5 pp.).

Testimony before the House Committee on Government Operations; Commerce, Consumer and Monetary Affairs Subcommittee; by William J. Anderson, Director, GAO General Government Division.

Contact: General Government Division.

Organization Concerned: Internal Revenue Service; Social Security Administration.

Congressional Relevance: House Committee on Government Operations; Commerce, Consumer and Monetary Affairs Subcommittee.

Authority: P.L. 94-202.

Abstract: The Internal Revenue Service (IRS) has made considerable progress toward achieving a full document matching program, but many problems still need to be resolved. The document matching program is a powerful tool for detecting, on a mass scale, taxpayers who under-report or do not report their income. In addition, the document matching program provides the auditors with another means for detecting unreported income at the time a return is audited. One of the continuing problems with the document matching program is that taxpayers do not submit all required information documents and IRS has not yet developed the means to ensure compliance with submission requirements. Many documents filed by taxpayers are not matched against tax returns. IRS has sufficient computer resources to process all the returns, but says it would need additional staff and funds to transcribe the paper returns and to work the increased number of cases which would occur. IRS also needs to minimize the many information documents which are submitted without a taxpayer identification number or with an incorrect number. IRS must expend considerable effort in obtaining the correct number but generally does not assess penalties on taxpayers who submit documents lacking the taxpayer's identification number. Although it can audit only a limited number of returns, IRS has opportunities to improve the computerizing processing of information returns and its overall computer productivity. The scope and effectiveness of the document matching program could be increased without budgetary independence. Use of optical character recognition equipment and a

magnetic media promotion program would get more documents matched at less cost. A vigorous penalty assessment program on taxpayers who do not submit documents properly, and a program to get Federal agencies to submit all of them would help. Tight internal control over computer programs which select underreported cases would help. Additional funds, which IRS has not sought, would be necessary to achieve a 100 percent matching goal. Congress could act to establish withholding on interest, dividends, and independent contractors and to increase the penalties for failure to file information returns.

113457

A Guide to Sources for Identifying General Accounting Office Reports. 1980. 83 pp.
by GAO Office of Information Systems and Services.

Contact: Office of Information Systems and Services.

Organization Concerned: General Accounting Office.

Authority: Budget and Accounting Act.

Abstract: This publication is a description of various sources, including printed materials and computerized database files, and how they can be used to identify GAO reports. GAO has used several systems (A-Numbers, B-Numbers, division numbers, and I-Numbers) to identify its reports, decisions, and other documents. Before fiscal year 1975, it was necessary to know the exact date a report was issued to obtain a copy, as A-Numbers, B-Numbers, and I-Numbers represented subject areas and were not unique identifying numbers. In 1975, GAO began assigning a division number in conjunction with the A-Number or B-Number. The division number is unique to an individual report. It includes the acronym for the division which issued the report, the last two digits of the year in which the report was issued, and a sequentially assigned number. Assistance in identifying GAO reports can be obtained from the GAO Document Handling and Information Services Facility (DHISF). DHISF has developed a bibliographic database which is used to generate and photocopy the GAO Documents journal. The data base can be used for searching and retrieving information on documents published by GAO. Access points to the database include subject, agency/organization concerned, congressional relevance, GAO issue area, and budget functions. It includes information beginning with fiscal year 1977 through the present date.

113458

[Protest Against Exclusion From Competition]. B-198876. October 3, 1980. 3 pp.

Decision re: Computer Co.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: Computer Co.; Department of Energy; General Services Administration.

Authority: F.P.R. 1-1.301. B-196286 (1980).

Abstract: A firm protested its exclusion from competition for the award of a contract by the Department of Energy (DOE) for a computer based message service. Each of the bidders was permitted to demonstrate technical capability to meet the more than 30 DOE mandatory requirements in a benchmark test. The firm failed to demonstrate one required command. It was notified of its failure to demonstrate a reply capability. After the firm protested, DOE reviewed the protester's technical manuals but could not find any reference to a reply command; thus, it concluded that the failure resulted from a software inadequacy and not an operator error. The firm contended that its software had the required reply command, DOE should have pointed out the deficiency at the time of benchmark testing, and the error could have been corrected on the spot. DOE decided not to give the protester a second benchmark

opportunity. General Services Administration (GSA) benchmarking guidelines state that a vendor should be disqualified only if its benchmark contains an unreasonable number of non-machine-dependent changes; otherwise the vendor should be permitted to conduct a second benchmark. The GSA guidelines also state that the vendor should be notified of any failure at the completion of the benchmark. GAO did not believe that DOE met its duty to obtain maximum practicable competition in excluding the protester from the competition. The protest was sustained.

113495

Publications List. June 30, 1980. 77 pp.

Contact: Office of the Comptroller General: Information Office.

Organization Concerned: General Accounting Office.

Abstract: This bibliography lists Comptroller General reports to Congress and Federal agencies, GAO audits, and surveys of U.S. Government activities issued from January 1, 1980, to June 30, 1980. The reports are listed by functions of Government. An agency index follows the listing of reports, and a description of ordering procedures is included. Congressional testimony by GAO officials, speeches by the Comptroller General, and other publications are listed as well.

113498

[Need for Improved Management and Increased Sharing of Computer Resources at the San Antonio Data Services Center]. FGMSD-80-82; B-199901. September 2, 1980. Released October 2, 1980. 3 pp. plus 1 enclosure (13 pp.).

Report to Rep. Jack Brooks, Chairman, House Committee on Government Operations; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Acquisition of ADP Resources Under the Brooks Act (0111).

Contact: Financial and General Management Studies Division.

Budget Function: National Defense: Defense-Related Activities (0054).

Organization Concerned: Department of the Air Force; Department of the Air Force: Data Services Center, San Antonio, TX; General Services Administration.

Congressional Relevance: House Committee on Government Operations; *Rep.* Jack Brooks.

Abstract: The Air Force Data Services Center in San Antonio, Texas, was established to test the economic and operational feasibility of a regional data processing center. With four Air Force bases, a large Army installation, and several other Government activities in the San Antonio area, the Center serves a large automatic data processing user community. The Center operates on a fee-for-services basis with users reimbursing a large portion of the operating costs. A review of the Center was directed towards determining how cost effective the Center is, whether it has met its original goals, and how it might be improved as a regional processing center. **Findings/Conclusions:** For fiscal year 1979, computer support was provided at a favorable cost to a small number of highly satisfied users. The operating costs compared favorably to commercial computer centers and similar Air Force installations in the area. Because neither the Air Force nor other Federal users has taken full advantage of opportunities to consolidate facilities, share resources, and reduce computer hardware and personnel costs, many additional economies that could be expected from a regional data processing center have not been realized. Air Force management failed to take actions and allowed situations to occur which prohibited achievement of the Center's goals. These included not consolidating any base level processing workload other than at one Air Force base, alienating customers by indicating several times the imminent closure of the Center, not actively pursuing new customers, and allowing other San Antonio area Air Force organizations

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to acquire six major computer systems. **Recommendation To Agencies:** To most effectively address the Government's automatic data processing needs in the San Antonio area, the Secretary of the Air Force should: prepare, in cooperation with the General Services Administration (GSA), a long-range plan for meeting those needs; develop a formal management policy encouraging the effective use and sharing of the Center's computer resources across service and command lines; develop cost accounting procedures and user rates that provide for full cost recovery; determine future equipment needs based on current and projected user requirements; and obtain authorization from GSA to augment existing capabilities to best meet future needs.

113500

Controls Over Nonimmigrant Aliens Remain Ineffective. GGD-80-87; B-199841. September 11, 1980. **Released** October 2, 1980. 36 pp. plus 3 appendices (9 pp.).

Report to Rep. Elizabeth Holtzman, Chairman, House Committee on the Judiciary: Immigration, Refugees and International Law Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Law Enforcement and Crime Prevention: Non-Line-of-Effort Assignments (0551).

Contact: General Government Division.

Budget Function: Administration of Justice: Federal Law Enforcement Activities (0751).

Organization Concerned: Department of Justice; Office of Management and Budget; Department of Commerce; Department of State; Immigration and Naturalization Service.

Congressional Relevance: House Committee on the Judiciary: Immigration, Refugees and International Law Subcommittee; *Rep. Elizabeth Holtzman.*

Abstract: It was requested that GAO review certain activities of the Immigration and Naturalization Service (INS), which is responsible for admitting aliens, monitoring their status, and apprehending those who violate the conditions of their entry. INS does not, however, have the capability to monitor the status of nonimmigrant aliens, such as foreign students, diplomats, and tourists. The Iranian crisis focused attention on this weakness and, to gain greater accountability, INS has proposed a program to interview all foreign students. **Findings/Conclusions:** GAO believes that this extensive effort should be delayed until INS has the capability to keep the required information current. INS has made little progress toward implementing recommended evaluation programs, developing better guidelines, or improving the criteria used by schools and INS adjudicators to approve foreign students' applications. Inadequate recordkeeping procedures continue to limit INS ability to provide complete, accessible information. Proposed legislation to waive the visa requirement for temporary business visitors and tourists from certain low-risk countries may also affect INS control of nonimmigrants. INS cannot realistically implement control mechanisms which provide the degree of precision required by the legislation. In addition, the INS Nonimmigrant Document Control system cannot be used to account for nonimmigrants or as an enforcement tool. The information provided by the system is neither timely nor reliable. INS is trying to improve its information systems by: (1) identifying inadequacies of the current Nonimmigrant Document Control system; and (2) automating district offices. However, these efforts have been hindered by the inability to specify study objectives and by the absence of a long-range automatic data processing plan to guide automation efforts. **Recommendation To Agencies:** The Attorney General should direct the Commissioner of INS to delay requiring all foreign students to report to INS until it has: (1) improved its information system; (2) determined its resource requirements; (3) assessed the program's effect on other service programs; and (4) developed a system that can keep the information current.

113507

[Comments on Proposed F.P.M.R. Amendment]. B-198809, B-199575. October 9, 1980. 2 pp.

Letter to Philip G. Read, Director, General Services Administration: Office of Acquisition Policy: Federal Procurement Regulations Directorate; by Milton J. Socolar, General Counsel.

Contact: Office of the General Counsel.

Organization Concerned: National Bureau of Standards; General Services Administration: Office of Acquisition Policy: Federal Procurement Regulations Directorate.

Authority: FIPS Pub. 71. F.P.M.R. 101-36.

Abstract: A request was made for comments on a proposed amendment to the Federal property management regulations. The proposed amendment provides for standard terminology to be used in solicitation documents regarding the application of Federal Information Processing Standards Publications and Federal Standards. GAO believes that there should be one uniform standard for Advance Data Communication Control Procedures (ADCCP). Accordingly, GAO does not believe that the proposed amendment should be issued at the present time and recommends that a uniform standard for ADCCP be established.

113523

[Request for Reconsideration]. B-197859. October 8, 1980. 2 pp. **Decision re:** U.S. Financial Services, Inc.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: U.S. Financial Services, Inc.; United States Marine Corps.

Authority: 4 C.F.R. 20.2(b)(2). 4 C.F.R. 20.4 C.F.R. 20.2(c). B-185126 (1975). B-186586 (1976). B-197859 (1980). B-197946 (1980).

Abstract: A firm requested reconsideration of a decision in which its protest was dismissed as untimely. In the original protest, the firm protested an allegedly unwarranted restriction in a solicitation issued by the U.S. Marine Corps to upgrade certain disk controllers and drives. The protested restriction required benchmarking to establish compatibility with the Marine Corps' computer system. The protester refused to conduct the benchmark on the grounds that the requirement was unnecessary and that it imposed an undue financial burden on the firm. In its request for reconsideration, the protester suggested that the timeliness rule should have been tolled. However, the protester did not dispute the fact that it became aware of the basis for its protest at the initial debriefing or that it did not protest the agency's rejection of its bid within 10 working days thereafter. GAO held that bid protest procedures require that a protest be filed within the prescribed period, and the protester did not meet that requirement. Accordingly, the prior decision dismissing the protest as untimely was affirmed.

113553

Agencies Should Encourage Greater Computer Use on Federal Design Projects. LCD-81-7; B-200100. October 15, 1980. 55 pp. plus 7 appendices (13 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing (0100); Facilities and Material Management: Construction Agencies' Effort To Control Construction Costs (0712); Energy: Effect of Federal Efforts on Energy Conservation Action (1607); Science and Technology: Balancing Incentives and Regulatory Constraints and Factors That Affect Technological Innovation and Productivity (2005).

Contact: Logistics and Communications Division.

Budget Function: General Government: Other General Government (0806).

Organization Concerned: Department of Defense; Veterans Administration; United States Postal Service; Department of Energy; Office of Management and Budget; General Services Administration; Office of Federal Procurement Policy; Federal Construction Council; Building Research Advisory Board.

Congressional Relevance: Congress.

Authority: P.L. 92-582.

Abstract: Federal agencies are not actively seeking or encouraging the use of computers on Federal design projects. As a result, they are missing opportunities to achieve significant savings and to improve the quality of Federal building designs. **Findings/Conclusions:** GAO found that Federal officials and agency procedures and practices often limit and hamper the use of computers on Federal projects. Agencies generally have not created an environment wherein the efficient use of computers is possible. Fee proposal forms used by most engineering services do not recognize the possible use of computers or provide a place for computer service costs to be included as direct costs in proposals. During contract negotiations, agency personnel rarely discuss the planned use of computers on a project. Even during the architect-engineer selection process, most agencies ignore computer capability. **Recommendation To Agencies:** The heads of departments and agencies procuring architect-engineer services should take the following actions: (1) provide appropriate training on the capabilities and uses of computers in design to their employees; (2) provide sufficient technical support to contract negotiating teams; (3) direct that computer use be required for those analyses and design functions which can be efficiently done only by computer-aided methods; (4) require that computer capabilities and expertise be considered and evaluated when selecting architects and engineers for projects on which computer-aided methods can be used; and (5) require that architect-engineer contract negotiators routinely discuss and evaluate planned use of computers when negotiating design contracts. The Administrator of the Office of Federal Procurement Policy, with the concurrence of the Director of the Office of Management and Budget, should promulgate an architect-engineer procurement policy which establishes that: (1) fee negotiations will be based on proposals which clearly identify tasks which will be performed by firms providing architect-engineer services and will indicate how computers will be used on the project; (2) procedures in pricing computer services will be flexible as long as the method used is the same as the firm uses for its clients; (3) a structured task-oriented fee proposal format will be developed, and the use of preprinted fee proposal forms will be discontinued. The Department of Defense and the General Services Administration should be required to implement the new policy by: revising the defense acquisition regulations and the Federal procurement regulations, respectively; and jointly ensuring that this policy is incorporated into the new Federal acquisition regulations currently being developed. The Executive Secretary of the Federal Construction Council should direct the Council to develop educational programs and sponsor conferences aimed at educating Federal personnel about computer capabilities and uses in design.

113569

ADP Related Documents. March 5, 1980. 71 pp. plus 1 attachment (19 pp.).

by Walter L. Anderson, Senior Associate Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Abstract: This compilation of automatic data processing (ADP)-related documents is primarily a listing of GAO ADP-related reports from 1958 through December 1979. It also includes some agency responses to GAO reports, Comptroller General decisions, or General Counsel opinions relating to ADP, and guidance to some non-Federal information processing publications. The list

was published in hopes that prior reports would be of value to those doing ADP audits, and to allow other groups within GAO to notify the Financial and General Management Studies Division ADP Group of other reports and documents which should be added to this list.

113589

[White Collar Crime in Government--How We Are Combating It]. May 19, 1980. 25 pp.

Speech before the Fifth Annual Accounting/Auditing Conference, Wichita State University, KA; by Elmer B. Staats, Comptroller General.

Contact: Office of the Comptroller General.

Organization Concerned: Wichita State University, KA.

Authority: Foreign Corrupt Practices Act of 1977.

Abstract: The extent of fraud against the Federal Government is not known since it is often hidden within apparently legitimate undertakings and can go undetected and unreported. Opportunities for fraud, however, are tremendous when one considers the number of Federal programs, the large number of people involved in spending and controlling the monies, and the size of the annual budget. The large portion of the budget is disbursed in the form of grants, contracts, and payments to individuals. Although good data on the extent of white collar crime are not available, there is enough information to indicate a serious problem. Illegal acts, many of them widely publicized, have been reported in a number of Federal agencies. Many of these illegal acts have involved check disbursement and control policies, as well as various computer fraud schemes. Check disbursement activities have been a prime target for abuse because of inadequate internal controls over accounting and auditing procedures. In addition, computer fraud is occurring because of inadequate management controls over the systems. A number of actions have been taken and are being planned by Congress, the President, and Federal agencies to deter and hopefully prevent fraud and waste in Federal programs. Five actions which should be considered important to stopping white collar crime are: (1) the establishment of Offices of Inspector General in 14 major departments and agencies; (2) the President's creation of an executive group to combat fraud and his related requirement for departments and agencies to assess their vulnerability to fraud, waste, and error; (3) the Department of Justice's program to combat economic crime and expand its training program; (4) the GAO Government-wide study of fraud and abuse; and (5) the proposed passage of legislation that would require agency heads to report on the adequacy of their internal controls. GAO is reexamining the accounting standards which Federal agencies are to follow. At the State and local levels, action is underway to establish a Government Accounting Standards Board to set accounting standards for State and local governments.

113590

[Opportunity To Improve the Army's Stock Distribution Practices]. LCD-80-116. October 8, 1980. 3 pp.

Report to Gen. John R. Guthrie, Commanding General, Department of the Army: Army Materiel Development and Readiness Command; by Henry W. Connor, Associate Director, GAO Logistics and Communications Division.

Issue Area: Logistics Management: Effective Material Distribution (3806).

Contact: Logistics and Communications Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of the Army; Department of the Army: Army Materiel Development and Readiness Command; Department of the Army: Army Troop Support and Aviation

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Materiel Readiness Command, MO; Department of the Army: Army Tank-Automotive Materiel Readiness Command.

Abstract: GAO surveyed shipments from Army supply depots to U.S. and overseas customers to determine whether depots were being selected in a manner that would minimize transportation costs and shorten pipeline time. **Findings/Conclusions:** The Army's system for making shipments from the most economical depot works well based on a limited sample of items shipped from three depots. However, GAO observed two practices which require management attention. There is a lack of coordination and communication between item managers and procurement personnel during the procurement and positioning of stocks to the area-oriented depots. This resulted in numerous shipments being made from one depot to supply the customers of another depot. Consequently, shipments to customers were delayed and there were unnecessary transportation costs. Item managers were not stocking items in the designated area-oriented depot. This practice also caused shipments to be made from depots other than the designated area depot. As a result, customers waited longer to receive shipments and transportation costs were increased. Army officials reported that they are considering a recently developed computer program which would periodically identify items for inter-depot transfer that were significantly out of position. This program would give item managers greater visibility and control over their depot stocks.

113591

IRS Can Expand and Improve Computer Processing of Information Returns. FGMSD-81-4; B-200563. October 20, 1980. 9 pp. plus 6 appendices (21 pp.).

Report to Rep. Benjamin S. Rosenthal, Chairman, House Committee on Government Operations: Commerce, Consumer and Monetary Affairs Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Tax Administration: IRS Efforts To Identify Nonfilers and Underreporters (2701).

Contact: Financial and General Management Studies Division.

Budget Function: General Government: Tax Administration (0807).

Organization Concerned: Department of the Treasury; Internal Revenue Service; Social Security Administration.

Congressional Relevance: House Committee on Government Operations: Commerce, Consumer and Monetary Affairs Subcommittee; *Rep. Benjamin S. Rosenthal.*

Authority: Revenue Act. P.L. 94-202.

Abstract: GAO reviewed the information document matching program of the Internal Revenue Service (IRS) to (1) determine the progress made, (2) assess the adequacy of IRS computer capabilities for a full matching program, (3) determine the feasibility and costs of upgrading IRS computer capability, (4) determine the general status of IRS computer capabilities, and (5) identify any other problem areas related to the IRS management and use of computers. **Findings/Conclusions:** IRS has made considerable progress toward achieving a full document matching program, but still does not use millions of information returns. About 79 percent of the information returns received for tax year 1978 entered the processing cycle for the matching program. IRS has sufficient computer capacity to process all the information returns, but additional funding and personnel are needed to transcribe the returns and follow up on unreported income. IRS plans to replace much of its computer equipment under a 3-phase replacement program that will cost an estimated \$218 million over 8 years. This replacement and conversion to machine independent software offers the potential to improve IRS computer operations. An opportunity exists to expand the use of information returns by reducing the need for transcription by obtaining returns in computer-readable form and by cooperating with the Social Security Administration (SSA). IRS use of its data processing systems could be improved by improving

the design of the information returns system and by better matching job requirements to computer resources. **Recommendation To Agencies:** The Commissioner of Internal Revenue should: (1) investigate the use of optical character recognition equipment to transcribe non-wage paper information returns, possibly through equipment sharing with SSA; (2) in cooperation with SSA, seek ways to increase the filing of information returns on computer-readable media; (3) redesign the information returns processing system to improve efficiency along the lines recommended in the IRS draft report entitled "System Design Recommendations for an Improved Information Returns Program;" (4) require the ADP performance evaluation staff to develop a comprehensive resource-need-based workload scheduling and management system to improve computer productivity at the National Computer Center; and (5) do a feasibility and cost-benefit study of a redesign, and development, in higher level language, of the business and individual master files and related applications presently written in machine-dependent languages.

113603

[Protest of Remedial Action Proposed in NIH Procurement]. B-197188. October 21, 1980. 4 pp. plus 1 enclosure (1 p.).

Decision re: International Business Machines Corp.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: International Business Machines Corp.; Lexitron Corp.; Department of Health and Human Services; National Institutes of Health.

Authority: Small Business Act. 4 C.F.R. 20. 4 C.F.R. 20.1(c). 41 C.F.R. 1-1.1003.2(a). B-189307 (1977). B-194612 (1979).

Abstract: A firm protested the remedial action which the Department of Health and Human Services proposed to take with respect to the procurement of word processing equipment. The firm had submitted an unsolicited proposal for the purchase of machines which the firm leased to the agency for 1 year. The proposal provided that title to the already installed equipment would pass to the agency and that payment would be made over a period of 60 months. The agency had the option to renew the proposal each fiscal year until payment was made in full. Failure to renew would retroactively convert the purchase into a lease. The agency accepted the proposal to convert from lease to purchase. A competing firm protested the procedures used in the lease/purchase conversion as the agency failed to synopsise the procurement action in the Commerce Business Daily (CBD). The agency agreed with the firm and agreed to place a synopsis notice in the CBD. The agency also agreed that it would not renew the proposal if synopsizing resulted in a more advantageous offer. The protester contended that the competing firm's protest was untimely, failed to comply with bid protest procedures, and failed to present sufficient evidence to affirmatively prove its allegations. The contracting agency acknowledged all the facts necessary to establish the validity of the competing firm's objections, and there is no bar to a contracting agency proposing corrective action where it deems the circumstances to be appropriate. It was unnecessary for GAO to consider the protester's procedural objections. Since the procurement was not within any exception to the synopsizing requirement, the agency was required to synopsise before procuring the equipment. The proposed remedial action entailed neither invalidation of an award nor resolicitation. The proposed synopsizing was in no way inconsistent with the protester's rights, and was necessary for the agency to make an informed, intelligent decision on renewal. The protest was denied.

113630

Use of Computers by Firms Providing Architect-Engineer Services to

Federal Agencies. LCD-81-2. October 27, 1980. 29 pp. plus 2 appendices (7 pp.).

Staff Study by Richard W. Gutmann, Director, GAO Logistics and Communications Division.

Issue Area: Facilities and Material Management: Construction Agencies' Effort To Control Construction Costs (0712).

Contact: Logistics and Communications Division.

Budget Function: General Government: Other General Government (0806).

Organization Concerned: Department of Defense; Veterans Administration; Department of Energy; United States Postal Service.

Abstract: GAO examined the problems experienced by firms using computer aids on Federal design projects. As part of the planning effort for this review, GAO made a survey of 800 firms providing architectural and engineering services to Federal agencies to obtain sufficient data to use in planning the scope and depth of the review and to identify firms which experienced problems relating to computer use on Federal projects. The survey results should be of interest to Federal agencies, the architect-engineer community, and others. The results of the survey provide some insight into (1) how computer methods are used in the design process, (2) how computer services are provided, (3) why computers are used, and (4) which applications are currently being used and which applications firms are planning to use. **Findings/Conclusions:** Survey responses showed that: (1) most of the responding firms used computers in some way during the design process in providing design services to their clients; (2) use of computer methods on selected Federal projects was slightly lower, 64.3 percent; (3) computers were used heavily in the engineering areas, and a trend was developing toward using computers in the specifications and cost estimating areas; (4) the primary reason firms used computers was to carry out tasks which were not practical using manual methods; (5) most firms provided computer services to their clients by using either commercial time-sharing services or their own computers; and (6) when firms planned to use computers on a Federal project, the computer costs were often buried in either overhead or labor figures, rather than being listed as direct costs clearly identified as computer costs.

113647

[Protest Against Determination That Proposals Were Unacceptable]. B-198305. October 29, 1980. 23 pp.

Decision re: Martin Marietta Corp.: Data Systems; Federal CSS, Inc.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: Department of the Navy: Automatic Data Processing Selection Office; Federal CSS, Inc.; Martin Marietta Corp.: Data Systems.

Authority: 20 C.F.R. 20.2(b)(2). 57 Comp. Gen. 140.

Abstract: Federal CSS, Inc. and Martin Marietta Data Systems (MMDS) protested a determination by the Department of the Navy's Automatic Data Processing Selection Office that their respective proposals were technically unacceptable after benchmark testing of their data processing systems. The request for proposals required each of the offerors to submit the output from their own benchmark along with their proposal. If found technically acceptable, the next step would be a Navy supervised benchmark conducted by Navy personnel in the presence of the offerors' representatives. The final step was a blind benchmark, performed by Navy personnel, but not witnessed by the representatives. The Navy's determinations of technical unacceptability were made when Federal was judged to have failed the supervised benchmark demonstration and when the Navy was unable to complete the blind benchmark demonstration on the MMDS system. The Navy stated that in Federal's first supervised benchmark demonstration

there were two major deficiencies. As a result, Federal was allowed an opportunity to correct the deficiencies in a second benchmark. The second benchmark yielded six major deficiencies. GAO performed a technical review of the deficiencies and found that the Navy's evaluation of the supervised benchmark was not reasonable. Therefore, GAO recommended that the Navy disregard the disputed test results and rerun all or a portion of the test for Federal's system to allow Federal to demonstrate the performance capability of its system. Federal's protest was sustained. In the case of the MMDS system, the Navy could not complete the blind benchmark test because of alleged MMDS system problems. MMDS believed that the test was conducted unfairly, and it contended that the Navy personnel had inadequate training and backup and that the terminal equipment used was a factor in the problems. GAO found the personnel and equipment to have been adequate. The record showed that MMDS was given two opportunities to have Navy personnel verify the results of the supervised benchmark through the process of the blind benchmark. However, problems prevented the completion of the test on both occasions. No basis for protest arises when an agency advises an offeror that its proposal is technically unacceptable and, at the same time, gives the offeror an opportunity to demonstrate that the determination was in error. The protest by MMDS was denied.

113648

Federal Grants-in-Aid Programs; An Annotated Bibliography. October 1980. 23 pp.

by GAO Office of Information Systems and Services.

Contact: Office of Information Management.

Abstract: In order to create an awareness concerning the administration of Federal Grants-In-Aid programs, a bibliography of selected references was created. Categorical grants, block grants, and revenue sharing are the main subjects found in this reference. Other information sources, such as legal periodical indexes and computer-stored information resources are included as references. Most of the material listed can be located in the Law Library and the Audit Reference Services Sections of the Office of Information Systems and Services, GAO.

113658

Forest Service's Region 5 Should Consider Less Costly Ways To Meet Word and Data Processing Needs. CED-81-15; B-200565. October 23, 1980. Released October 31, 1980. 3 pp. plus 4 appendices (21 pp.).

Report to Rep. Fortney H. Stark; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Use of Computer Systems for Agency Mission Requirements and Support Functions (0108).

Contact: Community and Economic Development Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: Department of Agriculture; Forest Service: Pacific Southwest Region, San Francisco, CA.

Congressional Relevance: Rep. Fortney H. Stark.

Abstract: GAO reviewed the procurement of word processing equipment carried out during 1979 by the Forest Service's Pacific Southwest Region. At the time, the regional office and 10 of the region's national forest offices leased advanced word processing capability for 2 years. Another four national forest offices leased equipment with only word processing capability. The advanced equipment was acquired to develop a regional network integrating communications with the equipment's word and data processing capabilities to support mission requirements. The annual rental and maintenance costs for the leased equipment are about \$1.4 million. **Findings/Conclusions:** Although the equipment is providing benefits, GAO found the procurement to be unnecessarily costly. The

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review disclosed that the region in question: (1) prepared a feasibility study of equipment alternatives that did not adequately support the data processing requirements or the procurement alternative selected; (2) leased the equipment even though its lease-versus-purchase analysis showed that purchasing the equipment was more economical because it did not want to request a waiver from a Washington office directive freezing purchases; and (3) did not comply with Federal procurement policy, which requires that full consideration be given to consolidating individual small-volume orders and that competitive procurement procedures be used whenever feasible to obtain the lowest possible price. **Recommendation To Agencies:** The Secretary of the Department of Agriculture should direct the Forest Service to conduct: (1) a postinstallation review to measure the cost effectiveness of the Pacific Southwest Region systems, including both word and data processing capabilities, after 6 months of operation; and (2) an economic analysis of alternatives available to the region that could meet its requirements at a cost lower than its present leasing arrangement.

113680

[Determination of Proper Payee Under Assignment of Claims Act]. B-200603. November 4, 1980. 3 pp.

Decision re: National Aeronautics and Space Administration; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: National Aeronautics and Space Administration; U.S. Financial Services, Inc.; National Savings and Trust Co.

Authority: Assignment of Claims Act of 1940 (31 U.S.C. 203; 41 U.S.C. 15; 54 Stat. 1029). 54 Comp. Gen. 80. 55 Comp. Gen. 155. *Beaconwear Clothing Co. v. United States*, 355 F.2d 583 (Ct. Cl. 1966). *Central Bank v. United States*, 345 U.S. 639 (1953). B-182983 (1975).

Abstract: The National Aeronautics and Space Administration (NASA) requested an advance decision concerning the proper pay under a contract with a financial service company. Two parties claimed the payment, both by virtue of assignments from the company. NASA believed that the first assignment was invalid since it was not a financing institution. Therefore, it believed it appropriate to continue making contract payments to the second assignment. The Assignment of Claims Act constitutes a broad prohibition against the assignment of claims against the United States to third parties. One purpose of the prohibition is the maintenance of the Government's defenses against assignor's claims by way of setoff and counterclaim which might not be available against an assignee. A company providing funds to firms by purchasing equipment leased by such firms to third parties may be considered a financing institution under the Act. However, GAO has generally restricted the recognition of proper assignees to those institutions which deal in money, as opposed to other commodities, as the primary function of their business activities. Since the first assignee was not regularly engaged in the business of lending or financing Government contracts, it was not considered a proper assignee under the Act. Consequently, GAO recognized the second assignment as being valid under the Act and the proper recipient of the NASA contract payments.

113688

Review of the Activities of the House Office Equipment Service for the Year Ended June 30, 1980. GGD-81-17; B-200924. November 6, 1980. 4 pp. plus 3 appendices (4 pp.) plus 1 enclosure (1 p.).

Report to Edmund L. Henshaw, Jr., House of Representatives: Clerk of the House; by Elmer B. Staats, Comptroller General.

Issue Area: Accounting and Financial Reporting: Operations,

Financial Position, and Changes in Financial Position (2802).

Contact: General Government Division.

Budget Function: General Government: Legislative Functions (0801).

Organization Concerned: House of Representatives: Clerk of the House; House of Representatives: Office Equipment Service.

Congressional Relevance: House Committee on House Administration.

Authority: 2 U.S.C. 112e.

Abstract: The activities of the Office Equipment Service of the House of Representatives were reviewed. Under the United States Code, the Clerk of the House is responsible for furnishing electrical and mechanical office equipment, in accordance with the limitations and regulations prescribed by the Committee on House Administration, to members, officers, and committees of the House. The Committee has issued regulations establishing equipment purchase and lease programs for members and authorizing equipment purchases for committees consistent with individual needs. The Clerk may also purchase or lease equipment for Officers of the House with the approval of the Committee on House Administration. **Findings/Conclusions:** The Service maintains a computerized system of accounts which provides: (1) information on the inventory at the beginning of the year, the acquisitions and disposals during the year, the inventory at the end of the year, and the items furnished to and accountable by each member or officer of the House; and (2) a summary listing of disposed equipment. An examination of selected purchase and disposal transactions showed that they were properly documented and recorded and that the Service's records adequately account for purchased equipment and provide adequate control over the dollar amount of equipment chargeable to members of the House. The Service uses a computerized record-keeping system for leased equipment. The system provides detailed information on lease payment records and member's and officer's leased equipment accounts. The Service uses the lease payment record to verify vendor's billings and to provide the House Finance Office with a monthly report of member's leasing costs to be charged against their allowance for official expenses.

113689

[The Veterans Administration's Plans To Convert the Automated Hospital Information System at the Washington, D.C., Medical Center]. HRD-81-17; B-199666. November 6, 1980. 3 pp. plus 1 enclosure (15 pp.).

Report to Rep. Richardson Preyer, Chairman, House Committee on Government Operations: Government Information and Individual Rights Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Efficient and Economic Operation of Data Processing Installations (0155); Health Programs: Non-Line-of-Effort Assignments (1251).

Contact: Human Resources Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: Veterans Administration; Veterans Administration: VA Medical Center, Washington, DC; Office of Management and Budget.

Congressional Relevance: House Committee on Government Operations: Government Information and Individual Rights Subcommittee; *Rep.* Richardson Preyer.

Abstract: A review was made of Veterans Administration (VA) plans to upgrade the Automated Hospital Information System (AHIS) at the Washington, D.C., Medical Center by converting it to operate on newer computer equipment. This system, which provides automated assistance for such inpatient functions as admissions and discharges, scheduling, dietetics, radiology, and intensive care, has been in operation on the present computer since 1967. In September 1979, VA awarded a contract for nearly \$900,000 to

convert AHIS by reprogramming it to operate on newer computer equipment because, according to VA, the current equipment was becoming less reliable. In April 1980, the Office of Management and Budget questioned whether adequate regard was given to less costly alternatives and whether appropriate procurement procedures were followed. VA terminated the contract to reevaluate its approach to the conversion before reissuing the request for proposals. **Findings/Conclusions:** VA violated Federal procurement regulations in awarding the AHIS conversion contract. In addition, VA failed to follow its own procedures and the need to more fully consider other solutions to its AHIS conversion effort. It did not fully explore acquisition of available private sector or Government-owned hospital information systems for meeting the medical center's information needs in a more timely and less costly manner. VA also did not conduct the cost/benefit study required by its procedures to support the AHIS conversion procurement. **Recommendation To Agencies:** The Administrator of VA should require that: (1) all identified alternatives for meeting the Washington Center's needs be fully explored, giving particular attention to less costly available private sector and Government-owned hospital information systems; (2) the cost/benefit study being made to justify the conversion approach consider the impact on AHIS conversion costs of the potential need for an additional computer system, as well as benefits expected to result from the conversion, including user and automatic data processing personnel savings.

113712

There Is No Shortage of Freight Cars--Railroads Must Make Better Use of What They Have. CED-81-2; B-195212. November 10, 1980. 49 pp. plus 6 appendices (34 pp.).
Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Transportation Systems and Policies: Railroad Freight Transportation System (2407).

Contact: Community and Economic Development Division.

Budget Function: Transportation: Ground Transportation (0401).

Organization Concerned: Interstate Commerce Commission; Department of Transportation; Federal Railroad Administration.

Congressional Relevance: Congress.

Authority: Railroad Revitalization and Regulatory Reform Act of 1976 (P.L. 94-210). Staggers Rail Act of 1980 (P.L. 96-448). P.L. 95-580.

Abstract: Railroads cannot satisfy the demand for freight cars, because they do not use the existing car fleet efficiently. Enough cars are available, but they are in the right place at the right time. **Findings/Conclusions:** GAO found that, because the Interstate Commerce Commission's (ICC) authority is limited and other Federal agencies lack authority over car availability, Federal efforts to improve freight car utilization have not been too successful. As an aid to the industry, the recently approved Staggers Rail Act of 1980 authorizes that Federal funds available to assist railroads can be used for car management systems to improve car utilization. However, the Act will not necessarily make funds available to all railroads that might be interested in such a system. Although shippers have persistently complained of their inability to obtain freight cars on demand, unfilled orders never exceeded 4 percent of the serviceable fleet from 1973 through 1978. Moreover, data on unfilled car orders is of questionable accuracy, because shippers are thought to inflate their orders during peak demand periods. The courts have ruled that ICC may not impose performance standards; therefore, ICC has traditionally approached the freight car problem by restricting or directing the movement of particular cars. Rather than adding more cars, the freight car problem could be reduced in the long run through technical and economic changes. The railroads could improve utilization and balance distribution by developing and using a computerized, nationwide system of car management. The Federal Railroad Administration (FRA) has

sponsored studies which are informative and appear to offer solutions. However, operational improvements alone will not solve the inability of shippers to obtain freight cars on demand. **Recommendation To Agencies:** The Chairman of ICC should: (1) prescribe specific criteria for issuing emergency car service orders and establish a system to control and evaluate the effects of these orders; (2) study whether penalties induce shippers to release cars faster and whether prompt release results in more efficient use of the cars; and (3) work with the rail industry and FRA to develop the technology and cooperation needed to implement a compatible management information system. The Secretary of the Department of Transportation should direct the Administrator of FRA to continue to develop and demonstrate improved railroad car management and control methods that could be used in a compatible nationwide system and to use available assistance programs to encourage railroads to install and use the systems.

113739

[Social Security Administration's Beneficiary Rehabilitation Program]. HRD-81-22; B-201008. November 10, 1980. 7 pp. plus 1 enclosure (1 p.).

Report to Patricia R. Harris, Secretary, Department of Health and Human Services; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Income Security and Social Services: Eligibility Determinations (1307).

Contact: Human Resources Division.

Budget Function: Income Security: General Retirement and Disability Insurance (0601).

Organization Concerned: Department of Health and Human Services; Social Security Administration; Department of Education.

Congressional Relevance: House Committee on Ways and Means: Oversight Subcommittee.

Authority: Social Security Amendments of 1965. Rehabilitation Act of 1973.

Abstract: GAO reviewed the Beneficiary Rehabilitation Program (BRP) of the Social Security Administration (SSA). The primary purpose of BRP is to provide savings to the trust funds by returning as many disabled beneficiaries as possible to the work force, thereby terminating their social security disability benefits. GAO focused on the question of whether available data could be used to determine the program's effectiveness. **Findings/Conclusions:** SSA has neither collected all the necessary data nor established a management information system essential to assess the program's effectiveness. The eligibility of many beneficiaries who were served by the program was questionable because they were expected to medically recover at the time they were awarded disability benefits. The criteria for selection of individuals for the program include: (1) existence of a disabling physical or mental impairment which is not so rapidly progressive as to outrun the effect of vocational rehabilitation services, or to preclude restoration of the beneficiary to productive activity; (2) the disabling effect of the impairment, without the services planned, is expected to remain at a level of severity which would result in the continuing payment of disability benefits; (3) there is a reasonable expectation that such services will result in the restoration of the individual to productive activity; and (4) the reasonably predictable period of productive work activity is long enough that the benefits to be saved and the contributions which would be paid to the trust funds on future earnings would offset the cost of the services planned. **Recommendation To Agencies:** The Secretary of Health and Human Services (HHS) should require the SSA Commissioner to develop and implement a management information system for BRP. The Commissioner should set forth a specific timetable and resource commitment for implementing such a system, including designating one person with overall responsibility. The Commissioner should submit periodic status reports on the

Citation Section

system's development and implementation to the Secretary. The BRP selection criteria should be modified to clarify that trust fund moneys should not be used to finance rehabilitation services for temporarily disabled individuals. The Secretary can accomplish this by modifying the second selection criterion to state that disabled beneficiaries with a medical reexamination diary are to be considered ineligible for BRP during the diary period. The Secretary of HHS should work with the Department of Education to establish an administrative process for BRP to reimburse the basic State rehabilitation program for the cost of services provided to disabled beneficiaries during the period it was expected that they would medically recover.

113741

[Computers in Civil Engineering in the World of Today and Tomorrow]. June 10, 1980. 19 pp.

Speech before the Second Conference on Computers in Civil Engineering, American Society of Civil Engineers; by Elmer B. Staats, Comptroller General.

Contact: Office of the Comptroller General.

Organization Concerned: National Science Foundation; American Society of Civil Engineers; Department of Defense; Department of Commerce; Department of Energy.

Authority: Revenue Act of 1978.

Abstract: Great effort must continue to be concentrated on improving the state-of-the-art of applying computers to the civil engineering field. Computer-aided engineering methods open new areas for improving building design and lowering building costs. However, the United States is using only a small percentage of its computer and engineering expertise. A great number of computer programs of all types have been written for building design engineering applications. Yet the computer's role in the design process has changed very little. It is still used primarily to solve mathematical engineering analysis problems. The computer has rarely been applied to architectural design work. Improving the quality of life by enlarging and refining the building industry depends largely on the affordability and on the quality of plans and designs. Civil engineers must move toward more efficient use of computers to help them design and draft, or lose out. More civil engineers are not using computers to design and draft because of the lack of computer programs aimed specifically at the practice of civil engineering and building construction, the lack of information or cost comparisons to demonstrate how much money can be saved by automation, and the high costs of computer hardware. Computer costs have now come down and can free all types of engineers from monotonous tasks which will give them more time to be creative. Engineers can sketch designs on terminal screens and let computers create the final drawings. Computers can assemble parts on circuits and simulate the way they would work. Computers can also convert a design into a coded form to run automated machinery. If engineers are to respond to the challenges of the 1980's, they must improve their capabilities and use their computer resources wisely. Developing more computer software for the practice of civil engineering along with the training of current staff will be a long and arduous task. Much remains to be done to bring the power of today's computers to the civil engineers who work for small engineering firms.

113746

Expanded Use of an Improved Defense Automated Small Purchase System Would Yield Big Savings. PSAD-81-10; B-200410. November 13, 1980. 24 pp. plus 4 appendices (5 pp.).

Report to Harold Brown, Secretary, Department of Defense; by Walton H. Sheley, Jr., Acting Director, GAO Procurement and Systems Acquisition Division.

Issue Area: General Procurement: Effectiveness of Central Supply Agencies in Providing Quality Products and Services (1923).

Contact: Procurement and Systems Acquisition Division.

Budget Function: National Defense: Department of Defense - Procurement & Contracts (0058).

Organization Concerned: Department of Defense; Defense Logistics Agency.

Abstract: The Standard Automated Small Purchase System (SASPS) at the Defense Logistics Agency (DLA) is an advanced, computerized system for procuring supplies such as hardware, appliances, electronic components, and construction materials for the military. The system expedites awards of under \$10,000 by reducing manual effort and cutting administrative costs, while insuring fair and reasonable prices for goods.

Findings/Conclusions: The quality of SASPS compares favorably with manual buys, and it is less costly to administer. However, improvements are needed to increase the efficiency of the system and to broaden its scope. No formal long-range management plan exists to guide the orderly development, modification, and expansion of the system. The expansion of automated purchasing to include most of the small purchase items would result in an estimated savings in administrative costs of at least \$4.5 million annually.

Recommendation To Agencies: The Secretary of Defense should require DLA to immediately establish and implement a time-phased action plan to expedite implementation of system improvements and to expand automation of small purchases to items that are presently processed manually. The plan should provide for: (1) automating the processing of most of the remaining manual small purchases at the hardware centers and justifying the instances of continued manual purchasing; (2) increasing the consolidation of procurements to effect maximum economies through reduced prices, quantity price breaks, and lower administrative costs; (3) improving the reliability of base and standard prices and documentation of award decisions; (4) reducing the processing time for automated buys; (5) reassessing the role of the automated noncompetitive system; and (6) developing cost data that can be used to better evaluate the effectiveness and efficiency of the automated system. The Secretary should also require DLA to periodically report to him on the activities undertaken and the progress achieved in improving and expanding SASPS.

113747

[Productivity Improvement in Government]. October 14, 1980. 11 pp.

Speech before the Conference on Management of Case Processing, University of Maryland, College Park, MD; by Elmer B. Staats, Comptroller General.

Contact: Office of the Comptroller General.

Organization Concerned: Office of Personnel Management; United States Civil Service Commission; Bureau of Labor Statistics; Office of Management and Budget; Government Printing Office; United States Chamber of Commerce; University of Maryland, College Park, MD.

Congressional Relevance: House Committee on Appropriations.

Authority: Civil Service Reform Act of 1978.

Abstract: Productivity relates to both the public and private sectors of the economy. The Office of Personnel Management (OPM) provides a number of productivity improvement services including: (1) consulting services on organizational and personnel problems, (2) assistance in developing performance appraisal and productivity measurement systems, (3) research on productivity improvement, and (4) extensive managerial training assistance. GAO became involved in Federal productivity activities by creating the Federal Productivity Measurement Program. That program now provides productivity measures covering two-thirds of the Federal Government. The issue of productivity has recently become a matter of national concern. The key to successfully developing and implementing productivity improvements in the public sector is the

manager. Management must be aware that there are basic approaches to improving productivity: technological, organizational, and behavioral. Managers enhance productivity by using all three approaches in the following ways: (1) establishing goals for their organizations and using available tools, such as performance measurement, to discover how efficient and effective their offices really are, (2) introducing new technology only after office procedures have been streamlined and after the managers have determined where the technology is most needed, and (3) taking advantage of opportunities to enhance employee motivation and reward good performance.

113763

Automated Career Management for DOD Civilians: Performance and Potential. FPCD-81-3; B-200225. November 14, 1980. 42 pp. plus 3 appendices (5 pp.).

Report to Harold Brown, Secretary, Department of Defense; by Hyman L. Krieger, Director, GAO Federal Personnel and Compensation Division.

Issue Area: Automatic Data Processing: Use of Computer Systems for Agency Mission Requirements and Support Functions (0108); Personnel Management and Compensation: Civil Service Reorganization and Reform Implementation (0319).

Contact: Federal Personnel and Compensation Division.

Budget Function: General Government: Central Personnel Management (0805).

Organization Concerned: Department of Defense.

Abstract: The manner in which the Department of Defense (DOD) recruits, selects, develops, and uses its civilian personnel determines its ability to provide an effective defense work force and maintain ongoing military readiness. The Automated Career Management System (ACMS), a computer-based civilian personnel inventory, appraisal, and referral system, has unrealized potential as an information tool for managing the defense civilian work force. **Findings/Conclusions:** GAO found that employee and managerial complaints about the present and future uses of ACMS have made it a subject of controversy. Several problems noted were: (1) questionable objectivity of the ACMS appraisal instrument; (2) doubtful reliability of the rating system; (3) unknown validity of the appraisal and promotion process; (4) no assurance that the evaluation and selection of candidates for promotion referral is job related; and (5) supervisors' insufficient understanding and training in the ACMS rating and ranking process. Under the present procedures, getting consistent ratings from different raters may be more a matter of chance than of real performance or potential. Since DOD has no clearly defined performance benchmarks, supervisory ratings tend to be inconsistent and difficult to compare. Research indicated that the relevance, objectivity, reliability, and validity of supervisory appraisals are increased when supervisors are trained to make appraisals and avoid common rater errors. **Recommendation To Agencies:** The Secretary of Defense should direct the Assistant Secretary (Manpower, Reserve Affairs, and Logistics) to: (1) determine the costs, benefits, and results of DOD-wide appraisal, referral, and selection; (2) professionally validate ACMS appraisal instruments and rating and ranking procedures to insure their objectivity, reliability, and job relatedness; (3) insure that supervisors are adequately trained in how to make objective appraisals; (4) clarify the relationship between the purposes of ACMS appraisals and DOD components' performance; (5) obtain feedback from individuals placed through ACMS and their supervisors to identify weaknesses and improve evaluation procedures; and (6) develop a systematic, coordinated approach to researching, developing, and using appraisal instruments throughout DOD. The Assistant Secretary, DOD components, and military services should jointly: (1) redefine and restate the need for a DOD-wide automated personnel system; (2) determine what

information is needed, why, and by whom; (3) evaluate the extent to which ACMS can presently satisfy identified informational requirements; (3) determine necessary system improvements to meet unsatisfied informational requirements and direct the system operators to make such changes as are needed; (4) develop specific guidance on management uses of ACMS as a general purpose personnel information system; (5) establish an organized user evaluation and feedback procedure for suggestions on innovative system use and improvements; and (6) develop guidance on the interaction between DOD-wide civilian personnel information systems and component service systems, as well as between military and civilian personnel systems. DOD functional managers in those career fields registered in ACMS should: (1) investigate the extent to which ACMS can be used to manage the civilian work force; (2) evaluate information regularly provided by ACMS and suggest improvements that would increase the use of ACMS in workforce planning and civilian career management; (3) take the initiative in developing new applications for ACMS, as automated data processing career field managers have; and (4) investigate the use of ACMS as a tool in defense mobilization planning.

113765

Federal Evaluations. PAD-80-48. November 1980. 979 pp. Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Program and Budget Information for Congressional Use: Standardizing Information (3401).

Contact: Program Analysis Division.

Budget Function: Congressional Information Services (1008).

Organization Concerned: Department of Agriculture; Department of Commerce; Department of Defense; Department of Education; Department of Health and Human Services; Department of Housing and Urban Development; Department of the Interior; Department of Justice; Department of Labor; Department of State; Department of Transportation; Department of the Treasury; Executive Office of the President.

Congressional Relevance: Congress.

Authority: P.L. 93-344.

Abstract: A compilation of program evaluation information is presented. Agencies submitted reports on each program or management evaluation completed since the end of June 1977. Agency personnel were provided with detailed guidelines explaining the purpose of the survey and containing both conceptual guidance and detailed instructions for completing the survey forms. Some of the citations represent rigorous scientific evaluations; others are less rigorous or evaluative. Some of the studies appear to be comprehensive reviews of entire programs or major components; others are more narrowly focused on specific activities within programs. GAO did not attempt to screen out entries by applying rigorous standards of relevance or validity. Each agency determined its contribution to the sourcebook on the basis of its best judgment as to what reflected its evaluation activity. The primary purpose of the sourcebook is to facilitate access to the evaluation information which may be useful to Congress. The Directory permits the user to identify and locate evaluative studies on subjects of interest. While the primary orientation is toward the congressional user, the directory should also prove useful to others who produce or use evaluation studies and need to know what work has been done on a particular subject.

113766

Federal Information Sources and Systems. PAD-80-50. November 1980. 1178 pp.

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Program and Budget Information for Congressional Use: Standardizing Information (3401).

Citation Section

Contact: Program Analysis Division.

Budget Function: Congressional Information Services (1008).

Organization Concerned: Department of Defense; Department of Education; Department of Energy; Department of Health and Human Services; Department of Housing and Urban Development; Department of the Interior; Department of Justice; Department of Labor; Department of State; Department of Transportation; Department of the Treasury; Executive Office of the President.

Congressional Relevance: Congress.

Authority: Congressional Budget Act of 1974 (P.L. 93-344).

Abstract: In cooperation with the Director of the Congressional Budget Office, the Secretary of the Treasury, and the Director of the Office of Management and Budget, the Comptroller General compiled a directory describing Federal sources and information systems maintained by executive, independent, and legislative agencies, which contain fiscal, budgetary, and program-related information. In addition to the usual bibliographic information, each citation in the directory provides a descriptive abstract containing information on the purpose, data content, inputs and outputs, relevant budget program information, authorizing legislation, congressional committee jurisdiction, and geographic relevance.

113769

[Applicability of Service Contract Act to Service Employees of ADP and High-Technology Companies]. November 19, 1980. 12 pp.

Speech before the Coalition for Common Sense in Government Procurement; by Charles J. Gareis, Senior Evaluator, GAO Human Resources Division.

Contact: Human Resources Division.

Organization Concerned: Employment Standards Administration; Automated Data and Telecommunications Service; Department of Defense; National Aeronautics and Space Administration.

Congressional Relevance: House Committee on Government Operations; *Rep.* Frank Horton; *Rep.* Jack Brooks.

Authority: Service Contract Act of 1965. Fair Labor Standards Act of 1938. Walsh-Healey Act (Government Contracts). Automatic Data Processing Equipment Act (P.L. 89-306).

Abstract: The Service Contract Act was enacted to provide labor standards protection to employees of contractors furnishing services to Federal agencies. Covered service employees must receive wages no less than the minimum wage, and for contracts exceeding \$2,500, the minimum wages and fringe benefits must be based on rates that the Department of Labor determines as prevailing for service employees in the locality. Soon after the Labor notification that maintenance and repair specifications of all contracts for equipment were subject to the Service Contract Act, several major automatic data processing (ADP) manufacturers announced their refusal to bid on or enter into any Government contract subject to coverage by the Act. Recognizing that Labor's decision could seriously affect the maintenance and repair of the Government's inventory of computers, a congressional committee asked GAO to review Labor's decision to apply the Service Contract Act to ADP and telecommunications products. GAO found that Labor's application of the Act to contractor services sold primarily in the commercial sector, such as provided by ADP and other high-technology industry, was inappropriate. Corporations provided convincing evidence that the Act should not apply because substantial quantities of their products and services are sold commercially at established catalog prices; Government business represents a small portion of their total business; and their service technicians receive adequate wages under their merit pay systems and, thus, do not need wage protection. Labor's decision would eventually increase the administrative burdens and operating cost of each corporation and hinder employee productivity and morale by disrupting merit pay systems and staff assignment practices. Several corporations stressed the

inflationary impact Labor's wage determinations could have on the industries' wage rates. GAO has recommended that Congress amend the Act to make it clear that the Act excluded coverage for ADP and other high-technology commercial product-support services. Pending such action, GAO recommended that Labor temporarily exempt from the Act's coverage contracts and contract specifications for such services.

113777

[Protest of Alleged Solicitation Improprieties]. B-200772. November 18, 1980. 2 pp.

Decision re: Computer Sharing Services, Inc.; by Harry R. Van Cleve (for Milton J. Socolar, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: Computer Sharing Services, Inc.; Department of Labor.

Authority: 4 C.F.R. 20. 4 C.F.R. 20.2(b)(1). B-194967 (1979). B-198782 (1980).

Abstract: A firm protested any award or determination to perform the work in house under a request for proposals (RFP) by the Department of Labor for comprehensive computer support services. The protester contended that the RFP was improper and incomplete because the protester required additional information to select the appropriate processor to run the subject application. GAO held that protests alleging solicitation improprieties, which are apparent prior to the closing date for receipt of initial proposals, must be filed prior to the closing date. The protester filed its protest 1 month after the closing date. Accordingly, the firm's protest was untimely and was not considered on the merits.

113788

Computerized Hospital Medical Information Systems Need Further Evaluation To Ensure Benefits From Huge Investments. AFMD-81-3; B-199685. November 18, 1980. 4 pp. plus 2 appendices (19 pp.).

Report to Secretary Patricia R. Harris, Department of Health and Human Services; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Automatic Data Processing; Social and Economic Impacts of Computer-Based Systems (0109); Health Programs (1200).

Contact: Accounting and Financial Management Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: Department of Health and Human Services; Public Health Service: National Center for Health Services Research; Health Resources Administration: Bureau of Health Planning.

Authority: P.L. 95-623.

Abstract: GAO reviewed computerized hospital medical information systems (HMIS) which are expected to proliferate in the Nation's hospitals within the next 5 to 10 years. The review was made to determine what the National Center for Health Services Research (NCHSR) has done to answer questions on the social and economic impact of HMI systems. NCHSR is responsible, among other things, for supporting research, demonstration, and evaluations of the systems. *Findings/Conclusions:* NCHSR has made only limited studies to evaluate the social and economic impact of HMIS in a hospital setting. The evaluations indicated that the systems improved health care delivery. However, the question of whether the systems are cost saving or cost raising was not completely resolved. In 1978, NCHSR specified that it was committed to evaluating HMIS. However, it did not have sufficient fiscal 1980 funds to meet all of its priorities and to adequately evaluate the systems. It has no approved plan for spending fiscal 1981 funds for evaluating the systems. Further, NCHSR has not updated its plan since the early

1970's nor has it selected a strategy for further NMIS evaluations. NCHSR has spent a minimum amount of funds for evaluating the systems in hospital settings. During the last 9 years about \$29.5 million was provided for HMIS-related projects, but only 2.5 percent of the money was spent for evaluating the systems in hospital settings. The remaining funds were spent on various HMIS-related projects such as a computer-aided medical audit and drug interaction warning applications. For example, the Bureau of Health Planning (BHP) and NCHSR are developing a workbook with added guidance to help health systems agencies evaluate hospital requests to acquire HMIS. **Recommendation To Agencies:** To assure that timely answers about the effects of HMIS on cost, patient care, and confidentiality, the Secretary of Health and Human Services should direct NCHSR to reassess its fiscal 1981 funding allocations to determine what funds can be allocated to evaluating the systems, and to update and implement its program plan to assure that future funding allocations are provided for more evaluations. Further, the Secretary should direct BHP to act to ensure that appropriate HMIS guidance is issued to health systems agencies on a timely basis.

113802

[Protest of GSA Solicitation]. B-198094, B-198094.2. November 18, 1980. 4 pp.

Decision re: International Business Machines Corp.; by Harry R. Van Cleve (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: International Business Machines Corp.; General Services Administration; Federal Data Corp.

Authority: 58 Comp. Gen. 591. D.A.R. 1-1208. B-189214 (1978).

Abstract: A company protested the provision in a request for proposals (RFP) which provided that only new equipment could be offered to meet a requirement for a time sharing system. A contract was awarded notwithstanding the protest. The procuring agency claimed that the company's protest was untimely because it was filed after the closing date for the receipt of initial proposals. However, because the agency issued a letter clarifying the RFP provision for procuring only new equipment, this letter in effect amended the RFP. Since the company's protest was filed immediately after receiving the letter, the protest was timely. The procuring agency demonstrated that new equipment was necessary because expensive tests which the equipment would support would have to be repeated if data were lost. Since the new equipment clause was not arbitrarily held, it was not restrictive of competition. The protest was denied.

113830

Millions in Stock Funds Mismanaged at Defense Personnel Support Center. AFMD-81-2; B-197559. November 21, 1980. 34 pp. plus 9 appendices (19 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Internal Auditing Systems: Management Control Systems in Federal Agencies for the Prevention of Fraud and Abuse (0206); Accounting and Financial Reporting: Systems To Assure That Agencies Do Not Overobligate and/or Overexpend Their Appropriations (2804).

Contact: Accounting and Financial Management Division.

Budget Function: National Defense: Department of Defense - Military (except procurement and contracts) (0051).

Organization Concerned: Department of Defense; Defense Logistics Agency; Defense Personnel Support Center; Defense Logistics Agency; Department of Justice.

Congressional Relevance: House Committee on Appropriations; Senate Committee on Appropriations; Congress.

Authority: Budget and Accounting Procedures Act of 1950 (31

U.S.C. 66). Supplemental Appropriations Act, 1950 (31 U.S.C. 200). 10 U.S.C. 2208. 18 U.S.C. 1018.

Abstract: GAO reviewed the inability of the Defense Personnel Support Center to control hundreds of millions of stock fund dollars because of its ineffective accounting systems. The Center could not accurately determine amounts paid and amounts of unliquidated obligations. In an attempt to correct its records, the Center made financial adjustments during fiscal years 1978 and 1979. However, the validity of most of these adjustments could not be determined because they were not supported by adequate documentation. Even after the adjustments, many of the records were still inaccurate. **Findings/Conclusions:** In its review, GAO found that the chaotic condition of the Center's funds control systems and records prevented it from systematically detecting fraudulent contract payments. Additionally, the Center's problems were compounded when erroneous account balances were certified as correct. The balances were certified even though the Center was aware that it had serious funds control problems. In addition, full disclosure was not made in financial statements of either the Center's funds control problems or the large amount of adjustments that were made without adequate supporting documentation. Although the Defense Logistics Agency (DLA) was aware of the Center's problems, it did not require withdrawal or adequate qualification of certification statements. Moreover, DLA certified the Center's accounts as correct despite knowledge of the Center's problems and unsupported adjustments. The Center's funds control problems occurred because its two major commodities are managed under ineffective financial accounting systems. The systems lack adequate controls to assure timely, accurate processing and recording of financial transactions. Further, the Center's operational problems included problems in funds control system procedures, practices, and documentation. **Recommendation To Agencies:** The Secretary of Defense should investigate the fiscal 1978 and 1979 certificates submitted by the Center and DLA to determine if they were made when known to be false, which would be in violation of Federal law. If a violation has occurred, the Justice Department should be informed. Additionally, the Secretary of Defense should have the Director, DLA: (1) establish a project team to develop an overall plan for resolving the Center's funds control problems; (2) closely monitor and submit progress reports on the full implementation of the DLA standard automated materiel management system at the Center to ensure that milestone dates for the various conversion phases are met; (3) ensure that the Center strengthens its reconciliation and validation procedures, improves its practices for correcting rejected financial transactions, provides adequate training to its personnel, improves its record-keeping, and prepares written procedures and instructions for operating its funds control system; (4) ensure that the Center's financial control account balances are reconciled with supporting records and that amounts recorded in supporting records are validated before the financial data is incorporated into the standard automated materiel management system; and (5) ensure that the Center's future reports of financial condition are qualified as necessary. Furthermore, because of the seriousness of the Center's problems, the Secretary of Defense should provide an overall plan to the Chairmen of the House and Senate Committees on Appropriations before fiscal year 1982 specifying corrective actions and milestones for implementing the actions and specifying the criteria to measure the effectiveness of actions taken.

113874

[Protest Against Evaluation of Proposal]. B-199769. November 28, 1980. 4 pp.

Decision re: Questar Data Corp.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Citation Section

Organization Concerned: Questar Data Corp.; Electronic Data Systems, Inc.; General Services Administration.

Authority: 4 C.F.R. 20.2. B-193008 (1979). B-190231 (1978).

Abstract: A company protested the award of a contract for systems and programming services. The company submitted the following grounds for protest: (1) the technical evaluation scheme in the request for proposals (RFP) placed too much emphasis on technical factors which were subjective and, as such, subject to error; (2) there was a leak of its low price from the first of two rounds of bidding, making the second round improper; and (3) the qualifications and competence of the evaluators were suspect due to the length of time taken to evaluate four proposals and to make an award. The company believed that the three issues raised in its protest were untimely, but requested consideration under the significant-issue exception to GAO timeliness rules. The first issue of protest raised questions pertaining to the evaluation scheme and was based on alleged improprieties in the solicitation which were required to have been raised prior to the closing date for receipt of initial proposals. Therefore, this portion of the protest was untimely. The third issue was based on the length of time taken to evaluate the four proposals, which was known to the protester at the time of the award. As the protest was filed more than 10 days after the date of notification of the award, the third issue was also untimely. Where the merits of a protest involve issues which have been considered frequently in previous GAO decisions, as in the subject protest, such issues are not considered to be significant within the significant-issue exception of the GAO protest procedures. Since the second issue of protest concerning an alleged price leak was filed 3 working days after the contract award, it was timely. The fact that the awardee alone reduced its price, in and of itself, was not held to be sufficient to satisfy the protester's burden of proof. Accordingly, the protest was dismissed in part and denied in part.

113881

[Review of GSA's Acquisition of ADP Resources]. AFMD-81-15; B-200948. October 24, 1980. *Released* November 25, 1980. 5 pp. *Report* to Rep. Jack Brooks, Chairman, House Committee on Government Operations; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Use of Computer Systems for Agency Mission Requirements and Support Functions (0108).

Contact: Accounting and Financial Management Division.

Budget Function: Automatic Data Processing: Security of ADP Systems (1011).

Organization Concerned: General Services Administration; Computer Sciences Corp.; Office of Management and Budget.

Congressional Relevance: House Committee on Government Operations; *Rep.* Jack Brooks.

Authority: P.L. 92-313.

Abstract: In March 1972, the General Services Administration (GSA) awarded a fixed-price requirements-type contract known as the National Teleprocessing Services (NTS) contract. This contract was a mandatory source for all Government users requiring teleprocessing services and consisted of interactive timesharing and remote batch access to a data base under a nationwide teleprocessing network. The initial contract period, subject to annual renewals, was not to exceed 54 months. However, almost twice this initial contract period has passed, and current extensions run to 1981 and 1983 for two dedicated systems. In October 1974, GSA contracted for a sole-source, 12-month lease of a dedicated teleprocessing system exclusively for the Federal Building Fund accounting system. To insure that dedicated service would be available for the accounting system without disruptions in processing, GSA modified the NTS contract. To enhance competition within the automatic data processing (ADP) teleprocessing services environment, GSA established the Teleprocessing Services Program (TSP). It issued a directive to all Federal agencies that the

TSP would become the mandatory means by which Federal agencies would acquire commercial teleprocessing services. However, GSA exercised its options of its own NTS contract by extending it once more, even though all other Federal agencies were required to use the TSP program. GSA has been developing a long-range plan to replace its in-house ADP equipment because this equipment is outdated and inadequate to meet increasing data processing requirements. Until a fully competitive procurement can be executed and the internal ADP systems can be converted to the newly acquired resource, GSA has determined that it still requires the NTS dedicated systems. **Findings/Conclusions:** It is believed that the GSA's two dedicated systems under the NTS contract can be competitively replaced before the expiration of the current extensions. GSA has stated that the requirements for these systems already have been identified for inclusion in the request for proposals for the planned long-range procurement. "Therefore, GSA should have sufficient time to complete both systems, rather than continue to extend the contract. **Recommendation To Agencies:** The Administrator of GSA should (1) not exercise the GSA option to extend the NTS contracts beyond their current expiration dates, and (2) take prompt action to insure that the current NTS workload will be processed by competitively awarded contracts when the current NTS contract extensions expire and until the planned long-range ADP resource is acquired.

113882

[Reversing the Decline in American Productivity]. November 12, 1980. 16 pp.

Speech before the Second Annual Honeywell CAD/CAM Workshop; by Elmer B. Staats, Comptroller General.

Contact: Office of the Comptroller General.

Organization Concerned: National Productivity Council.

Congressional Relevance: House Committee on Ways and Means: Trade Subcommittee; Joint Economic Committee.

Authority: Revenue Act of 1978.

Abstract: The productivity problem is a major contributing factor to the economic problems facing the country. The problem is national in scope, and a national effort involving both the Government and the private sector will be necessary to solve it. GAO is examining the productivity problem at the request of the House Subcommittee on Trade. Part of that study was a discussion involving top-level representatives from industry, labor, and academia, where several important points were made, including: (1) labor and management must alter existing adversary relationships in order to successfully initiate productivity and quality efforts; (2) additional capital must be made available for productive investment; and (3) Government should have a productivity focal point that will support increased cooperation among industry and Government and the coordination of Federal productivity efforts. Although national productivity largely depends on the performance of business, Government plays an important role in establishing the broad economic, legal, and social framework within which business operates. The National Productivity Council was established as an organization responsible for providing coordinated and effective Federal programs to improve productivity. With minor exceptions, the Council has not met its charge. The Council has not coordinated or guided the actions of Federal agencies to improve productivity, has not provided legislative or administrative proposals for productivity improvement, and has not attempted to seek the advice and assistance of business, labor, and academic leaders concerned with productivity. A national productivity plan, backed up by a strong council, is needed to harness and direct funds and activities, and ultimately to improve productivity. The productivity plan should: (1) identify and describe the relationship and effect of existing Federal policies, programs, and activities on private sector productivity; (2) delineate clearly the responsibilities of Federal departments and agencies

having direct program functions within the plan; (3) identify existing unnecessary obstacles to productivity improvement created by the Federal Government; (4) provide alternative policies, programs, activities, and lines of responsibility to improve private-sector productivity; and (5) contain a priority listing of short- and long-term objectives, and specific projects and programs for the next year to attain these objectives.

113907

[Protest Alleging That RFP Was Improperly Structured]. B-198782. December 2, 1980. 9 pp.

Decision re: United Computing Systems, Inc.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: United Computing Systems, Inc.; Department of the Army; General Electric Co.; Information Services Co.; Computer Sciences Corp.

Authority: 4 C.F.R. 20. 57 Comp. Gen. 615. B-190203 (1978). B-187497 (1977). B-191013 (1980). B-191031 (1980).

Abstract: A company protested the award of a contract under a request for proposals (RFP) issued by the Army for certain teleprocessing support services in connection with operating the existing Computer-Assisted Map Maneuver System (CAMMS I) and its second generation called CAMMS II. The firm alleged that a proper RFP could not be issued since only CAMMS I was fully planned at this stage and CAMMS II would not take the same specifications or cost planning. The designs of both systems were similar but the question remained of whether the same computer designs would be able to handle CAMMS II if they were designed for CAMMS I. The second question involved the estimates for the quantity and mix of computing resources required to operate both systems. With regard to the first question, GAO held that the Army supplied convincing evidence that showed the two systems were similar in design and requirements. This conclusion was based on the Army's explanation that both systems: (1) were multiple level file-based or data-based; (2) simulated weapon systems, movement rates, and logistics; (3) required four or more terminals; and (4) provided a commander with a realistic method for evaluating the training requirements of his command. Thus, GAO believed that the RFP adequately described both systems' requirements. With regard to the second question, GAO concluded that the Army initially had a reasonable basis for its estimate of the quantity and mix of computing resources required to operate CAMMS I and CAMMS II. While the protester disagreed with the Army, it did not show that the Army presented unreasonable requirements in the RFP. Therefore, GAO held that the RFP was appropriate on this point. Accordingly, the protest was denied.

113929

[Review of the Tennessee Valley Authority's Procurements of Automatic Data Processing Equipment]. EMD-81-20; B-201063. November 7, 1980. *Released* December 8, 1980. 9 pp. plus 1 enclosure (1 p.). *Report to Rep. Jack Brooks, Chairman, House Committee on Government Operations;* by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Changing ADPE Acquisition Regulations To Meet the Objectives of the Brooks Act (0112); Energy: Federal Government's Role as Producer and Marketer of Electrical Power (1626).

Contact: Energy and Minerals Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: Tennessee Valley Authority; General Services Administration.

Congressional Relevance: House Committee on Government Operations; *Rep. Jack Brooks.*

Authority: Automatic Data Processing Equipment Act (P.L. 89-306; P.L. 92-382).

Abstract: The Tennessee Valley Authority (TVA) and the General Services Administration (GSA) determined that TVA needed additional automatic data processing (ADP) equipment to handle its expanding workload. Because this need was considered urgent, GSA allowed TVA to lease additional equipment without soliciting competitive bids from computer vendors. GSA stipulated that TVA proceed expeditiously toward a competitive procurement. **Findings/Conclusions:** With full practical use of its ADP resources, TVA could have avoided substantial expenditures in supplementing the processing capacity of its central computing system. TVA policies and procedures for ADP management did not result in the full practical use of its computing resources. TVA progress toward a fully competitive procurement of ADP equipment to replace its central computing system has been hampered by numerous delays. Although the agency has received contractor proposals, the specifications for the procurement have tended to limit competition. **Recommendation To Agencies:** The Chairman of the TVA Board of Directors should require that responsible agency officials validate TVA existing and future ADP requirements and develop and implement policies and procedures for assuring the full practical use of ADP equipment. To ensure that ADP acquisitions are economical, he should also direct that a contract for replacing TVA large-scale ADP equipment not be consummated until the agency has validated its ADP requirements and is efficiently using its existing ADP equipment.

113937

[Underground Economy--What Can and Should Be Done: The Federal Role]. November 19, 1980. 19 pp. plus 1 attachment (1 p.). *Speech before the National Tax Association;* by Daniel C. Harris, Group Director, GAO General Government Division.

Contact: General Government Division.

Organization Concerned: National Tax Association; Internal Revenue Service; Department of the Treasury.

Authority: Internal Revenue Code (IRC). Revenue Act of 1978. P.L. 94-202.

Abstract: If people had paid the taxes which the Internal Revenue Service (IRS) estimated went unreported in 1976, the Federal Government's fiscal year 1977 budget deficit would have been reduced by 58 percent. Certain actions are being taken by IRS to improve its programs to detect and deter noncompliance. Other actions need congressional attention. IRS compliance enforcement programs include collections, document matching, withholding, audits or examinations, and criminal investigations. IRS needs to improve the effectiveness of each program and needs to combine the use of the programs by developing an overall compliance strategy, which properly matches all forms of noncompliance with the best enforcement tool available, and reallocating its resources accordingly. Many people who were not required to file were selected for investigation, while many who may have been required to file were not selected. Because IRS selects more people than it could thoroughly investigate with its limited resources, its investigative policies and procedures limit the extent to which they are pursued. IRS can match reports of payments of wages, interest, dividends, and 16 other types of payments to income reported by taxpayers on their tax returns. One of the continuing problems with document matching is that payers do not submit all the required information documents, and IRS has not developed a means to ensure compliance. The main tools of IRS for detecting payer noncompliance are the package audit and full compliance check. These checks are selective, and little information is available on their overall effectiveness. Many documents filed by payers are not used and, thus, are not matched against tax returns. More income could be subjected to information reporting and document matching. Computerized operations could be more efficient and effective. IRS and the

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Treasury Department want more income types subject to withholding because of the underreporting problem and have advocated a withholding system for interest and dividends. IRS audits have not been as effective as they might be in detecting underreporters because of inadequate data detected by audits, because its process for selecting returns for audit has been more deduction oriented than income oriented, and because of inadequate examination time. IRS attempts to detect nonreporting or underreporting are impeded by complex and inequitable tax laws and a lack of resources.

113941

[Delays in Implementing the Department of Housing and Urban Development's Accounting System for Its Mortgage Insurance Program]. FGMSD-80-37; B-197882. March 4, 1980. Released December 3, 1980. 10 pp.

Report to Rep. Edward P. Boland, Chairman, House Committee on Appropriations: HUD-Independent Agencies Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Domestic Housing and Community Development (2100); Accounting and Financial Reporting: Systems To Insure That Amounts Owed the Federal Government Are Fully and Promptly Collected (2803).

Contact: Financial and General Management Studies Division.

Budget Function: Financial Management and Information Systems: Accounting Systems in Operation (1101).

Organization Concerned: Department of Housing and Urban Development.

Congressional Relevance: House Committee on Appropriations: HUD-Independent Agencies Subcommittee; Rep. Edward P. Boland.

Authority: Government Corporation Control Act.

Abstract: GAO reviewed the Department of Housing and Urban Development's (HUD) Mortgage Insurance Accounting System (MIAS), which is currently under development to support the Department's multibillion dollar mortgage insurance program. The new accounting system is essential to improve the mortgage insurance activities of HUD. The primary users of the new system's data will be the Assistant Secretary for Administration and the Assistant Secretary for Housing. The data will be used to fulfill accounting requirements, to provide more effective techniques and procedures to accomplish fiscal servicing, and to perform mortgage insurance functions promptly. The system's development has cost the Government in excess of \$23 million over the \$4.6 million originally estimated and more than 4 years delay in implementation.

Findings/Conclusions: The system's development has been plagued with problems that could have been minimized through more effective management controls, such as more frequent formal evaluations of and reports on the system's development progress and costs. Although greater emphasis is being placed on needed improvements in the system's development, action should be taken to enhance the chances of implementation of MIAS within the current milestones, as implementation within the current schedule may still provide opportunities for an increased benefit/cost ratio.

Recommendation To Agencies: The Secretary of HUD should: (1) require adequate studies of future design tasks to fully establish their magnitude and complexity, and specify that any future contracts for such tasks contain a detailed description of the task to be performed; (2) instruct the project managers to consider all feasible alternatives when making any future design changes and document the basis for alternatives selected; (3) have the system's design elements integrated and tested sequentially, as appropriate, to ensure that unforeseen problems are identified and corrected as quickly as possible; and (4) formalize a system for accumulating the system's development costs required for management purposes and ensure

that the system contains appropriate controls to provide for accurate accumulation of all relevant costs.

113945

Managing Foreign Mineral Information Programs To Support Public Policy Analyses. EMD-81-32; B-201142. December 10, 1980. 24 pp.

Report to Cecil D. Andrus, Secretary, Department of the Interior; by Douglas L. McCullough (for J. Dexter Peach, Director), GAO Energy and Minerals Division.

Issue Area: Materials: Information System Deficiencies (1808).

Contact: Energy and Minerals Division.

Budget Function: Natural Resources and Environment: Other Natural Resources (0306).

Organization Concerned: Department of the Interior; Department of State; Department of the Treasury; Department of Commerce; Bureau of Mines.

Authority: National Materials and Minerals Policy Research and Development Act of 1980.

Abstract: Changes in global mineral supply and demand conditions can have direct and far-reaching implications for U.S. economic stability and strategic capabilities. In spite of highly visible concern in the executive branch and Congress about U.S. foreign mineral information capabilities and numerous initiatives that have expanded Federal data collection and analysis capabilities, there continues to be no strategy for matching extensive information capabilities with public policy mineral information throughout the executive branch. For many mineral commodities critical to economic stability and strategic capabilities, the United States is increasingly dependent on foreign sources of supply. It is important to know about supply and demand of mineral sources from abroad, foreign reserves, and conditions that could result in supply interruptions.

Findings/Conclusions: Federal foreign mineral information capabilities fall short of public policy, decisionmaking, and overall resource management objectives because: (1) the Department of the Interior's foreign mineral data collection, analysis, and dissemination activities are principally responsive to individual office mandates rather than to the entire executive branch; (2) responsible policy planning, decisionmaking, and resource managers in the Federal Government have minimal contact with the various Government collection, analysis, and dissemination processes; (3) the wide selection of data available does not become part of a data pool, reducing its availability and effectiveness; (4) the use of foreign mineral data has been severely restricted due to the absence of a usable data management capability; and (5) commodity policy analysts throughout the executive branch contract for data bases from a wide variety of sources outside the Federal establishment, creating a lack of communication between data collection and policy planning. **Recommendation To Agencies:** The Secretary of the Interior should have lead responsibility for collection and analysis of foreign mineral data and should consider an automated data base management system approach as the most efficient means of assuring that the best attainable information is available. In addition, he should: (1) initiate an in-depth analysis of all continuing foreign mineral data needs and resources throughout the executive branch, including capabilities and requirements of State Department Foreign Service reporting officers; (2) direct centralization of responsibility of all foreign mineral and related information within the Minerals Information and Analysis Directorate of the U.S. Bureau of Mines; and (3) direct that the Minerals Information and Analysis Directorate structure the foreign mineral information system to be responsive to the needs of all agencies for minerals and related information needs and to incorporate ongoing data acquisition activities of other Federal agencies.

113949

[*Protest of Army Contract Award*]. B-195982. December 12, 1980. 9 pp.

Decision re: Computer Sciences Corp.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: General Services Administration; Computer Sciences Corp.; Department of the Army; Boeing Computer Services, Inc.

Authority: 4 C.F.R. 20.1(a). 4 C.F.R. 20.2(b). 56 Comp. Gen. 245. B-191013 (1980). B-190822 (1978).

Abstract: A company protested the award of a contract for teleprocessing services. The company argued that the programs comprising the benchmark testing, which all offerors were required to run, did not accurately or completely represent the actual work to be performed under the contract. The procuring agency contended that a series of letters and meetings between it and the company constituted initial adverse agency action, thereby, requiring that any protest be filed within 10 days of such action. However, at the time these exchanges occurred, both the protester and the contracting officer regarded the letters and meetings as an opportunity to clarify the agency's requirements. Therefore, they did not constitute a denial of protest or adverse agency action. Since the protest was filed more than 30 days before the closing date for receipt of initial proposals, it was timely. Protests involving benchmarking are judged by the same standards as other technical evaluation procedures; the establishment of qualification and testing procedures is a matter within the technical expertise of the agency. If a benchmark is rationally based, its use as an evaluation tool is within the discretion of the agency. Since the benchmark provided a reasonable basis for identifying the offeror with the lowest evaluated life cycle costs, it was sufficient as an evaluation tool, and its use was within the discretion of the agency. The protest was denied.

113960

VA Needs Better Visibility and Control Over Medical Center Purchases. PSAD-81-16; B-201069. December 12, 1980. 24 pp.

Report to Max Cleland, Administrator of Veterans Affairs, Veterans Administration; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: General Procurement: Effectiveness of Central Supply Agencies in Providing Quality Products and Services (1923).

Contact: Procurement and Systems Acquisition Division.

Budget Function: Procurement--Other Than Defense (1007).

Organization Concerned: Veterans Administration; Veterans Administration: Marketing Center, Hines, IL.

Abstract: GAO reviewed the Veterans Administration's (VA) medical center purchasing practices and made suggestions to improve procurement management as well as reduce operating costs. **Findings/Conclusions:** The VA Marketing Center purchases items that are stored and distributed through supply depots and manages supply schedule contracts for certain medical and food items. These centralized procurement programs give VA medical centers the opportunity to obtain supplies and equipment without having to independently solicit and award contracts. VA medical centers are required to use these programs whenever possible. However, the medical centers still annually purchase items costing millions of dollars from open market vendors. Opportunities for lower prices are being lost because of the VA failure to standardize common items used by medical centers, failure to maintain visibility over most supplies purchased by medical centers, uneconomical purchasing practices of the medical centers, and failure to consolidate purchases within and among medical centers. **Recommendation To Agencies:** The Administrator of Veterans Affairs should direct the Assistant Administrator for Supply Services to: (1) establish a central standards committee to identify and evaluate common items presently used by VA medical centers; (2) develop an information

system that provides greater visibility over all medical center purchases; (3) develop the controls needed to improve and monitor the purchasing practices of individual medical centers; (4) consolidate purchases within medical centers and among neighboring centers; and (5) implement the procedures necessary to assure that neighboring medical centers share product and vendor information so they can effectively take advantage of one another's purchasing and contracting experience.

113962

Increasing Use of Data Telecommunications Calls for Stronger Protection and Improved Economies. LCD-81-1; B-199052. November 12, 1980. Released December 12, 1980. 45 pp. plus 11 appendices (24 pp.).

Report to Rep. Richardson Preyer, Chairman, House Committee on Government Operations: Government Information and Individual Rights Subcommittee; Sen. Max S. Baucus, Chairman, Senate Committee on the Judiciary: Limitations of Contracted and Delegated Authority Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Communications: Assessing the Adequacy of Government Planning for Its Future Communications Needs (3702).

Contact: Logistics and Communications Division.

Budget Function: General Science, Space, and Technology: Telecommunications and Radio Frequency Spectrum Use (0258).

Organization Concerned: Office of Management and Budget; General Services Administration; National Telecommunications and Information Administration; Department of Commerce; National Bureau of Standards; American Telephone and Telegraph Co.; Veterans Administration.

Congressional Relevance: *House* Committee on Government Operations: Government Information and Individual Rights Subcommittee; *Senate* Committee on the Judiciary: Limitations of Contracted and Delegated Authority Subcommittee; *Rep.* Richardson Preyer; *Sen.* Max S. Baucus.

Authority: Foreign Intelligence Surveillance Act of 1978. Privacy Act of 1974. Crime Control Act. Communications Act of 1934. Property and Administrative Services Act (40 U.S.C. 481). Omnibus Crime Control and Safe Streets Act of 1968. Executive Order 12046. OMB Circular A-71. OMB Circular A-108.

Abstract: Increasing requirements for modern data transmission services in recent years have resulted in a rapid proliferation of costly single purpose or single agency data telecommunications networks in the civil Government. The Government's increasing use of telecommunications to extend data processing systems raises a variety of new issues and management problems concerning the protection of data transmissions against unauthorized, unwarranted, and illegal uses. A major concern of Congress is to maintain the confidentiality of vast amounts of personal and other sensitive information collected, maintained, and disseminated by Federal agencies. Machine generated communications that are being transmitted over interstate and foreign telecommunications facilities are not protected by current laws against unauthorized interceptions. **Findings/Conclusions:** Protection of data telecommunications against unauthorized wiretapping can be strengthened by amending telecommunication laws. Civil Government agencies need guidance to determine appropriate safeguards and controls for telecommunications. Executive level policies and guidance on telecommunications provide little assistance for operating agencies. Controls on Federal users and others authorized to collect and handle personal information should be strengthened to increase privacy protection for personal and other sensitive information, regardless of whether shared transmission facilities and related network controls are used. Data telecommunications networks in the civil Government are generally acquired from commercial telecommunications carriers by individual agencies for their own exclusive use.

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Some departments and agencies have taken or are taking actions to reduce their transmission costs through circuit sharing. GAO believes the consolidation of certain civil Government data telecommunications into a shared data telecommunications network could potentially reduce total Federal data telecommunications costs by at least 20 percent. Significant Government savings can be achieved through use of common user data telecommunications technology without conflicting with privacy objectives. **Recommendation To Congress:** In revising the bills introduced into Congress to amend or rewrite the 1934 Communications Act and to amend the 1968 Crime Control Act, Congress should provide protective provisions against unauthorized interception of all forms of telecommunications, not just those forms limited to aural acquisition. This legislation must be consistent with: (1) the rights of individuals embodied in the Constitution; (2) the need to protect copyrighted, proprietary, and other similar information transmitted via telecommunications systems; (3) the legislatively mandated missions of Federal agencies involving national security, foreign affairs, domestic and foreign intelligence, and law enforcement; and (4) the modern wire and radio transmission technologies used both for voice and data telecommunications. A direct and simple way to improve the protective provisions would be to clarify the definition of intercept in the 1968 Crime Control Act. Congress should limit the development and implementation of dedicated data telecommunications networks pending completion of the study and congressional determination on whether to proceed with a shared civil Government data telecommunications network. **Recommendation To Agencies:** The Director of the Office of Management and Budget, in cooperation with the Secretary of Commerce, should direct the Administrator of the National Telecommunications and Information Administration to develop clear policy guidelines and standards for Government data transmissions protection. These guidelines and standards should: (1) be consistent with the computer security guidance published by the National Bureau of Standards for automated data processing; (2) require risk analyses for data telecommunications networks supporting data processing systems used to maintain personal or other sensitive data; and (3) include standards and implementing guidelines for determining the appropriateness of encoding data with encryption techniques for electronic transmissions, including those containing personal information. The Director of the Office of Management and Budget should take appropriate action, including seeking concurrence from appropriate congressional oversight committees, to have a study made of the merits and problems of proceeding with a shared civil Government data telecommunications network instead of continuing with separate dedicated networks. The Director of the Office of Management and Budget, with the assistance of the Administrators of the General Services Administration and the National Telecommunications and Information Administration, should provide to the appropriate congressional oversight committees complete and accurate information on a potential shared data telecommunications network for the civil Government. This study should include the levels of economy achievable; the provisions for privacy protection; the implications on industry and Federal policies for the kind of procurement, ownership, and management controls proposed; and the impact on the affected civil agencies' data telecommunications cost and operations.

113965

[Protest Alleging That Solicitation Reduced Competition]. B-197185. December 12, 1980. 3 pp.

Decision re: U.S. Financial Services, Inc.; by Milton J. Socolar (for Elmer B. Staats, Comptroller General).

Contact: Office of the General Counsel.

Organization Concerned: U.S. Financial Services, Inc.; International

Business Machines Corp.; Defense Communications Agency.

Authority: 4 C.F.R. 20. 4 C.F.R. 20.2(a). B-199224 (1980).

Abstract: A firm protested an award of a contract for data processing equipment to a second firm. The protest was based on the contention that the 9-month system life reduced competition and violated the delegation of procurement authority issued by the General Services Administration. The original solicitation listed a 9-month term for the contract with a statement to the effect that the Government contemplated a 21-month use of the hardware. An amendment changed this 21-month period to a 9-month time period with an option for further leasing on a month to month basis. The protester did not submit a new bid but let stand its bid with the 21-month time period included. The award was subsequently given to a second firm, and the protester was so notified. The contention regarding the 9-month system life was untimely under bid protest procedures. The protester knew in advance about the change in the solicitation but did not act on this knowledge. The protester complained to the soliciting agency prior to the closing date of the solicitation and was advised that the requirements would not be changed back to the original specifications. Following a protest to the agency, the protester had 10 working days to file a protest with GAO. The protest was received well after this time constraint. One basis of the protest was timely because of information the protester received at the debriefing. The protester argued that the price given by the awardee was higher than the bid submitted by the protester. Apparently, this figure was derived by extending the 9-month price quoted by the awardee. However, based on the 9-month evaluated system life, the awardee was the low, technically acceptable offeror and, therefore, this basis of protest was denied. The protest was dismissed in part and denied in part.

113974

Continued Use of Costly, Outmoded Computers in Federal Agencies Can Be Avoided. AFMD-81-9; B-200828. December 15, 1980. 37 pp. plus 4 appendices (24 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Acquisition of ADP Resources Under the Brooks Act (0111).

Contact: Accounting and Financial Management Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: Office of Management and Budget; General Services Administration.

Congressional Relevance: Congress.

Authority: Automatic Data Processing Equipment Act (P.L. 89-306). OMB Circular A-71.

Abstract: Computers in the Federal inventory are out of date; only 2 percent of the large- and medium-scale computers use 1975 or later technology. Newer equipment of similar capacity could use existing software without significant changes; provide such benefits as faster speeds, better reliability, greater capabilities, and lower energy consumption; and avoid costly operations. **Findings/Conclusions:** Agencies have not recognized the costs and problems of continuing to use outmoded equipment. Guidance is needed to assist Federal managers' implementation of current technology, but such guidance has not been issued. Better knowledge of computer technology would enable Federal managers to better recognize and evaluate available economical alternatives. The present acquisition cycle is long, complicated, and frustrating and has contributed to the obsolescence of Federal computers. **Recommendation To Agencies:** The General Services Administration (GSA) should: (1) issue guidance to agencies outlining the criteria to be used and the cost comparisons to be made in determining outmoded equipment; and (2) set forth procedures for expeditiously replacing that equipment. GSA should develop and issue the guidance and criteria called for in the Office of Management and Budget (OMB) Circular A-71 to help ensure that, over the long term,

Federal computers are continually economic and efficient. GSA and OMB should require that: (1) replacement systems obtained on this basis be approximately the same relative compute power as the old systems; (2) replacement computers use existing software, including where possible, plug compatible or emulation processors; (3) agencies commit themselves to periodic reporting to OMB and GSA on progress toward replacing obsolescent software with standard high order languages, implementing other Federal automatic data processing (ADP) standards, and assessing the agency's mission and analyzing how ADP can best help; and (4) the internal audit group verify the cost calculations. OMB should require Federal agencies to: (1) assess their ADP requirements for the 1980's and plan appropriate short- and long-range procurement strategies, (2) institute a program to improve top managers' knowledge of current computer technologies and concepts, (3) increase top management involvement in the acquisition and resource allocation processes, and (4) ensure that ADP cost-accounting procedures reflect the principles of full costing and total system-life-cycle costing.

113991

[Alleged Questionable Actions by Electronic Data Systems Federal Corp. To Reduce Its Claims and Correspondence Backlogs Under Its Medicare Contract in Illinois]. HRD-81-45; B-200211. December 16, 1980. 17 pp.

Report to Rep. Charles B. Rangel, Chairman, House Committee on Ways and Means: Health Subcommittee; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Health Programs: Compliance of Federal and State Agencies, Fiscal Intermediaries, and Grantees With Federal Laws and Regulations (1221).

Contact: Human Resources Division.

Budget Function: Health: Health Care Services (0551).

Organization Concerned: Department of Health and Human Services; Electronic Data Systems Federal Corp.; Health Care Financing Administration.

Congressional Relevance: House Committee on Ways and Means: Health Subcommittee; Rep. Paul Simon; Rep. Charles B. Rangel.

Authority: Medicare Part B Carriers Manual §12016B.

Abstract: GAO was requested to report on several allegations of questionable actions by an Illinois Medicare carrier to reduce backlogs of pending claims and correspondence. One category of the allegations involved the actions taken by the carrier during the last quarter of 1979 to deal with the problem of a large backlog of pending claims. Another category of allegations involved the actions taken by the carrier during the first several months of 1980 to dispose of a significant backlog of unanswered correspondence. **Findings/Conclusions:** GAO was able to substantiate most of the facts surrounding the allegations. While some of the actions were inconsistent with the contract requirements, the carrier did not evade contract penalties. Carrier employees were acting in a high pressure environment brought on by a workload crisis that arose partly because of the carrier's inexperience as a Medicare carrier. Similar problems are likely to occur in the future if the agency continues to limit its contract monitoring to a preset evaluation plan without regard to the potential problems raised by a contractor's actions when it is forced to deviate from its normal procedures to handle crisis situations. Due to complaints from beneficiaries, GAO reviewed allegations concerning the carrier's handling of fair hearing requests. Resumes of the hearing officers showed that none were attorneys and only three had college degrees; thus, the carrier's staff qualifications were far below those stated in its technical proposal. The agency should assess the backlog problem, as well as review the normal workload of fair hearing requests. A review of 6 cases showed that proper decisions were rendered in each case, but each used poor rationale, poor literary composition,

and had incomplete files. The agency needs to take action to bring the carrier into compliance with the standards on documentation for system overrides and system edits, identify and evaluate the reason for the carrier's high volume of undeliverable mail, and provide continual oversight of the carrier's handling of reviews.

113992

[Alleged Questionable Actions by Electronic Data Systems Federal Corp. To Reduce Its Claims and Correspondence Backlogs Under Its Medicare Contract in Illinois]. HRD-81-44; B-200211. December 16, 1980. 17 pp.

Report to Rep. Paul Simon; by Gregory J. Ahart, Director, GAO Human Resources Division.

Issue Area: Health Programs: Compliance of Federal and State Agencies, Fiscal Intermediaries, and Grantees With Federal Laws and Regulations (1221).

Contact: Human Resources Division.

Budget Function: Health: Health Care Services (0551).

Organization Concerned: Department of Health and Human Services; Electronic Data Systems Federal Corp.; Health Care Financing Administration.

Congressional Relevance: House Committee on Ways and Means: Health Subcommittee; Rep. Paul Simon.

Authority: Medicare Part B Carriers Manual §12016B.

Abstract: GAO was requested to report on several allegations of questionable actions by an Illinois Medicare carrier to reduce backlogs of pending claims and correspondence. One category of the allegations involved the actions taken by the carrier during the last quarter of 1979 to deal with the problem of a large backlog of pending claims. Another category of allegations involved the actions taken by the carrier during the first several months of 1980 to dispose of a significant backlog of unanswered correspondence. **Findings/Conclusions:** GAO was able to substantiate most of the facts surrounding the allegations. While some of the actions were inconsistent with the contract requirements, the carrier did not evade contract penalties. Carrier employees were acting in a high pressure environment brought on by a workload crisis that arose partly because of the carrier's inexperience as a Medicare carrier. Similar problems are likely to occur in the future if the agency continues to limit its contract monitoring to a preset evaluation plan without regard to the potential problems raised by a contractor's actions when it is forced to deviate from its normal procedures to handle crisis situations. Due to complaints from beneficiaries, GAO reviewed allegations concerning the carrier's handling of fair hearing requests. Resumes of the hearing officers showed that none were attorneys and only three had college degrees; thus, the carrier's staff qualifications were far below those stated in its technical proposal. The agency should assess the backlog problem, as well as review the normal workload of fair hearing requests. A review of 6 cases showed that proper decisions were rendered in each case, but each used poor rationale, poor literary composition, and had incomplete files. The agency needs to take action to bring the carrier into compliance with the standards on documentation for system overrides and system edits, identify and evaluate the reason for the carrier's high volume of undeliverable mail, and provide continual oversight of the carrier's handling of reviews.

113993

Most Federal Agencies Have Done Little Planning for ADP Disasters. AFMD-81-16; B-200966. December 18, 1980. 13 pp. plus 1 appendix (7 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Use of Computer Systems for Agency Mission Requirements and Support Functions (0108).

Contact: Accounting and Financial Management Division.

Citation Section

Budget Function: Automatic Data Processing (1001); Automatic Data Processing: Security of ADP Systems (1011).

Organization Concerned: Office of Management and Budget; General Services Administration; Department of Commerce.

Congressional Relevance: Congress.

Authority: F.P.R. 101-35. F.P.R. 101-36.7. OMB Circular A-71. FIPS Pub. 31.

Abstract: As most Federal agencies are extremely dependent on automatic data processing (ADP) systems, GAO reviewed the lack of effort among many Federal agencies to develop backup plans to maintain reasonable continuity of data processing support when normal ADP operations are disrupted. **Findings/Conclusions:** GAO found not only a lack of understanding in the Federal Government of the importance of ADP backup planning, but also that agency top management has not fulfilled its responsibility for implementing the Office of Management and Budget (OMB) requirements for such plans. Of 55 activities reviewed, GAO did not find a single ADP backup plan which it considered adequate. Many activities only had written letters of agreement which were not sufficient. An adequate ADP backup plan should reduce the effects of a disaster by providing smooth, rapid restoration of an activity's critical operations until a lost ADP system can be permanently replaced or recovered. A review of interagency agreements indicated that: agreements are not always current, fulfilling agreements puts the agency providing backup in a contingency mode, ADP backup capability is not periodically tested to ensure compatibility of systems, most agreements contain only a single option, and agreements contain no guarantee that the backup equipment will be made available in the event of need. If operating systems have been modified, additional backup problems can be encountered. OMB has not provided the strong leadership needed to emphasize the importance of ADP backup planning and its role in reducing the risk that loss of ADP capability in an emergency could keep agencies from meeting their responsibilities. **Recommendation To Agencies:** The Director of OMB should: (1) establish a mandatory requirement for each Federal department and agency to organize an ADP executive committee, with membership comprising top management, to enhance management's involvement in ADP policy and responsibilities, as directed by Federal regulation, and this committee should report its activities to OMB before OMB approves the department's or agency's fiscal budget; (2) reaffirm that Federal agencies should test their ADP backup plans periodically to ensure continuity of data processing support in an emergency; (3) request that Inspector General or internal audit groups within each Federal agency evaluate ADP backup plans, review tests and test results in accordance with the OMB criteria, and report their evaluation to the ADP executive committee; (4) ensure that the Department of Commerce develops standards for ADP backup plans; and (5) issue policy cautioning against modifying operating systems software because of the increased difficulties such modifications cause, particularly in the area of backup.

113995

[Approval of the Design of the Defense Mapping Agency Accounting System]. FGMSD-80-90; B-159797. September 30, 1980. 2 pp.
Letter to Harold Brown, Secretary, Department of Defense; by Elmer B. Staats, Comptroller General.

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Defense; Defense Mapping Agency.

113996

[Approval of the Design of the Defense Logistics Agency Base Operating Supply Accounting System]. FGMSD-80-36; B-159797. July 14, 1980. 1 p.

Letter to Harold Brown, Secretary, Department of Defense; by Elmer B. Staats, Comptroller General.

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Defense; Defense Logistics Agency.

113997

[Approval of the Agricultural Stabilization and Conservation Service Accounting System Design for Program Operations]. FGMSD-80-93; B-200556. September 30, 1980. 1 p.

Letter to Bob Bergland, Secretary, Department of Agriculture; by Elmer B. Staats, Comptroller General.

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Agriculture; Agricultural Stabilization and Conservation Service.

113999

[Approval of the Executive Office of the President Accounting Principles and Standards Statement]. FGMSD-80-91; B-167904. September 30, 1980. 1 p.

Letter to Executive Office of the President; by Elmer B. Staats, Comptroller General.

Contact: Financial and General Management Studies Division.

Organization Concerned: Executive Office of the President.

114000

[Approval of Accounting Procedures Used for the Department of Justice Working Capital Fund]. FGMSD-80-94. September 30, 1980. 1 p.

Letter to Kevin D. Rooney, Department of Justice: Assistant Attorney General for Administration; by Donald L. Scantlebury, Director, GAO Financial and General Management Studies Division.

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of Justice; Department of Justice: Assistant Attorney General for Administration.

114001

[Approval of the Department of Interior Denver Pay-Personnel System]. FGMSD-80-92; B-159613. September 30, 1980. 1 p.

Letter to Cecil D. Andrus, Secretary, Department of the Interior; by Elmer B. Staats, Comptroller General.

Contact: Financial and General Management Studies Division.

Organization Concerned: Department of the Interior.

114002

[Approval of the Social Security Administration Administrative Accounting System]. FGMSD-80-95; B-200554. September 30, 1980. 2 pp.

Letter to Patricia R. Harris, Secretary, Department of Health and Human Services; by Elmer B. Staats, Comptroller General.

Contact: Financial and General Management Studies Division.

Organization Concerned: Social Security Administration; Department of Health and Human Services.

114003

Administrative Procedures and Controls Need Strengthening To Reduce Losses to HUD's Mortgage Insurance Fund. CED-81-29; B-197399. December 18, 1980. 3 pp. plus 1 appendix (17 pp.).

Report to Moon Landrieu, Secretary, Department of Housing and Urban Development; Max Cleland, Administrator, Veterans Administration; by Henry Eschwege, Director, GAO Community and Economic Development Division.

Issue Area: Domestic Housing and Community Development: Federal Government's Ability To Effectively Acquire, Manage, and Dispose of Multi-Family Projects (2115).

Contact: Community and Economic Development Division.

Budget Function: General Government: Other General Government (0806).

Organization Concerned: Department of Housing and Urban Development; Veterans Administration.

Authority: Housing Act (12 U.S.C. 1710d). 24 C.F.R. 203.4. U.S. Const. art. I, §10. Adams Nursing Home, Inc. v. Mathews, 548 F.2d 1077 (1st Cir. 1977). Summit Nursing Home, Inc. v. United States, 572 F.2d 737 (Ct. Cl. 1978).

Abstract: A review was performed of payments made by the Department of Housing and Urban Development (HUD) and the Veterans Administration (VA) to mortgage investors to determine if opportunities exist to reduce losses to Federal mortgage insurance and guarantee programs. **Findings/Conclusions:** No problems were found in guarantee payments made by VA. HUD pays mortgagees several million dollars annually in unearned interest by paying interest on reimbursable foreclosure expenses before the expenditures are made. HUD officials have not taken corrective action, citing legal problems and increased administrative costs as the reasons. GAO found a sufficient legal basis for taking corrective action and pointed out that the administrative costs involved would be minimal compared to the millions of dollars in recurring annual savings resulting from the change. HUD also pays mortgagee insurance claims for certain reimbursable costs without adequate justification that the payments are warranted. Due to inadequate supporting documentation and a limited review of mortgage claims, HUD has: (1) paid unreasonable costs to secure HUD-insured vacant properties; (2) erroneously paid mortgagees for fees to inspect properties; and (3) made duplicative property tax payments on HUD-acquired properties. **Recommendation To Agencies:** The Secretary of HUD should revise HUD regulations and procedures to require that the interest paid on mortgagees' insurance claims is calculated from the date the expenditures are made rather than from the date of default. The Secretary should also establish a minimum dollar amount for preservation and security work that, if exceeded, would require the mortgagees to: (1) have the property inspected before and after the work is performed to ensure that the work is justified and satisfactorily completed; and (2) submit the inspection reports, along with the paid invoices for the work, to the HUD area offices for review and approval before HUD reimburses the mortgagees for the work. In addition, the Secretary should require mortgagees to submit documentation providing assurance that fees claimed are for allowable expenses, and emphasize to the staff responsible for reimbursing mortgagees that claims for inspection fees on occupied properties are not allowable under HUD procedures. Finally, the Secretary should: (1) reemphasize to all HUD area offices and mortgagees that HUD will not reimburse mortgagees for taxes paid after the date the mortgagee submits the notice of property transfer and application for insurance benefits, (2) and instruct the staff responsible for reimbursing mortgagees not to pay mortgagees' claims for taxes that do not appear on HUD Form 1025.

114007

[Survey of the Standard Army Intermediate Level Supply System]. AFMD-81-19; B-201196. December 19, 1980. 3 pp.

Report to Harold Brown, Secretary, Department of Defense; by Donald L. Scantlebury, Director, GAO Accounting and Financial Management Division.

Issue Area: Accounting and Financial Reporting: Accounting Systems Implemented and Operating Consistent With Designs Approved by GAO (2812).

Contact: Accounting and Financial Management Division.

Budget Function: Financial Management and Information Systems: Review and Approval of Accounting Systems (1102).

Organization Concerned: Department of Defense; Department of the Army.

Abstract: GAO surveyed the Standard Army Intermediate Level Supply System at selected locations. **Findings/Conclusions:** GAO found that the financial inventory accounting system was operating satisfactorily. Because the Army had made major changes to the system since its approval, GAO could not compare the current system design to the approved system design. The Army had made the improvements requested at the time the accounting system was approved. The system was originally designed to supply accounting and stock fund-financial inventory accounting. It was used to process supply transactions for quantitative accounting purposes, process the same supply transactions for financial purposes, and provide for reconciling financial data with supply data. It was originally intended for use in installations in the continental United States, but it was later set up at overseas locations and expanded to include data on war reserve materials and medical supplies. The expanded use resulted in many system changes since approval by GAO. Less computer time is required to process the expanded financial module than the prior financial module. No problems with accuracy, timeliness, and format have been experienced which could be attributed to accounting system problems. The information obtained indicated that the needs of the system users are being met.

114012

Improved Data and Procedures Needed for Development and Implementation of Building Energy Performance Standards. EMD-81-2. December 23, 1980. 19 pp. plus 2 appendices (9 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Energy: Effect of Federal Efforts on Energy Conservation Action (1607).

Contact: Energy and Minerals Division.

Budget Function: Energy: Energy Conservation (0272).

Organization Concerned: Department of Energy; Department of Housing and Urban Development.

Congressional Relevance: Congress.

Authority: Energy Conservation Standards for New Buildings Act of 1976 (P.L. 94-385). Department of Energy Organization Act (42 U.S.C. 7154). Housing and Community Development Act of 1980 (P.L. 96-399).

Abstract: The New Buildings Act of 1976 requires the development of building energy performance standards to set limits on the total amount of energy buildings may be designed to use. The Department of Housing and Urban Development (HUD) originally had the responsibility for this program; however, the responsibility to develop and promulgate the standards was transferred to the Department of Energy (DOE), leaving the implementation responsibility with HUD. An examination was made of: (1) what still needs to be done before sound standards can be issued; (2) the need to transfer implementation responsibility for the standards from HUD to DOE, and (3) the inappropriateness of the proposed sanction for noncompliance in view of the large decrease in expected energy savings. **Findings/Conclusions:** The development of the standards has not been smooth, and problems have surfaced with respect to completeness and ease of implementation. The original legislative deadline for final issuance of standards has not been met. Areas which require more work before a sound energy conservation standard is possible include: (1) basing the methodology used to develop the commercial and multifamily building standards on minimum life-cycle costs; (2) expanding the data base used for the

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single-family standards to include more cities; (3) basing weighted factors used to account for energy consumed in the refining of fuel and generation of power on local data, not on national averages; (4) developing standards for mobile homes, restaurants, and industrial buildings; (5) developing means for designers, builders, and local code officials to determine if a building complies with the standards; and (6) considering recent improvements in building design practices when updating the estimate of expected energy savings from the standards. Recent legislation has modified the timetable for the standards, providing DOE with more time to resolve these problems. The implementation responsibility for the program should be transferred to DOE so that the total responsibility for the program will rest with one agency. GAO believes that DOE should consider whether a voluntary program would be a suitable alternative to the sanctions for noncompliance with the standards which the Act contains and which, if imposed, would in effect make them mandatory. **Recommendation To Congress:** Congress should transfer implementation and enforcement responsibility from HUD to DOE. **Recommendation To Agencies:** The Secretary of Energy should: (1) continue to work on improving the standards for the commercial sector so that the basis of the standards is the minimum life-cycle cost to the building owner, as is true for the residential sector; (2) base estimates of energy savings on current construction practices and also, in computing the savings, include the expected amount of noncompliance with the standards; and (3) develop procedures and cost estimates for implementing voluntary building energy performance standards and also estimate the energy savings that could be expected from such a voluntary program.

114013

Management Problems Impede Success of DOE's Solar Energy Projects. EMD-81-10; B-196393. December 22, 1980. 50 pp. plus 4 appendices (17 pp.).

Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Energy: Prospects for Transition to Essentially Inexhaustible Energy Resources (1612); General Procurement: Improving the Effectiveness of Civilian Agencies' Procurement Activities (1916).

Contact: Energy and Minerals Division.

Budget Function: Energy: Energy Supply (0271).

Organization Concerned: Department of Energy.

Congressional Relevance: Congress.

Abstract: GAO reviewed the Department of Energy's (DOE) management of its solar energy research and development (R&D) projects. **Findings/Conclusions:** GAO found that: (1) DOE has taken important steps, such as instituting decentralized management, establishing a formalized management system, and initiating an automated contractor reporting system, to improve its R&D project management; (2) solar energy projects are continuing to experience cost increases, schedule slippages, and scope reductions despite the steps; and (3) more complete implementation of the DOE management initiatives, as well as strengthened controls over solar energy R&D project selections and administration, are needed to improve project success. GAO also found that effective project administration has been hampered by weak DOE contractor monitoring and delays caused by the DOE approach to project funding. **Recommendation To Agencies:** To ensure that projects are selected which more closely and directly contribute to the success of the DOE solar energy program, the Secretary should direct the solar program office to: (1) expeditiously develop, finalize, and implement multiyear program plans for the overall solar program and for each solar technology; (2) justify prospective solar projects in terms of their specific potential contribution to achieving the goals set forth in the multiyear plans; and (3) comply more strictly with the DOE unsolicited proposal regulations during the selection

and approval of solar projects. To enhance solar energy R&D project management and improve the performance of projects in achieving their costs, schedule, and scope objectives, the Secretary of DOE should direct the program office to more effectively implement the project management improvement initiatives that are required to be instituted DOE-wide. In this connection, the solar energy program office should be directed to: (1) make sure that decentralized project management is carried out in the most complete and effective manner; (2) strive for more timely and complete implementation of the DOE project management system for those projects formally subject to its provisions; (3) explore opportunities for expanding the application of the system to solar projects on which formal application has not already been made; and (4) study the current and potential status of the automated contractor reporting system's application in the solar program. To further curtail the project performance problems that are occurring, the Secretary should direct the solar program office to reemphasize the need for effective project monitoring and consider expanding the use of long-term, multiyear funding commitments for solar projects, providing for periodic reexaminations to verify each project's merits.

114030

The Office of the Special Counsel Can Improve Its Management of Whistleblower Cases. FPCD-81-10; B-198497. December 30, 1980. 6 pp. plus 2 appendices (17 pp.).

Report to Mary Eastwood, Acting Special Counsel, Merit Systems Protection Board: Office of the Special Counsel; by Hyman L. Krieger, Director, GAO Federal Personnel and Compensation Division.

Issue Area: Personnel Management and Compensation: Civil Service Reorganization and Reform Implementation (0319).

Contact: Federal Personnel and Compensation Division.

Budget Function: General Government: Central Personnel Management (0805).

Organization Concerned: Office of Personnel Management; Office of Management and Budget; Merit Systems Protection Board; Merit Systems Protection Board: Office of the Special Counsel.

Congressional Relevance: House Committee on Post Office and Civil Service; Senate Committee on Governmental Affairs.

Authority: Civil Service Reform Act of 1978. P.L. 96-304.

Abstract: A review was undertaken of the Office of the Special Counsel of the Merit Systems Protection Board to determine how the Office is implementing its responsibilities. Two of the significant responsibilities of the Special Counsel are to: (1) establish procedures to insure that allegations of wrongdoings are properly investigated in the executive branch; and (2) protect from reprisals those employees who disclose information about agency wrongdoings. **Findings/Conclusions:** GAO found that there is no system in the Office of Special Counsel to insure that cases are processed in a timely manner. As a result, delays are common in every phase of case processing. One of the major causes for delays in processing is the lack of an effective case-tracking and case-monitoring system. The currently used index card file system has not provided a means for effectively monitoring, managing, and tracking not only whistleblower cases, but also the other types of complaints received by the Special Counsel. Additionally, GAO found that the Special Counsel did not monitor either the implementation, timeliness, or effectiveness of the action taken or proposed by the agencies and that there was confusion about the role and responsibility of the Special Counsel. Further, the Special Counsel has not insured that a whistleblower's allegation is always understood and communicated to the agency involved. **Recommendation To Agencies:** The Office of the Special Counsel should: (1) control its caseload by placing a high priority on improving its case tracking-monitoring system to insure timely processing of whistleblower complaints; (2) improve communication with whistleblowers to assure that their

allegations are clearly understood and that they are kept informed of the progress of their cases; (3) follow up on agency reports responding to whistleblower allegations and actively encourage complainants' evaluations and comments on these reports; and (4) place greater emphasis on encouraging Federal employees to disclose wrongful activities by more clearly informing agencies and employees of its role in receiving whistleblower complaints.

114053

[Protest of Solicitation Provisions]. B-200016. December 30, 1980. 3 pp.
Decision re: Pitney Bowes, Inc.; by Milton J. Socolar, General Counsel.

Contact: Office of the General Counsel.

Organization Concerned: Selective Service System; Pitney Bowes, Inc.; Bell and Howell Co.

Authority: 4 C.F.R. 20.2. B-197261 (1980).

Abstract: A company protested the award of a contract to provide a computer mailing system. The company contended that the solicitation specifications overstated the agency's minimum needs, contained no evaluation criteria, and were unduly restrictive of competition. The company submitted a letter to the contracting agency stating its decision to submit a no-bid response due to the defective specifications, but included no express statement of an intent to lodge a protest or a request for a revision of the solicitation. After inquiring as to the status of its protest, the company was informed by the agency that the letter had not been considered a protest. The company contended that its failure to use the word protest should not have been decisive in determining whether its letter was in fact a protest. A company which chooses not to use the word protest in a letter to an agency which states that it is not submitting a bid because it finds the specifications objectionable has an obligation to otherwise clearly convey its intention to protest. The agency could have easily regarded the company's letter as a no-bid response rather than as a protest. Since this letter was not considered a protest, any subsequent protest must be filed prior to closing date for receipt of proposals. The company's protest was untimely filed after the closing date. Accordingly, the protest was dismissed.

114063

Implementing GAO's Recommendations on the Social Security Administration's Programs Could Save Billions. HRD-81-37; B-201375. December 31, 1980. 9 pp. plus 3 appendices (65 pp.).
Report to Congress; by Elmer B. Staats, Comptroller General.

Issue Area: Income Security and Social Services: Non-Line-of-Effort Assignments (1351).

Contact: Human Resources Division.

Budget Function: Income Security: General Retirement and Disability Insurance (0601).

Organization Concerned: Office of Management and Budget; Department of Health and Human Services; Department of State; Department of Education; Social Security Administration.

Congressional Relevance: House Committee on Appropriations; Senate Committee on Appropriations; Congress.

Authority: Social Security Disability Amendments of 1980 (P.L. 96-265). Social Security Act (42 U.S.C. 418; 42 U.S.C. 415(a); 42 U.S.C. 1383(e)(2)). 20 C.F.R. 416. 45 C.F.R. 233.10(b)(3). 45 C.F.R. 233.20(b)(1). H.R. 4904 (96th Cong.).

Abstract: Income security programs account for over one-third of the Federal budget. The Social Security Administration (SSA) administers some of the largest income security programs, including Old-Age and Survivors Insurance, Disability Insurance, Supplemental Security Income (SSI), and Aid to Families with Dependent Children (AFDC). GAO has issued numerous reports recommending changes in SSA income security programs.

Therefore, GAO undertook a review of the income security programs managed by SSA to determine what actions have been taken on previous recommendations and what still needs to be done. **Findings/Conclusions:** In its review, GAO found that fully implementing its recommendations would save \$1.3 billion in fiscal year 1982 and about \$4.5 billion in fiscal years 1983 to 1985. There would be similar savings in later years. The recommendations that would produce the most substantial savings would affect the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds and would require changes to the Social Security Act. **Recommendation To Congress:** Congress should amend the Social Security Act to: (1) discontinue student benefits for postsecondary students and take steps to assure that the Department of Education will have sufficient financial resources to meet any increased demand for aid arising from discontinuance of these benefits; (2) require States to deposit social security taxes semimonthly or biweekly; (3) compute benefit amounts to the nearest penny or to the nearest 10 cents as proposed by the Secretary of Health, Education, and Welfare; (4) eliminate the minimum benefit provision for new beneficiaries; (5) revoke section 224(d) of the Social Security Act and require that the social security offset be made effective when workers' compensation benefits are awarded; and (6) determine SSI benefit eligibility and payment amounts on a monthly retrospective basis, rather than the quarterly prospective basis. Additionally, Congress should: (1) consider whether the Emergency Assistance program should continue; and (2) determine, in cooperation with the Department of Health and Human Services (HHS), the controls that would best provide additional appropriate and feasible financial incentives and enact legislation to establish them to effectively control AFDC payment errors. Finally, the House and Senate Appropriations Committees should retract the conference committee directive for Federal fiscal sanctions against the States, based on the AFDC quality control rates. **Recommendation To Agencies:** The Secretaries of Education and HHS should require that the Social Security-Basic Grant computer matching procedure be revised. Additionally, the Secretary of HHS should direct the Commissioner of SSA to: complete the analysis of the district office experiment with centralizing overpayment recovery workload; refine its management information system to define the exact composition of the outstanding balance on unsettled accounts; change the computer program provision so that termination will not automatically occur on any account that is or drops below \$200 until after three demand notices are issued; correct deficient exception controls in the SSI system; improve the documentation of the system's exception control process at the field office level and maintain up-to-date consistency between actual programmed exceptions and supporting documentation; restrict the system override capability to supervisory personnel; remove the data exchange override capability and default on verification provision from the SSI system; modify the Retirement, Survivors, and Disability Insurance (RSDI) computer system to provide a complete payment history to the SSI system; determine why field office personnel do not enter all eligibility decisions into the RSDI computer system and take appropriate corrective action; remove the RSDI system limitations that necessitate manual calculation and control of forced payment cases; review existing forced payment cases; report to Congress the results of its review on obtaining aliens' overseas asset information and report the future application of this mechanism for reducing aliens' eligibility for SSI benefits; seek legislation to authorize offsetting overpayments against other Federal benefit-paying programs; review all retroactive SSI payments of \$2,000 or more; make a nationwide review to identify nursing homes failing to complete and return the reporting form when SSI recipients are admitted; issue regulations establishing uniform requirements for States to return the Federal portion of AFDC checks not cashed and establish a mechanism for insuring that these credits are timely and accurate; and develop and implement a comprehensive program to obtain and use State and local

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data to compute benefits for all its income maintenance programs. Further, the Secretary of State, in cooperation with the Secretary of HHS, should develop more stringent income criteria for judging the ability of a sponsor to support a visa applicant.

114138

Requirements for Recurring Reports to the Congress. PAD-80-49. November 1980. 690 pp.
Report to Congress; by Elmer B. Staats, Comptroller General. 1980 Congressional Sourcebook Series.

Issue Area: Program and Budget Information for Congressional Use: Standardizing Information (3401).

Contact: Program Analysis Division.

Budget Function: Congressional Information Services (1008).

Organization Concerned: Department of Agriculture; Department of Commerce; Department of Defense; Department of Education; Department of Energy; Department of Health and Human Services; Department of Housing and Urban Development; Department of the Interior; Department of Justice; Department of Labor; Department of State; Department of Transportation; Department of the Treasury.

Congressional Relevance: Congress.

Authority: Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344).

Abstract: In accordance with his responsibility to identify congressional information needs, the Comptroller General has compiled a directory describing the various requirements for recurring reports to Congress from the executive, legislative, and judicial branches of the Federal Government. This current inventory of requirements was compiled from information furnished by preparing agencies in response to a GAO request. The emphasis in the inventory is on the differences between actual requirements for reports and actual submissions. A descriptive abstract of each available report is contained in the citation section. The directory includes statutory and nonstatutory requirements for recurring reports, as well as some voluntary submissions.

114139

Veterans Administration Life Insurance Claims Processing. HRD-81-30; B-201351. December 29, 1980. *Released* January 12, 1981. 2 pp. plus 1 enclosure (16 pp.).

Report to Sen. Alan Cranston, Chairman, Senate Committee on Veterans' Affairs; by Edward A. Densmore (for Gregory J. Ahart, Director), GAO Human Resources Division.

Issue Area: Income Security and Social Services (1300); Income Security and Social Services: Payment Processes (1309).

Contact: Human Resources Division.

Budget Function: Veterans Benefits and Services: Other Veterans Benefits and Services (0705).

Organization Concerned: Veterans Administration: Regional Office, Philadelphia, PA; Veterans Administration.

Congressional Relevance: Senate Committee on Veterans' Affairs; Sen. Alan Cranston.

Abstract: Life insurance claims processing by the Veterans Administration (VA) was reviewed to determine claims processing timeframes and to make further inquiries of claims processing if warranted. **Findings/Conclusions:** VA performed well against most of the timeliness standards it established for both the internal processing steps and for the entire claims process. Avoidable delays occurred in the initial stages of claims processing at the regional office and at the Philadelphia insurance center. A new data processing system is changing workflow to improve the timeliness of claims processing at the regional office, and steps are being taken at the Philadelphia insurance center to reduce delays. Corrective actions have been taken to improve the accuracy of management

reports on the center's performance in meeting its overall timeliness standard.

114213

Review of General Services Administration's Acquisition of ADP Resources. AFMD-81-21; B-200948. December 17, 1980. *Released* January 27, 1981. 2 pp. plus 1 enclosure (8 pp.).

Report to Rep. Jack Brooks, Chairman, House Committee on Government Operations; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing (0100).

Contact: Accounting and Financial Management Division.

Budget Function: Automatic Data Processing (1001).

Organization Concerned: General Services Administration; Computer Sciences Corp.; Office of Personnel Management.

Congressional Relevance: House Committee on Government Operations; Rep. Jack Brooks.

Authority: OMB Circular A-109.

Abstract: GAO reviewed the plans of the General Services Administration (GSA) to acquire automatic data processing (ADP) resources and further extend the interim sole-source procurement of the Computer Sciences Corporation (CSC) INFONET contracts for teleprocessing services. It also reported on its findings on the long-range GSA plan to acquire ADP resources to support its internal data processing requirements and its concerns with GSA plans to remove certain ADP applications from CSC. **Findings/Conclusions:** GAO has concluded that GSA has not conducted its acquisition of ADP resources in accordance with Office of Management and Budget (OMB) Circular A-109 under which a competitive demonstration of alternative system design concepts submitted by vendors should be performed. Vendors are submitting proposals to support current applications without knowing what the redesigned system will look like. GSA will not meet its current milestones for acquiring its long-range ADP resources. Congress has been concerned about the continued reliance by GSA on sole-source, non-competitive extensions of CSC contracts. GSA suspended CSC from future contracting and subcontracting with them as a result of an investigation by the Federal Bureau of Investigation. It will not award a contract to the firm for any new business pending the completion of legal proceedings. It seems likely that the acquisition of ADP resources will not be completed to transfer the financial system from CSC by the date of contract expiration. In this developing emergency situation, GSA should consider other alternatives to support its financial system such as the use of other Federal facilities to process GSA financial system applications. GSA should take immediate action to transfer a scaled-down version to one of these facilities. Also, commercial time-sharing could be used as a method for GSA to terminate its dependent support with CSC. **Recommendation To Agencies:** The Administrator of GSA should immediately plan to scale down the financial system and ascertain if processing capability is available elsewhere in the Government to handle this system. If scaling down is feasible, GSA should arrange transfer of the reduced financial system to another Federal computer to assure continuity of critical processing, cancel the plan for the second upgrade of the IBM-compatible equipment at the National Capitol Region, and cease the redesign of the financial system for processing on this equipment. The Administrator of GSA should then, without delay: (1) act jointly with Office of Personnel Management officials to expand the Federal Data Processing Center at Macon, Georgia, and begin redesign and implementation of the financial system for processing of the equipment at Macon; and (2) initiate action to complete conversion of the Public Buildings Service System to Macon before March 31, 1983. The Administrator should also immediately act to terminate the current, long-range plan to acquire ADP resources to support GSA internal systems and remain at the Macon facility until the long-range procurement can be properly conducted in accordance with OMB Circular A-109 and other Federal regulations.

114369

[*Automatic Savings-to-Checking Transfer Service*]. GGD-79-36; B-114831, B-118535, B-168904, B-114827. April 2, 1979. *Released* February 23, 1981. 6 pp. plus 4 enclosures (16 pp.).

Report to Rep. Benjamin S. Rosenthal, Chairman, House Committee on Government Operations: Commerce, Consumer and Monetary Affairs Subcommittee; by Elmer B. Staats, Comptroller General.

Issue Area: Automatic Data Processing: Social and Economic Impacts of Computer-Based Systems (0109); Consumer and Worker Protection: Consumers' Protection From Unfair or Deceptive Trade Practices, Advertising, and Warranties (0913).

Contact: General Government Division.

Budget Function: General Government: Other General Government (0806).

Organization Concerned: Federal Reserve System: Board of Governors; Federal Deposit Insurance Corp.; Office of the Comptroller of the Currency; Federal Home Loan Bank Board.

Congressional Relevance: *House* Committee on Government Operations: Commerce, Consumer and Monetary Affairs Subcommittee; *Rep.* Benjamin S. Rosenthal.

Authority: P.L. 95-320.

Abstract: GAO fulfilled a request for information regarding the advantages to bank depositors of automatic savings-to-checking transfer service and negotiable orders-of-withdrawal plans by analyzing the plans of banks in six cities and using nine simulated depositors to measure comparative benefits. **Findings/Conclusions:** Depositors should consider minimum balance requirements in available plans before deciding whether to use a transfer service or continue with a conventional account program, but the current advertised and other information available from banking institutions is inadequate in shaping that decision. Generally, for all but the lowest income depositors, savings-to-checking transfer plans are preferable to standard checking or savings accounts, and flat fees are usually more advantageous than fees calculated with many variables. Since service charge structures are confusing, most depositors would probably have difficulty selecting the best plan for their circumstances. The necessary information includes the method of compounding interest, the calculation of minimum interest, charges for accounts falling below the minimum balance, and the effect of monthly checking patterns on service charges.

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[*Accounting News*]. November 1980. *Released* March 27, 1981. 5 pp.

Contact: Accounting and Financial Management Division.

Organization Concerned: American Institute of Certified Public Accountants; Federal Energy Regulatory Commission; Office of Management and Budget; Railroad Accounting Principles Board.

Authority: Staggers Rail Act of 1980 (P.L. 96-448).

Abstract: An accounting report prepared to help keep GAO managers abreast of accounting matters that are of concern to professional organizations is presented. Matters included in the report were topics of discussion at recent professional conferences and topics that were brought to the GAO Accounting and Financial Management Division as part of its official liaison responsibility with professional accounting organizations. Discussions included the GAO reexamination of its current accounting and reporting standards; the revising of GAO standards for audits and efforts to establish a Government Accounting Standards Board; legislative developments on the Model Accounting Bill; the closing of the Cost Accounting Standards Board; the authorization of the Railroad Accounting Principles Board which is intended to reform the economic regulation of railroads; the establishment of a task force on electronic data processing fraud; the Federal Energy Regulatory

Commission's attempt to reduce its reporting burden by revising its forms, and the question of whether the parent company or the rate payers will get the advantages of the deferred taxes.