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Cover
========== COVER

Report to Congressional Requesters

December 1994

MANAGEMENT REFORM - IMPLEMENTATION
OF THE NATIONAL PERFORMANCE
REVIEW'S RECOMMENDATIONS

GAO/OCG-95-1

Implementation of NPR's Recommendations

Abbreviations
========== ABBREV

ACIR - x
ACUS - x
ADP - x
ADR - x
AE - x
AFDC - x
AFLCIO - x
AID - x
AMD - x
AML - x
AOA - x
AOUSC - x
APA - x
ASA - x
ATC - x

ATF - x
ATN - x
AWACS - x
BATF - x
BEA - x
BGT - x
BLM - x
BLS - x
BOM - x
BOP - x
BOR - x
BPA - x
BPR - x
CAIVRS - x
CAMS - x
CASU - x
CBO - x
CD - x
CEFMS - x
CERCLA - x
CFO - x
CFR - x
CHCS - x
CINRO - x
CO - x
COLLECTOR - x
COM - x
COSHRA - x
CPE - x
CPI - x
CRA - x
CSRS - x
CW - x
DALRO - x
DASC - x
DBOF - x
DCI - x
DDM - x
DEA - x
DES - x
DIC - x
DLA - x
DOC - x
DOD - x
DOE - x
DOI - x
DOJ - x
DOL - x
DOS - x
DOT - x
DVA - x
EAS - x
EBT - x
EC - x
ECA - x
ECIE - x
ED - x

EDA - x
EDGAR - x
EDI - x
EEO - x
EEOC - x
EFT - x
EMAIL - x
EMTF - x
ENV - x
EO - x
EOP - x
EOS - x
EOSDIS - x
EPA - x
EPAS - x
EPIC - x
ERISA - x
ESEA - x
ETA - x
FAA - x
FAI - x
FAR - x
FASAB - x
FAX - x
FBI - x
FBO - x
FCCSET - x
FDA - x
FDGC - x
FDIC - x
FDP - x
FDSLP - x
FECA - x
FEDSTRIP - x
FEMA - x
FEMP - x
FEWS - x
FFL - x
FFS - x
FGDC - x
FHA - x
FHWA - x
FIFRA - x
FINCEN - x
FIPS - x
FIRMR - x
FLETC - x
FM - x
FMFIA - x
FmHA - x
FMS - x
FNS - x
FOIA - x
FPI - x
FPM - x
FPMR - x
FQI - x

FRA - x
FRB - x
FS - x
FSL - x
FSN - x
FTA - x
FTE - x
FTS - x
FWS - x
GATT - x
GBL - x
GCS - x
GED - x
GII - x
GITS - x
GM - x
GPO - x
GPRA - x
GS - x
GSA - x
GSBCA - x
HCFA - x
HHS - x
HMLC - x
HOME - x
HR - x
HRM - x
HSS - x
HUD - x
IC - x
ICR - x
ICS - x
IDI - x
IFMS - x
IG - x
IHA - x
INEL - x
INS - x
INTEL - x
INTRADEX - x
IPO - x
IPP - x
IRM - x
IRMGGD - x
IRMHEHS - x
IRMPI - x
IRMRCED - x
IRS - x
ISB - x
ISTEA - x
IT - x
JC - x
JDIC - x
JFMIP - x
JPL - x
JPSM - x
JSPM - x

JTPA - x
LRAO - x
LRIP - x
LUST - x
MAP - x
MAS - x
MBDA - x
MCCR - x
MED - x
MILSTRIP - x
MITRE - x
MMS - x
MOU - x
MSHA - x
MTPE - x
MUFFIN - x
MVR - x
MWR - x
NAFTA - x
NAFTAPL - x
NASA - x
NBS - x
NCS - x
NDIC - x
NEC - x
NECPA - x
NEW - x
NHS - x
NIDRR - x
NIH - x
NOAA - x
NPC - x
NPDES - x
NPR - x
NPS - x
NRC - x
NSDI - x
NSEA - x
NSF - x
NSLI - x
NSTC - x
NTDB - x
O&M - x
OCC - x
OCEA - x
OCFO - x
OECA - x
OERI - x
OFCCP - x
OFPP - x
OGC - x
OIAP - x
OIG - x
OIRA - x
OM - x
OMB - x
OMBS - x

OMC - x
OPAC - x
OPM - x
OPMS - x
OPP - x
OPPT - x
OPS - x
ORG - x
OSHA - x
OSI - x
OSM - x
OTA - x
OTS - x
OVAE - x
PAL - x
PCIE - x
PFS - x
PHA - x
PIC - x
PL - x
PMA - x
PMC - x
PMO - x
PRA - x
PRISM - x
PROC - x
PSC - x
PT - x
PWBA - x
QC - x
QUAL - x
R&D - x
RAMC - x
RAMP - x
RAP - x
RCG - x
RCRA - x
RD - x
REDSO - X
REG - x
RFA - x
RFE - x
RIF - x
RL - x
RMP - x
ROM - x
RSPA - x
RTC - x
RWG - x
SBA - x
SBDC - x
SES - x
SMC - x
SMCRA - x
SOL - x
SPAS - x
SPD - x

SRPA - x
SSA - x
SUP - x
TEC - x
TMAC - x
TPCC - x
TPRG - x
TQM - x
TRE - x
TSM - x
UDSA - x
UI - x
USAID - x
USC - x
USDA - x
USFS - x
USGLI - x
USIA - x
USPS - x
USTR - x
VA - x
VBA - x
VETS - x
VHA - x
VOA - x
VSLI - x
VSO - x
WA - x
WCF - x
WIC - x
WRSP - x

Letter
========== LETTER

B-255769.3

December 5, 1994

The Honorable John Conyers, Jr., Chairman
The Honorable William F. Clinger, Jr.
Ranking Minority Member
Committee on Government Operations
House of Representatives

The Honorable John Glenn, Chairman
The Honorable William V. Roth, Jr.
Ranking Minority Member
Committee on Governmental Affairs
United States Senate

The Honorable John R. Kasich
Ranking Minority Member
Committee on the Budget
House of Representatives

This report responds to your requests that we monitor the implementation of the recommendations contained in the National Performance Review's (NPR) September 7, 1993, report.\1 NPR, under the direction of the Vice President, is a major management reform initiative by the administration and is intended to identify ways to make the government work better and cost less. The NPR report contained 384 major recommendations covering 27 federal agencies and 14 government systems, such as procurement, human resource management, and budgeting. In this report, we categorize and describe our findings regarding the implementation of each of these recommendations.

In our initial comments on the NPR recommendations in December 1993, we generally agreed with most of the proposed changes.\2

However, we had insufficient information to judge nearly one-third of the recommendations, primarily because the intent of the recommendations was not clearly explained in the NPR report or because we had not done work related to the recommendations. At the time our report was issued, none of the NPR accompanying reports describing the recommendations in more detail had been released. By September 7, 1994, NPR had released 29 such reports, each of which describes the recommendations in greater detail and lists specific actions that NPR believes should be taken to implement the recommendations.\3 We have also completed a number of reviews on NPR-related topics since December 1993. Because of the additional information now available, this report also reassesses our comments regarding the NPR recommendations.

\1 From Red Tape to Results: Creating a Government That Works Better and Costs Less, report of the National Performance Review, Vice President Al Gore, September 7, 1993.

\2 Management Reform: GAO's Comments on the National Performance Review's Recommendations (GAO/OCG-94-1, Dec. 3, 1993).

\3 See appendix I for a list of the accompanying reports issued by September 7, 1994.

RESULTS IN BRIEF

---------- Letter :1

Some progress has been made in implementing many of the NPR recommendations since September 1993, but few have been fully implemented. A number of the recommendations will take years to fully implement.

We generally agree with the thrust of most of the recommendations and support their continued implementation. However, a number of actions are needed to achieve budgetary savings and improve government management. We still believe that NPR's success depends on a legislative-executive partnership for action, attention to agencies' capacities, and sustained political and career leadership.

We also believe that government "reinvention" requires the executive branch and Congress to shift the focus of government management and accountability from an emphasis on inputs, outputs, and processes to an emphasis on outcomes and results--consistent with the Government Performance and Results Act of 1993.

OBSERVATIONS ABOUT NPR IMPLEMENTATION

---------- Letter :2

The recommendations NPR made in its September 1993 report address an amalgam of issues and propose a range of solutions. Some of the recommendations could be implemented relatively easily (e.g., "create an interagency regulatory coordinating group"); others will take years to put in place (e.g., "fully integrate budget, financial, and program information"). Some of the recommendations were very broad (e.g., "redefine and restructure OPM's functional responsibilities"); others were more specific (e.g., "establish a hardrock mine reclamation fund"). Some recommendations cut to the core of how government operates (e.g., "improve legislative-executive branch relationship"); others, while important, were on relatively tangential topics (e.g., "establish federal firearms license user fees to cover costs"). Because of these differences, we assessed NPR's progress recommendation by recommendation. Although we present some summary statistics, the diverse scope of the recommendations should be kept in mind in interpreting NPR's overall progress.

MOST RECOMMENDATIONS ACTED UPON, BUT FEW FULLY IMPLEMENTED

---------- Letter :2.1

At least some action had been taken to implement 355 (93 percent) of the 384 NPR recommendations when we completed our analysis. Of these,

-- 15 (4 percent) had been fully implemented;

-- 143 (37 percent) had been partially implemented;

-- 193 (50 percent) were acted upon in some manner (e.g., legislation was introduced or the agency was in the process of making suggested changes), but the action had not proceeded to the point that we considered any of the recommendations' goals to have been achieved; and

-- 6 (2 percent) were acted upon in a manner generally consistent with the recommendations' purposes, although not in the manner NPR suggested.

Of the remaining 27 recommendations, no action had been taken to implement 18 (5 percent), and we had insufficient information to judge the status of 9 recommendations (2 percent).

MODE OF RECOMMENDATION IMPLEMENTATION VARIED

---------- Letter :2.2

A variety of types of actions have been taken to attempt to implement the NPR recommendations. The most common type was action by a particular agency or set of agencies; of the 384 recommendations, at least 292 were acted upon in this manner.\4 The second most common mode of action was legislative activity; bills were introduced regarding at least 169 recommendations and legislation was enacted regarding at least 83 recommendations. At least 86 recommendations were acted on via executive orders, presidential memoranda/directives, or other types of presidential action.

\4 The number of implementation actions listed in this section totals more than the number of recommendations because a single recommendation may have been acted upon in more than one fashion (e.g., both legislation and agency action).

SOME IMPLEMENTATION ACTIONS BEGAN PRIOR TO THE NPR REPORT

---------- Letter :2.3

Actions were already under way to implement a number of the recommendations before the recommendations were made in the September 1993 NPR report. For example, one of the actions NPR recommended to improve federal regulatory systems stated that regulatory agencies should "rank the seriousness of environmental, health, or safety risks." However, as the NPR accompanying report noted, the Environmental Protection Agency published a rank-order listing of environmental risks in 1987. In some cases, the NPR recommendations themselves recognized that such actions were already under way. For example, the Department of the Treasury recommendation to "increase IRS collections through better compliance efforts" said NPR "supports the current efforts of the IRS . . . to improve voluntary compliance and other efforts to collect taxes already owed to the federal government." Thus, NPR cannot claim total credit for the implementation of some of the recommendations. However, in some cases the designation of an issue as an NPR recommendation did seem to stimulate action in areas that had been relatively dormant. For example, the repeal of the wine and flavors tax credit had been recommended in the past, but since NPR made its recommendation, legislation has been drafted to repeal the credit.

GAO GENERALLY AGREES WITH MOST NPR RECOMMENDATIONS

---------- Letter :3

In our December 1993 report on NPR, we said that NPR emphasized many of the basic themes that we have stressed for years and that we generally agreed with most of its recommendations. Our reassessment of NPR's recommendations in light of the release of accompanying

reports for most of the NPR issue areas and the completion of additional GAO work has generally confirmed that level of agreement. We now "agree" or "generally agree" with more than three-fourths (295) of the 384 NPR recommendations.

However, in a few cases our reconsideration resulted in our disagreeing with recommendations. Whereas we disagreed with only one NPR recommendation in our December 1993 report, we now disagree with three recommendations: (1) that to allow power marketing administrations to recover more operating costs would "increase electrical power revenues" at the Department of Energy (DOE04), (2) to "create a boundary-spanning workforce development council" at the Department of Labor (DOL09), and (3) to allow the Small Business Administration to "guarantee loans made by banks to nonprofit intermediaries" (SBA05). We still have insufficient information to comment on another 86 recommendations.

MANY RECOMMENDATIONS WITH POTENTIAL SAVINGS HAVE NOT BEEN IMPLEMENTED

---------- Letter :4

A number of the recommendations that NPR said would yield substantial budget savings between fiscal years 1995 and 1999 have not been implemented. These recommendations, and the savings NPR said would accrue during this period, include those to

-- improve Social Security Administration disability claims processing (HHS06)--$4.01 billion,

-- redirect Department of Energy laboratories to post-Cold War priorities (DOE06)--$2.15 billion,

-- institute and collect user fees on the Food and Drug Administration's inspection and approval processes (HHS10)--$1.44 billion, and

-- administer the employment and training requirements for food stamp recipients more effectively and efficiently (USDA05)--$1.04 billion.

We agree or generally agree with all of these recommendations, but none of them has been even partially implemented. The Congressional Budget Office has not independently assessed the potential budget savings associated with these recommendations, so it is not clear whether NPR's savings estimates are accurate. Consensus is needed regarding which NPR recommendations hold the greatest promise for significant budget savings. Prompt action should then be taken to consider those recommendations.

MANY MANAGEMENT ISSUES NOT ADDRESSED BY NPR RECOMMENDATIONS

---------- Letter :5

The 384 NPR recommendations touch upon a wide range of issues in need of improved management. However, many critical management issues were not discussed in NPR's report. For example, although the NPR recommendations were related to 13 of the 18 GAO-designated high-risk areas and 34 of the 84 OMB-designated high-risk areas,\5 the recommendations did not touch upon such high-risk issues as

- the Farmers Home Administration's farm loan programs,
- defense weapon systems acquisition,
- defense contract pricing,
- defense inventory management,
- program monitoring at the Department of Education,
- nuclear safety or waste storage and disposal at the Department of Energy,
- grantee systems and financial controls at the Employment and Training Administration,
- acquisition systems at the Federal Aviation Administration (FAA), and
- direct and guaranteed loan programs at the Department of Veterans Affairs.

The NPR recommendations also did not address nearly three-fourths of what we consider the most important management problems in 23 federal agencies. For example, in addition to many of the high-risk areas discussed previously, problem areas not considered by NPR include

- lack of effective controls over Department of Defense disbursements,
- weak internal control procedures and inadequate managerial information systems within the Food and Drug Administration,
- inadequate project management and planning of the Department of Energy,
- shortfalls in FAA's airline inspection program.

Identifying these management issues that were not addressed by the NPR recommendations does not mean that the recommendations NPR made are not important or appropriate. Our general agreement with most of the recommendations illustrates our support for the administration's effort and our belief that the vast majority of the recommendations should be implemented as quickly as possible. We highlight these other issues to demonstrate that full implementation of the NPR recommendations is not all that is needed to improve government management. The issues not covered by the NPR recommendations also represent significant additional opportunities to make the government "work better and cost less."

\5 See Improving Government: Actions Needed to Sustain and Enhance Management Reforms (GAO/T-OCG-94-1, Jan. 27, 1994) for a description of the GAO high-risk areas. See the Budget of the United States Government, Fiscal Year 1995: Analytical Perspectives, pp. 273-298 for a description of the OMB high- risk areas.

EXECUTIVE-CONGRESSIONAL PARTNERSHIP, STRONG LEADERSHIP, AND ATTENTION TO AGENCIES' CAPACITIES STILL NEEDED

---------- Letter :6

In our December 1993 report, we emphasized three themes that we believed were crucial to the long-range success of the NPR effort: (1) the administration must work in partnership with Congress, (2) attention should be paid to agencies' capacities to take on the additional responsibilities NPR envisions, and (3) sustained attention is needed from top political and career leadership. Events during the past year have confirmed the importance of these issues.

According to NPR staff, 173 of the 384 recommendations require legislative action in order to be fully implemented. However, at least tacit approval by Congress is necessary to implement virtually all of the recommendations. Executive-congressional cooperation has been evident regarding certain issues, such as procurement reform, expansion of financial management initiatives throughout the government, and authorization for employee buyouts to allow agencies to downsize. However, more efforts toward executive-congressional cooperation are needed. At least 106 of the 173 recommendations NPR said required legislative action have not been implemented.

Even in those areas in which the executive and legislative branches worked together, they sometimes disagreed over goals or approaches. For example, while Congress authorized buyouts as a means of downsizing the federal workforce, it also limited staff reductions in certain agencies and occupational categories--actions that officials at the Office of Management and Budget (OMB) said make it more difficult to achieve the overall downsizing goals. We believe that, to implement some of the more contentious and difficult changes NPR recommended, Congress and the administration must develop mutually agreed on goals and implementation strategies. The administration and Congress need to do more joint problem solving if NPR recommendations are to continue to be implemented.

We also remain concerned about whether agencies have the processes, systems, and qualified staff needed to perform their current missions, let alone take on the additional responsibilities NPR envisions in a downsized, decentralized, and deregulated environment. The downsizing of the federal workforce that NPR envisioned has begun. OMB estimates that 71,000 full- time equivalent positions were eliminated by the end of fiscal year 1994. Further reductions over the next 4 years are expected to bring the federal workforce to its lowest level since the mid- 1960s. However,

-- NPR's original goal of cutting more than 250,000 positions from the federal workforce was not the result of careful workforce planning;

-- agencies' workforce reductions, in many cases, have not been preceded by the implementation of changes in work processes that NPR said would enable the cuts to occur;

-- 11 of 30 agencies we surveyed earlier this year said that they had not targeted the buyouts they used to encourage downsizing on the "management control" positions NPR said should be reduced;\6 and

-- some agencies have not ensured that critical skills needed for program performance and the prevention of mismanagement are not lost in their downsizing efforts.

We support efforts to move to a smaller, more efficient government. However, we believe that any staff reductions should be done strategically, with outcome-based strategic goals and sound workforce plans being the cornerstones of agencies' downsizing strategies. We also believe that agencies must reengineer outdated systems and structures and enhance the quality of the remaining staff to ensure that downsizing does not diminish program performance and increase the potential for fraud, waste, and abuse. Without such changes, it will not be possible to achieve many NPR objectives or correct other federal management problems. Reductions in staff without careful workforce planning and without making the changes in existing work processes that can permit those reductions to occur may even exacerbate existing problems and place the overall NPR effort in jeopardy.

Finally, it is clear that, as the Vice President said, full implementation of many of the NPR recommendations will take years. Therefore, agencies' political and career leaders must take a strong role in creating and guiding these long-term management improvement efforts. The performance agreements signed by eight departmental secretaries are examples of the type of leadership needed and are good first steps in this endeavor. Agreements that concentrate on the agencies' desired outcomes can serve as guides for performance improvement. However, twice that number of other departmental and agency executives were supposed to have signed such agreements but have not yet done so. Also, most of the agreements signed thus far lack the specificity needed to ensure effective guidance for agency downsizing initiatives. Commitment and leadership by senior career executives are also critical to the success of the NPR effort, especially when one considers that the median tenure of senior political appointees is about 2 years. Career managers can provide the long-term focus needed to institutionalize NPR's reforms that political executives' more limited tenure does not permit.

\6 Federal Employment: The Results to Date of the Fiscal Year 1994 Buyouts at Non-Defense Agencies (GAO/T-GGD-94-124, Sept. 24, 1994).

REINVENTED GOVERNMENT REQUIRES A CHANGE IN MANAGEMENT FOCUS

---------- Letter :7

The NPR report's recommendations were organized around four general principles: cutting red tape, putting customers first, empowering employees to get results, and cutting back to basics. Some progress has been made toward each of these principles. For example, recent changes in the federal procurement system will reduce some of the red tape involved in federal agencies' acquisition systems. A number of federal agencies have made public commitments to improve customer service, and OMB has streamlined the clearance process for agencies' voluntary customer surveys. The Department of Housing and Urban Development has eliminated its regional offices in an effort to improve accountability between headquarters and field office staff. However, it is not always clear whether the red tape that is to be eliminated also serves a useful purpose, who agencies' customers are, whether accountability and internal controls will remain when employees are empowered, and what nonbasic programs should be eliminated.

NPR performed a service in highlighting many problems that needed to be addressed and recommending solutions to these problems. However, to be successful in the long run, NPR will need to sharpen its focus and bind the recommendations together into a more coherent framework that can better permit the government reform movement to take root and flourish.

The needed framework is one that will produce a basic change in the way government agencies and programs are managed by the executive branch and overseen by Congress. Today, government management primarily focuses on efficient use of inputs (e.g., the number of dollars or staff allotted to an agency), adherence to legislative or agency-developed rules, and the accomplishment of outputs (e.g., the number of inspections completed or the number of claims processed). Good managers are viewed as those who wisely manage their resources, follow agency procedures, and perform the requisite number of output-based tasks. A reinvented government, while not ignoring input and process measures, should focus more on the accomplishment of programmatic results. For example, in addition to being concerned about the number of staff assigned to an issue or the number of enforcement actions taken, those interested in effective government management should also focus on whether the agency's mission (e.g., safer streets, effective collection of taxes, reduced infant mortality) is being accomplished.

A number of NPR recommendations were intended to achieve more results-oriented management. For example, NPR recommended that the

-- Agency for International Development reengineer management of its projects and programs to emphasize program results (AID06);

-- Federal Emergency Management Agency create results-oriented incentives to reduce the costs of a disaster (FEMA03);

-- Department of Labor shift the focus of the unemployment insurance benefits quality control program from error

measurement to a constructive use of results (DOL21);

-- National Aeronautics and Space Administration's measurement of technology transfer focus on results, not just levels of activity (NASA02); and

-- Environmental Protection Agency establish measurable goals, performance standards, and strategic planning (EPA07).

Although these recommendations were results oriented, the NPR report did not clearly emphasize that these types of changes should be the centerpiece of management reform. As the Brookings Institution's study of reinventing government said, the long-term success of NPR requires "a force at the center of government . . . to focus government on results and avoid having the reform spin off into scores of different, unconnected directions."\7

\7 Donald F. Kettl, Reinventing Government?: Appraising the National Performance Review, Brookings Institution's Center for Public Management, August 19, 1994, p. viii.

SEVERAL FACTORS NEEDED TO CHANGE MANAGEMENT FOCUS

---------- Letter :7.1

Our work indicates that several factors are necessary to make the transition to a reinvented, results-oriented government. First, agencies' goals must be clearly stated in outcome-based terms and means developed to measure progress toward those goals. Second, decisionmakers must have information--programmatic, financial, and operational--to allow them to know whether agencies' goals are being achieved and systems to bring that information to decisionmakers in a timely manner. Finally, and perhaps most importantly, structures and processes need to be established and used to reinforce the focus on outcome-based management.

The legal imperatives needed to bring about a great deal of government reinvention are already in place. The Government Performance and Results Act of 1993 (GPRA) requires federal agencies to

develop strategic plans by fiscal year 1998;

prepare annual plans setting performance goals beginning with fiscal year 1999; and

report annually on actual performance toward achieving those goals, with the first report due in March 2000.

As a result of these requirements, greater emphasis should be placed on the results or outcomes of government programs. The intent of GPRA is to improve the efficiency and effectiveness of federal programs and services by requiring that managers set program performance goals and measure results. Federal managers may also

propose waivers of certain administrative requirements that hinder their ability to achieve these goals in return for increased accountability for results. As will be discussed later, Congress should be involved in the process of setting agencies' goals and developing appropriate performance measures.

Another source of the information needed about government performance should be the annual audited financial statement required under the Chief Financial Officers (CFO) Act. Without this information, legislative and executive branch leaders have been crippled in their ability to control costs, evaluate performance, or implement performance management improvements such as those envisioned in GPRA. The Government Management Reform Act of 1994 recently expanded the CFO Act's requirements to cover the entire operations of all 24 CFO Act agencies and to require a consolidated financial statement of executive branch agencies beginning in fiscal year 1997. We strongly support these changes.

As noted previously, outcome-based management and reinvented government also require the development of and investment in information systems to collect and transmit programmatic and financial information to decisionmakers. The federal government's record of successfully implementing critical information systems to support cost reduction and service improvements is poor. For years, agencies have experienced unacceptable rates of project failure, delay, and overspending and shown little evidence of returns on the public's large investment in this area. Only with major shifts in the strategic processes through which information and technology assets are managed will the possibilities offered by modern information technology be realized. The best practices used by leaders in the field of information technology can provide valuable lessons to government in this regard.\8

Outcome-based goals, accurate performance data, and state-of-the- art information systems are of little value unless they are used by decisionmakers. Therefore, leaders in both the executive and legislative branches of government must also focus on achieving results. OMB and Congress, like agency managers, have historically focused on inputs, processes, and outputs. However, changes currently under way at OMB have the potential to alter that focus in the executive branch. The reorganization of the agency under the banner of "OMB 2000" and the associated melding of the management and budget roles of the agency represent an opportunity for OMB to focus on management and programmatic results during the budget process. If this change is accomplished, agencies may be expected to state, in outcome-based terms, what can be expected given certain budgetary levels. Agencies could then be held accountable for producing specific results from their programs. How implementation of OMB 2000 occurs may have a great impact on the success or failure of results-oriented management.

Similar changes are needed in the authorization, appropriation, and oversight activities of Congress. For example, some agencies' missions are legislatively defined in multiple and sometimes conflicting ways. As a case in point, the Agency for International Development (AID) currently has nearly 40 legislative missions, from agricultural development to furthering human rights. These varied

missions create confusion as to what Congress intends AID to accomplish and make it difficult to hold the agency accountable for accomplishing its objectives. For AID to clearly state and accomplish its mission, Congress needs to clarify its legislative underpinnings.

Also, although some congressional oversight has focused on agencies' performance, a great deal of Congress' attention has been devoted to the process of management rather than on the results of management. NPR clearly envisioned changes in that focus when it recommended that Congress

-- reduce "overitemization" in appropriation accounts and align those accounts with programs (BGT03),

-- eliminate employment ceilings and floors by allowing agencies to manage within their budgets (BGT04),

-- reduce procedural restrictions such as those on the Department of Housing and Urban Development's sale of multifamily properties (HUD02), and

-- reduce the number of congressionally mandated reports (SMC06).

One reason for Congress' focus on agency processes has been the general absence of reliable performance data. The implementation of GPRA and the expansion of the CFO Act should help alleviate this problem and can serve as the means by which Congress can better focus on results. However, the development of performance data and their use by Congress are mutually reinforcing. The long-term success of GPRA and the movement to a new mode of government management and accountability depends on Congress having the requisite data and moving from a focus on inputs, outputs, and procedural issues to an emphasis on establishing clear agency missions and goals and focusing on outcomes and results.

The experiences of various states and foreign countries that are among the leaders in management reform suggest that a movement to results-oriented management will not be easy or quickly accomplished. We also realize that outcome-based measures of government performance are more appropriate and are more easily set in some areas than in others. While the challenges are difficult, we believe that the potential benefits from a change in government management are great and we are encouraged by the initial progress that has been made.

\8 Executive Guide: Improving Mission Performance Through Strategic Information Management and Technology (GAO/AIMD-94-115, May 1994).

OBJECTIVES, SCOPE, AND METHODOLOGY

---------- Letter :8

Our primary objectives in this assignment were to (1) assess the implementation of the NPR recommendations 1 year after their

publication and (2) to reassess our December 1993 comments regarding those recommendations in light of the publication of NPR accompanying reports and our additional audit work. To accomplish the first objective, we used our completed and ongoing work to place each of the 384 NPR recommendations into 1 of the following 6 implementation categories:

(1) Fully Implemented. The entire recommendation and/or all action items in a related accompanying report have been fulfilled.

(2) Partially Implemented. The recommendation and/or associated action items have been implemented in part but not in total.

(3) Not Implemented--Action Taken. No part of the recommendation or associated action items has been implemented, but some action has been taken to implement the recommendation and/or the action items. For example, if legislation has been introduced that would address the recommendation but has not been enacted into law, we categorized the recommendation as "not implemented--action taken."

(4) Not Implemented--No Action Taken. No part of the recommendation or associated action items has been implemented, and no action has occurred toward the implementation of the recommendation or the action items.

(5) Insufficient Information. Insufficient or conflicting evidence prevented us from determining the status of implementation.

(6) Other. Implementation action has occurred that, while not responsive to the letter of the recommendation, is generally consistent with its purpose.

We contacted agency officials identified by NPR as responsible for each recommendation and determined what had been done to implement the recommendations. Where appropriate, we also obtained any available documentation of action to implement the recommendations. Unless otherwise noted, the data on implementation of the NPR recommendations were gathered as of September 7, 1994--the 1-year anniversary of the NPR report.

We could assess the implementation status of only one of the recommendations directed toward the intelligence community because the Director of Central Intelligence would not provide the necessary information. The implementation status of some recommendations in other areas were difficult to assess because they called for changes in areas that had not been previously measured or for which measures do not exist. For example, one of the recommendations called for enhanced public awareness and participation in the rulemaking process. Without generally agreed upon measures of public awareness or participation and ways to measure changes before and after the recommendation was made, accurate assessment of the recommendation's implementation is impossible. In these cases, we noted the basis for our conclusions.

To accomplish our second objective, we used our completed and ongoing work to place each NPR recommendation in one of four comment categories. Those categories and their definitions are as follows:

(1) Agree. We agree with the recommendation both in general and in all the particulars.

(2) Generally Agree. We generally agree with the recommendation but have some qualifying views or reservations.

(3) Disagree. We disagree with the recommendation.

(4) Insufficient Information. We have no basis for taking a position on the recommendation because we have not done work in the specific area addressed by the recommendation or the recommendation was too vague for us to comment.

The report is organized in the same manner as the NPR report's recommendations. The first 22 sections of the report focus on NPR recommendations that were directed toward federal agencies, and the last 16 sections focus on recommendations regarding crosscutting government systems. Within each section there is an overall summary, a GAO contact for all the recommendations in that section, and a discussion of each recommendation. That discussion includes (1) the recommendation and any associated action items, (2) our comments regarding the recommendation, (3) our view of the recommendation's implementation, and (4) a listing of related GAO products. No action items are listed in sections for which an NPR accompanying report had not been issued by September 7, 1994.

We did not review the NPR's estimated savings from implementing its recommendations. The Congressional Budget Office already has analyzed some of the NPR recommendations from that perspective. We also did not review the status of approximately 130 "reinvention labs" that have been developed in federal agencies. We plan to discuss these labs in a forthcoming report. Neither did we examine other activities that NPR said was occurring that were not related to their September 1993 recommendations. Our comments regarding each recommendation are based on the wording of the recommendation and any associated action items, not on how the recommendation is being implemented.

AGENCY COMMENTS

---------- Letter :9

Since this report is primarily based on our issued reports and testimonies, we did not obtain comments from the Office of the Vice President and federal agencies. In many cases, comments from agencies and our evaluations of those comments are contained in the reports cited. We did, however, discuss this report's contents with senior NPR officials, who suggested some changes that we took into consideration. Overall, they agreed with our findings.

We are sending copies of this report to other congressional committees; the Vice President; and the Director, Office of Management and Budget. Copies will be made available to other interested parties upon request.

If you have any questions about the issues discussed in this report,

please contact the appropriate GAO official listed in the sections accompanying this letter.

Charles A. Bowsher
Comptroller General
of the United States

AGENCY FOR INTERNATIONAL DEVELOPMENT (AID)

========== Chapter 1

OVERALL SUMMARY

---------- Chapter 1:1

AID has taken action on all recommendations and partially implemented three of them. AID had begun to redefine its mission and priorities in the post-Cold War era prior to the National Performance Review. AID's efforts to implement several recommendations and many action items are tied to an overarching activity--the "Results-Oriented Operations Reengineering" plan. Through this plan, expected to be tested by selected missions and offices from fall 1994 through spring 1995 and implemented beginning October 1995, AID expects to overhaul how the agency plans, implements, and evaluates its development programs. Within overall parameters determined by AID headquarters, including 4- to 5-year budget projections and expected agencywide program directions, AID missions will develop comprehensive country strategic performance plans to define strategic program objectives, strategies for achieving these objectives, and how progress will be measured and reported. Funding to the field will be by strategic program objectives, not by individual projects and activities. AID expects that the new system will (1) focus on customer needs, participation, and development results; (2) enable its staff to take on greater responsibility and accountability; and (3) use information system technologies to better achieve and report on program results.

Although AID has been actively pursuing its goals for "reinvention," more time is needed to determine whether these efforts will be effective. AID is still working to improve its system of performance indicators that accurately measure the impact of its programs on developing countries and the financial and information system improvements needed to better monitor and report on the use of resources.

GAO CONTACT

---------- Chapter 1:1.1

Harold J. Johnson, Director, International Affairs Issues, National Security and International Affairs Division, (202) 512-4128.

RECOMMENDATION INFORMATION

---------- Chapter 1:2

AID01: REDEFINE AND FOCUS AID'S MISSION AND PRIORITIES

---------- Chapter 1:2.1

With the end of the Cold War, AID must rethink how it will operate. NPR recommends steps to plan for this new mission and proposes new authorizing legislation to define its post-Cold War mission and priorities.

ACTION ITEMS

---------- Chapter 1:2.1.1

1. The AID Administrator should conduct a zero-based, bottom-up review of all AID programs and operations, identifying programs and operations that (a) do not directly support a clearly defined mission of sustainable development, and (b) can be undertaken by other assistance providers with a comparative advantage over AID. Nonessential and redundant programs should be eliminated.

2. The administration should seek comprehensive new authorizing legislation to replace the Foreign Assistance Act of 1961, as amended.

3. The AID Administrator should develop a strategic vision of what the agency should look like as it enters the 21st century.

4. The AID Administrator should conduct a comprehensive review of all agency directives and other internal and public issuances to ensure that they clearly express the agency's mission, priorities, and objectives in clear, consistent, and accurate terms.

GAO COMMENTS

---------- Chapter 1:2.1.2

Agree. GAO strongly agrees that the U.S. government needs to develop a coherent foreign aid policy that redefines our national interests and balances objectives with available resources, and we have recommended that foreign aid reform begin with the articulation of a clear strategic direction for AID. We have noted that over the 30 years since its enactment, the Foreign Assistance Act of 1961 has been frequently amended, but neither the foreign assistance goals and objectives nor the approaches used for providing this assistance have been fully reexamined.

IMPLEMENTATION

---------- Chapter 1:2.1.3

Partially Implemented. AID has taken several steps to implement this recommendation. In November 1993, the Clinton Administration submitted a discussion draft for authorizing legislation to replace the Foreign Assistance Act of 1961, as amended, which had been widely criticized for its myriad of foreign aid objectives, directives, and funding earmarks. This draft surfaced as two bills, H.R. 3765 and S. 1856, known as the "Peace, Prosperity, and Democracy Act of

1994." Both bills were introduced in February 1994 and would authorize foreign assistance and related expenditures according to several overall policy objectives: promoting sustainable development, democracy, and peace; providing humanitarian assistance; promoting growth through trade and investment; and advancing diplomacy. Although markup sessions were held, the proposed legislation was not enacted by the 103rd Congress, and the 1961 act remains as AID's authorizing legislation. According to one AID official, AID will likely resubmit its portion of the bill for action by the 104th Congress, but the likelihood that new authorizing legislation for foreign assistance will be enacted is unknown at this time.

In March 1994, AID reported on its strategies for achieving its overall foreign policy goal of sustainable development in four program areas--economic growth, health and population, the environment, and democracy. The four program areas are very broad, and it remains to be seen whether AID will be able to translate these directions into a manageable set of objectives. A noteworthy example of AID's attempt to streamline its mission is its omission of trade and investment activities--an area that had received increasing program focus at AID during the 1980s. Trade and investment activities are included in the foreign aid program set forth in the proposed authorizing legislation but would be funded and administered separately from sustainable development programs.

AID has completed surveys of both its "external customers" (essentially the targeted recipients of AID goods and services) and its staff to (1) better understand which sectors and delivery approaches effectively address host country needs and complement other donor efforts and (2) identify ways to streamline its processes. AID's process for preparing the fiscal year 1996 budget will be zero-based and take into consideration the results of these stakeholder studies. AID also issued an agency directive in May 1994 on strategic planning and performance measurement, particularly on setting and monitoring program strategies in establishing country program strategic plans.

As part of its "reengineering" plan, AID is reviewing all of its operational systems to determine the improvements needed to deliver foreign assistance in ways that assure strict accountability for resources yet provide more flexibility and more rapid response to changing conditions. The initial plan for improving operations was submitted to the Administrator in October 1994. Following the Administrator's approval of redesigned operations, AID's Bureau for Policy and Program Coordination will revise the guidance and directives needed to implement new procedures.

RELATED GAO PRODUCTS

---------- Chapter 1:2.1.4

Foreign Assistance Act: Comments on the New Policy Framework for Foreign Aid (GAO/T-NSIAD-94-121, Feb. 22, 1994).

Foreign Assistance: Reforming the Economic AID Program (GAO/T-NSIAD-93-20, July 26, 1993).

Foreign Assistance: AID Strategic Direction and Continued Management Improvements Needed (GAO/NSIAD-93-106, June 11, 1993).

Foreign Economic Assistance Issues (GAO/OCG-93-25TR, Dec. 1992).

AID02: REDUCE FUNDING, SPENDING, AND REPORTING MICROMANAGEMENT

---------- Chapter 1:2.2

Eliminate AID's outdated or unduly burdensome reporting requirements and reduce legislative earmarks to provide greater operating flexibility.

ACTION ITEMS

---------- Chapter 1:2.2.1

1. Funding for AID development assistance programs should be appropriated on a 2-year or multiyear basis determined by reference to specific assistance needs.

2. AID development assistance funds should be appropriated as part of a single account.

3. Earmarks on AID development assistance appropriations should be eliminated or reduced to allow the agency greater flexibility in responding to changing assistance needs.

4. Statutory reporting and notification requirements should be reduced.

5. The AID Administrator should assure the completion of a zero-based review of all internal agency reporting requirements and procedural directives; elimination of outdated, unduly burdensome, noncost-effective requirements; and establishment of controls over the initiation of new requirements.

6. AID should develop a results-driven performance measurement system capable of documenting expenditures of development assistance funds against feasible and measurable performance goals.

GAO COMMENTS

---------- Chapter 1:2.2.2

Generally Agree. We have reported on AID's extensive reporting requirements and have recommended the elimination of one such requirement. We have also reported on the often divergent views held by the legislative and executive branches on the degree of flexibility and autonomy AID should have in pursuing specific goals and objectives. While we have not addressed the issue of eliminating legislative earmarks, we have suggested that AID could increase confidence in its management by establishing a strategic management system including accountability and monitoring provisions. We have

also reported that Congress and AID have worked together effectively when in agreement on a goal, such as the Development Fund for Africa created in 1987 to provide a stable source of funding for Africa.

IMPLEMENTATION
---------- Chapter 1:2.2.3

Partially Implemented. The fiscal year 1994 appropriations legislation allowed for 2-year funding commitments (until September 30, 1995) and some no-year funding, replacing previous requirements that most funds be obligated within the fiscal year that funds were appropriated. This act also substantially reduced the number of earmarks, and the proposed foreign aid authorizing legislation would provide significant flexibility to the executive branch to program foreign aid funds according to foreign policy goals. Reflecting the intent of the proposed legislation, AID has defined its mission as (1) providing humanitarian relief and (2) promoting sustainable development through four broad program areas: economic growth, democratic initiatives, the environment, and health and population. The fiscal year 1994 appropriations act and proposed authorizing legislation also substantially reduce the number of reporting and notification requirements.

As part of its reengineering efforts, AID has taken steps to review and eliminate outdated, cumbersome internal requirements and develop a results-driven performance management system. AID's Quality Council formed a subcommittee on internal regulations, and bureaus are reviewing their own rules and regulations to determine which are necessary for sound program management and which are not. AID's goal is to reduce internal requirements by 50 percent, and the agency has identified 73 rules which it may be able to eliminate. However, agency management requirements will ultimately be driven by the reforms still being developed to respond to other needed changes.

Another component of AID's reengineering is the development of feasible and measurable performance indicators. As part of their overall comprehensive country strategic performance plan, missions will report on program outcomes and results using a "Work Plan" that should include a database for recording both planned and achieved results. Also, AID has been developing the Program Performance Information System for Strategic Management (PRISM) since 1990. This system is intended to provide a meaningful set of agencywide indicators of program performance to be used in monitoring and evaluating program results and to provide managers the information needed in making program decisions. Most missions have developed strategic objectives and linked these to performance indicators to monitor progress, and central bureaus such as the Bureau for Global Programs will soon begin developing objectives and indicators. However, the system needs further development to ensure that these indicators are systematically used for managerial and program decisionmaking. Also, as the reengineering operations plan notes, the current system does not have the capability to compare results across countries or to aggregate individual country statistics to assess global trends.

RELATED GAO PRODUCTS

---------- Chapter 1:2.2.4

Foreign Assistance: Accuracy of AID Statistics on Dollars Flowing Back to the U.S. Economy Is Doubtful (GAO/NSIAD-93-196, Aug. 3, 1993).

Foreign Assistance: AID Strategic Direction and Continued Management Improvements Needed (GAO/NSIAD-93-106, June 11, 1993).

AID Management: Strategic Management Can Help AID Face Current and Future Challenges (GAO/NSIAD-92-100, Mar. 6, 1992).

Foreign Assistance: Progress in Implementing the Development Fund for Africa (GAO/NSIAD-91-127, Apr. 16, 1991).

AID03: OVERHAUL THE AID PERSONNEL SYSTEM

---------- Chapter 1:2.3

Recommendations include changes in AID's personnel system to integrate its multiple systems and review benefits.

ACTION ITEMS

---------- Chapter 1:2.3.1

1. AID should operationally integrate all its human resource management systems, including Foreign Service National (FSN) and Personal Services Contractor (PSC) staffs, as well as Foreign Service (FS) and General Schedule (GS) employees.

2. AID should reinvigorate the International Development Intern (IDI) Program.

3. AID should ensure that the lengths of overseas assignments are logically related to the nature of the work performed by AID personnel.

4. AID should ensure that junior officers develop management and administrative skills as part of their career development.

5. AID should invest in more training in project implementation, contract administration, financial management, and foreign language proficiency.

6. AID should encourage rotational assignments in and out of the Office of the Inspector General (OIG).

7. AID should restructure the performance review and employee incentive programs to link individual performance to organizational performance.

8. The AID Administrator should enforce the terms of the up-or-out regulations and begin reducing the excess senior management at the agency.

9. AID should integrate qualified spouses of overseas couples into the assignment process and cultivate them as part of the overseas work force.

10. AID should initiate an interagency review of FS benefit policies among the various agencies using FS employees.

GAO COMMENTS

---------- Chapter 1:2.3.2

Agree. GAO strongly agrees that AID lacks adequate work force planning and management systems and has reported that AID has not restructured its work force to meet the agency's evolution from a hands-on implementor to supervising the work of others to carry out its programs.

IMPLEMENTATION

---------- Chapter 1:2.3.3

Not Implemented--Action Taken. AID has taken a number of steps to overhaul its personnel system and improve its human resource development. In March 1994, AID submitted a concept paper to Congress proposing an integrated personnel system--the USAID Development Corps. This proposal would unify Foreign Service and General Schedule personnel into a single service, and integrate all other employees into the agency's overall human resources system. AID currently has six teams engaged in (1) drafting specific legislative proposals outlining basic authorities; (2) developing the pay plan and benefits package; (3) developing improved work force planning, position management, assignments, and career management systems; (4) developing and implementing employee evaluation and recognition/awards systems; (5) examining spousal employment as an integral part of the system; and (6) defining system parameters and conversion provisions, separation rules, and grievance system provisions. AID has begun working on implementing those aspects of the unified personnel system that can be implemented without legislation, such as an improved work force planning system and staff development programs. Final drafts of legislative proposals are tentatively scheduled to be completed by December 31, 1994 and submitted to Congress by February 1, 1995. AID has begun enforcing regulations on limited career extensions and is focusing on granting extensions based on agency needs only. The size of the Senior Foreign Service is beginning to contract.

AID is developing a new employee evaluation system designed to include peer evaluation, greater feedback, separation of the promotion process from evaluation, and more focus on accountability for meeting organizational goals. AID began testing the pilot in July 1994 and implementation is expected by spring 1995. Initially it will be applied to the Foreign Service only, but AID expects to apply it to Civil Service staff when granted such authority by Congress.

A staff development strategy is being formulated that will define

career paths and requisite training through a career management system that is to help each employee chart a predictable and equitable career strategy from entry-level through retirement. AID's work force diversity plan was approved by the Administrator and distributed in April 1994. It is intended to guide efforts to achieve a representative work force profile and establish an active program to ensure equal employment opportunity for each employee. Recruitment is now being guided by work force planning and diversity analyses, and the International Development Intern program is being restructured to reduce the average grade and age of new-hires and to increase the full-time equivalent years invested in the interns.

AID, with the assistance of a training consultant, is restructuring its training program to reflect organizational changes and stress certification for key positions, such as program managers, contracting officers, controllers, and executive officers.

RELATED GAO PRODUCTS

---------- Chapter 1:2.3.4

Foreign Assistance: Reforming the Economic AID Program (GAO/T-NSIAD-93-20, July 26, 1993).

Foreign Assistance: AID Strategic Direction and Continued Management Improvements Needed (GAO/NSIAD-93-106, June 11, 1993).

Foreign Assistance: Management Problems Persist at the Agency for International Development (GAO/T-NSIAD-92-31, May 1, 1992).

AID04: MANAGE AID EMPLOYEES AND CONSULTANTS AS A UNIFIED WORK FORCE

---------- Chapter 1:2.4

Lift some current personnel restrictions and give managers authority to manage staff resources more efficiently and effectively.

ACTION ITEMS

---------- Chapter 1:2.4.1

1. AID should vigorously explore opportunities to remove staffing restrictions and allocate operating expense salary resources to individual managers, rather than budgeting and managing funds centrally.

2. AID should put systems in place to accurately monitor employee work years for both direct-hire employees and PSCs.

3. AID should undertake a full review of the impact of its policies and practices concerning use of PSCs.

GAO COMMENTS

---------- Chapter 1:2.4.2

Generally Agree. We have reported on the increasing number of AID programs and projects being implemented through outside parties, such as personal services contractors, who often perform the same or similar duties as direct-hire employees. While we have not addressed the issue of lifting personnel restrictions, we have recommended that AID develop a comprehensive work force planning system to recruit, train, and assign both direct- and nondirect-hire staff.

IMPLEMENTATION

---------- Chapter 1:2.4.3

Not Implemented--Action Taken. This recommendation is somewhat difficult to implement given that AID's operating funds are appropriated separately from its program funds. Also, the Office of Management and Budget (OMB) wields considerable influence over agency staffing allocations and personnel restrictions. AID is exploring staffing flexibility through reengineering efforts and unified work force proposals such as the "Development Corps," which, if implemented, would provide greater flexibility and encourage mobility among bureaus and overseas assignments. AID has also reduced by 20 percent the number of personal services contractors since November 1993 by not renewing contracts for many U.S. and third-country nationals overseas.

RELATED GAO PRODUCTS

---------- Chapter 1:2.4.4

Foreign Assistance: AID Strategic Direction and Continued Management Improvements Needed (GAO/NSIAD-93-106, June 11, 1993).

Foreign Assistance: Management Problems Persist at the Agency for International Development (GAO/T-NSIAD-92-31, May 1, 1992).

Foreign Assistance: AID's Use of Personal Services Contracts Overseas (GAO/NSIAD-91-237, Sept. 13, 1991).

AID05: ESTABLISH AN AID INNOVATION CAPITAL FUND

---------- Chapter 1:2.5

Create a capital investment fund to improve information and financial management systems and customer service.

ACTION ITEMS

---------- Chapter 1:2.5.1

1. AID should work with OMB and Congress to establish a revolving capital investment fund.

2. AID should target sound projects from the Information Systems Plan for funding.

3. AID should conduct a thorough cost-benefit analysis of any proposed capital expenditure.

4. AID should obtain customer input during business process reengineering.

5. Implementation of the Army Corps of Engineers Financial Management System (CEFMS) should be expedited.

GAO COMMENTS

---------- Chapter 1:2.5.2

Insufficient Information. We agree that improvements are needed in AID's information and financial management systems, but we have not specifically studied the merits of an innovation capital fund.

IMPLEMENTATION

---------- Chapter 1:2.5.3

Not Implemented--Action Taken. OMB and AID agreed not to ask for a separate revolving fund for capital investments. According to one AID official, OMB and congressional appropriations committees traditionally have not supported off-budget spending. AID proposed in its fiscal year 1995 budget submission that $18 million be set aside in the operating expense account for improvements to its information and financial management systems but not as a revolving fund. The Information Systems Plan was funded in fiscal year 1994 and has been included in the budgets for fiscal years 1995 and 1996. This entire project was subjected to a cost-benefit analysis conducted by the General Services Administration who, according to one AID official, called it "one of the best they had seen." As part of its reengineering efforts, AID has established a team to conduct a study to determine the data needed by staff and how such data are used and accessed. This effort will include user reference groups to provide feedback on information needs and systems under development.

With OMB assistance, AID is exploring an alternative to the Army Corps of Engineers Financial Management System that will eliminate development time through procuring a complete off-the-shelf automated financial management system. This is a near-term effort to improve financial management capabilities. AID initiated development of the AID Washington Accounting and Control System (AWACS) in 1990 and the agency currently plans to proceed with this system. GAO plans to review the status of AID's financial management system improvement efforts during fiscal year 1995.

RELATED GAO PRODUCTS

---------- Chapter 1:2.5.4

Financial Management: Inadequate Accounting and System Project Controls at AID (GAO/AFMD-93-19, May 24, 1993).

Information Resources Management: Initial Steps Taken But More Improvements Needed in AID's IRM Program (GAO/IMTEC-92-64, Sept. 29,

1992).

Foreign Assistance: Management Problems Persist at the Agency for International Development (GAO/T-NSIAD-92-31, May 1, 1992).

AID06: REENGINEER MANAGEMENT OF AID PROJECTS AND PROGRAMS

---------- Chapter 1:2.6

AID should use pilot programs and new approaches to emphasize flexibility, innovation, customer service, and program results.

ACTION ITEMS

---------- Chapter 1:2.6.1

1. AID should reengineer the project and program management processes to emphasize innovation, flexibility, and beneficiary participation.

2. The AID administrator should designate selected AID missions as pilots to experiment with innovative approaches to programming and delivery of AID assistance.

3. AID should structure the reward and incentive system in project and program management to ensure that performance and accountability are linked to accomplishing project results and that innovation is encouraged.

4. AID should establish systems for continuing critical review of all existing projects to ensure that they are achieving desired outcomes.

5. AID should strengthen the project and program evaluation process and integrate it into the planning, budget, and project allocation processes.

GAO COMMENTS

---------- Chapter 1:2.6.2

Insufficient Information. We agree that missions have not been held accountable for program results, but we cannot assess this NPR recommendation based on the information provided.

IMPLEMENTATION

---------- Chapter 1:2.6.3

Not Implemented--Action Taken. AID's "Results-Oriented Operations Reengineering" draft plan proposes a new way of carrying out AID's work by (1) focusing on end user needs, participation, and development results; (2) enabling AID employees to take on greater responsibility and accountability; and (3) using information system technologies to facilitate AID's evaluation and achievement of

overall objectives. The plan includes efforts to link reward and incentive systems to performance results, establish systems for continuous project review, and strengthen and integrate evaluations with agency program planning processes. Incorporating these concepts at the mission level will require mission responsibility for preparing a comprehensive strategic performance plan that will have three parts: a strategic definition of the country program, a report on program outcomes and results, and an operational resources plan. Funds allocation to the field will be based on AID/Washington approval of an overall strategy to achieve identified objectives and program outcomes. While individual projects might be identified, they are not the object for approval and funds obligation will be by strategic objective, not by activity.

The draft plan was circulated for agencywide review and comment and was finalized in October 1994. Although it may change in some implementation aspects as it is reviewed, AID expects the fundamental concepts to remain unchanged. In October 1994, AID selected eight overseas missions and two offices to pilot different aspects of the reengineered approach and to begin training if funds are available. The pilot missions and offices are scheduled to complete their testing of the plan's approaches by spring 1995. At that time, the reengineering team will analyze the results and refine and submit the plan for final approval. AID expects to begin implementing the reengineering plan by October 1995.

RELATED GAO PRODUCTS

---------- Chapter 1:2.6.4

Foreign Assistance: AID Strategic Direction and Continued Management Improvements Needed (GAO/NSIAD-93-106, June 11, 1993).

Foreign Assistance: Management Problems Persist at the Agency for International Development (GAO/T-NSIAD-92-31, May 1, 1992).

AID07: CONSOLIDATE OR CLOSE AID OVERSEAS MISSIONS

---------- Chapter 1:2.7

AID should regionalize missions and staff services overseas and close nonessential missions. It should establish "graduation" criteria for countries receiving U.S. assistance.

ACTION ITEMS

---------- Chapter 1:2.7.1

1. AID should concentrate field presence substantially by fiscal year 1996.

2. AID should support establishing the requirement that all assistance programs include plans for graduation from U.S. assistance.

3. AID should aggressively explore opportunities to consolidate

staff in regional offices serving a number of countries.

4. AID should act to ensure that administrative functions overseas will be provided in the most cost-effective way.

GAO COMMENTS
---------- Chapter 1:2.7.2

Generally Agree. We strongly agree that AID resources are spread among too many countries to be effective, with programs at some missions so diffuse that they have had little impact, and we have noted that some recipient countries may soon be candidates for "graduation." However, we have not addressed the issue of regional missions nor identified specific missions for closure.

IMPLEMENTATION
---------- Chapter 1:2.7.3

Partially Implemented. AID plans to close 21 overseas missions and offices and expects the closeouts to be completed by the end of fiscal year 1996. These generally included countries determined to have (1) "graduated" from the need for AID assistance or a close AID presence or (2) not promoted the basic political and economic reforms considered essential for aid to be effective. Five missions were closed in fiscal year 1994, 10 are scheduled for closure in fiscal year 1995, and 6 are to be closed in fiscal year 1996. Almost all plans for closing out missions have been approved by AID/Washington. The exception is the Regional Development Office for the Caribbean in Barbados due to the changing events in Haiti and Cuba and the consequent need for a U.S. aid presence in the Caribbean. According to an AID official, it is still very likely that this office will close in fiscal year 1996 but that certain programs considered important to U.S. interests will be administered from Washington or elsewhere in the region. While the announcement of closing 21 missions is a positive step toward streamlining AID's overseas presence, AID's presence in Central and Eastern Europe and the former Soviet Union has increased in the past several years. For example, as of early 1994, AID had 39 permanent employees at four regional missions in Russia, Ukraine, Kazakhstan, and Armenia.

In March 1994, AID requested that missions review their programs for additional graduations and replies were due in July 1994. The Bureau for Policy and Program Coordination is analyzing the replies and will prepare a final report on how AID could proceed to phase out certain programs. Essentially, plans for "graduation" are to be built into the new country level strategic planning process, and missions are to project end-dates for assistance based on measurable indicators and the assumption that AID programs as well as external factors proceed as planned.

AID's general guidance for field presence is to operate in three types of countries: (1) those in which AID can provide an integrated package of sustainable development assistance with clearly defined program objectives and performance targets; (2) transitional countries that have recently experienced national crisis, a

significant political transition, or a natural disaster; and (3) countries in which AID's presence is limited and may operate from a central or regional base, but where aid to nongovernmental sectors may facilitate the emergence of a civic society, help alleviate repression, meet basic humanitarian needs, enhance food security, or address a problem with regional or global implications.

As part of its "rightsizing" efforts, AID is reducing the size of its Regional Economic Development and Support Offices in East and West Africa. AID is considering additional regional consolidations and closures, and expects a "second round" to be announced next year. AID is also developing a "core" mission model to assist in deciding how future overseas posts should look. AID and the State Department are also studying the merits of consolidating the administrative functions of the various U.S. agencies represented at posts and expect to report to Congress by November 1994 on consolidating those services that are feasible. Final plans are to be implemented by fiscal year 1996. AID, the State Department, and the U.S. Information Agency are working with the General Services Administration to identify a single travel agent to serve these foreign affairs agencies. These agencies are also reviewing the possibility of using one contractor for storage of household goods.

RELATED GAO PRODUCTS

---------- Chapter 1:2.7.4

Foreign Assistance: AID Strategic Direction and Continued Management Improvements Needed (GAO/NSIAD-93-106, June 11, 1993).

DEPARTMENT OF AGRICULTURE (USDA)

========== Chapter 2

OVERALL SUMMARY

---------- Chapter 2:1

Implementation of the seven NPR recommendations for USDA ranges from full implementation to not implemented--action taken. Although USDA has taken or identified actions to implement most of the recommendations, it has fully implemented only one--to phase out the wool and mohair program (USDA01). It has also partially implemented three other recommendations. In the fall of 1993, USDA submitted legislation to implement a new organizational structure, and the legislation was enacted on October 13, 1994 (USDA03). To contain costs in the Special Supplemental Program for Women, Infants, and Children (WIC), USDA has taken steps to enhance competition among manufacturers of infant formula and to provide states with information and technical assistance (USDA06). To prepare for delivering food stamp benefits via electronic transfer nationwide, it has been participating in an interagency task force and working closely with a number of states to pilot test electronic benefit transfer projects (USDA07). UDSA has also taken steps to implement three other recommendations. It developed legislative proposals to eliminate the honey subsidy program (USDA02) and to consolidate a number of farm management plans (USDA04). These proposals are

awaiting congressional action. To begin implementing the recommendation that USDA administer the employment and training requirements for food stamp recipients more effectively, the Administrator of the Food and Nutrition Service has directed the Service's regional and program offices to look for better ways to target employment and training funds (USDA05).

Although we generally agree with the NPR's recommendations for USDA, we are concerned, as we noted in December 1993, about other issues that NPR did not address. These include

-- eliminating, phasing out, or changing several other commodity programs in addition to the wool and mohair and honey programs because (1) the programs may not be meeting their goals, (2) the programs and goals may not be appropriate in today's marketplace, or (3) the programs may not be addressing farmers' needs;

-- centralizing the servicing for the Farmers Home Administration's (FmHA) single-family housing loans to lower delinquency rates and reduce loan losses; and

-- reducing the farm credit program's exposure to risk by rethinking FmHA's mission and activities so as to improve risk management, reduce transaction costs, and improve farmers' equity while saving taxpayers billions of dollars.

GAO CONTACT

---------- Chapter 2:1.1

John W. Harman, Director, Food and Agriculture Issues, Resources, Community, and Economic Development Division, (202) 512-5138.

RECOMMENDATION INFORMATION

---------- Chapter 2:2

USDA01: END THE WOOL AND MOHAIR SUBSIDY

---------- Chapter 2:2.1

The subsidy is no longer needed since wool is no longer a strategic commodity.

ACTION ITEM

---------- Chapter 2:2.1.1

Legislation should be enacted to eliminate federal support payments for wool and mohair.

GAO COMMENTS

---------- Chapter 2:2.1.2

Agree. We have supported ending the wool and mohair subsidy since 1990 because (1) the program's costs are high, (2) the federal budget faces many constraints, (3) a small number of beneficiaries have been receiving the bulk of the payments, and (4) wool has not been considered a strategic material since 1960.

IMPLEMENTATION
---------- Chapter 2:2.1.3

Fully Implemented. Public Law 103-130, enacted on November 1, 1993, phases out the wool and mohair subsidy program over 2 years. This subsidy program will end with the conclusion of the 1995 marketing year.

RELATED GAO PRODUCTS
---------- Chapter 2:2.1.4

Wool and Mohair Program: Need for Program Still in Question (GAO/RCED-90-51, Mar. 6, 1990).

USDA02: ELIMINATE FEDERAL SUPPORT FOR HONEY
---------- Chapter 2:2.2

Eliminate the honey subsidy because the program does not serve the intended purpose of ensuring the availability of honeybees for crop pollination.

ACTION ITEM
---------- Chapter 2:2.2.1

Legislation should be enacted to eliminate federal support for honey.

GAO COMMENTS
---------- Chapter 2:2.2.2

Agree. We support eliminating the honey program. In 1985, we reported that the program--originally justified as ensuring an adequate supply of honeybees for crop pollination--was unnecessary to ensure pollination. We also found that only 1 percent of the nation's beekeepers participated in the program. We recommended that the program be phased out by reducing the price-support level over time to minimize the impact on the industry.

IMPLEMENTATION
---------- Chapter 2:2.2.3

Not Implemented--Action Taken. Annual appropriations legislation for fiscal years 1994 and 1995 eliminated payments and greatly curtailed loans for the honey program. Proposed legislation (H.R. 1853 and H.R. 3400) authorized honey payments only through the 1995 crop year

rather than the 1998 crop year as called for under the Omnibus Budget Reconciliation Act of 1993. However, the proposed legislation would not definitively terminate the honey program as the NPR recommends.

RELATED GAO PRODUCTS
---------- Chapter 2:2.2.4

Honey Program (GAO/RCED-94-244R, June 8, 1994).

Honey Program (GAO/RCED-93-227R, Sept. 1, 1993).

Federal Price Support for Honey Should Be Phased Out (GAO/RCED-85-107, Aug. 19, 1985).

USDA03: REORGANIZE THE DEPARTMENT OF AGRICULTURE TO BETTER ACCOMPLISH ITS MISSION, STREAMLINE ITS FIELD STRUCTURE AND IMPROVE SERVICE TO ITS CUSTOMERS
---------- Chapter 2:2.3

USDA should streamline its field operations to eliminate unnecessary offices, reduce costs, and better serve farmers.

ACTION ITEMS
---------- Chapter 2:2.3.1

1. USDA should begin immediately a multiyear approach to revising the department's structure to reflect its program responsibilities.

2. The Secretary of Agriculture should submit legislation to implement the new organizational structure to enhance the delivery of USDA services.

3. USDA should review its regional, state, and area office structure; eliminate those elements no longer appropriate; and extend the restructuring to the "non-county-based" agencies of the department.

GAO COMMENTS
---------- Chapter 2:2.3.2

Agree. We support the recommendation to reorganize USDA. In a series of reports on the organizational structure and management systems of USDA, we identified structural problems that, if addressed, could lead to greater efficiency, effectiveness, and cost savings. USDA estimates that streamlining and restructuring its headquarters and field structure could save about $2.3 billion over the next 5 years.

IMPLEMENTATION

---------- Chapter 2:2.3.3

Partially Implemented. USDA has been working for a number of years to revise its structure. The Department also has identified about 1,100 county offices that it plans to close to streamline its field operations (action item 1). Legislation to implement a new organizational structure was introduced in the fall of 1993 and was passed and signed into law (P.L. 103-354) on October 13, 1994 (action item 2). USDA is currently determining which county offices will be closed and how the Department's headquarters offices will be reorganized (action item 3).

RELATED GAO PRODUCTS

---------- Chapter 2:2.3.4

U.S. Department of Agriculture: Overhauling the Farm Agencies' Field Structure (GAO/T-RCED-92-87, July 30, 1992).

U.S. Department of Agriculture: Restructuring Will Impact Farm Service Agencies' Automation Plans and Programs (GAO/T-IMTEC-92-22, July 30, 1992).

U.S. Department of Agriculture: Revitalizing Structure, Systems, and Strategies (GAO/RCED-91-168, Sept. 3, 1991).

U.S. Department of Agriculture: Farm Agencies' Field Structure Needs Major Overhaul (GAO/RCED-91-9, Jan. 29, 1991).

USDA04: IMPLEMENT A CONSOLIDATED FARM MANAGEMENT PLAN

---------- Chapter 2:2.4

The farm management plan proposed by Secretary Espy provides an opportunity to simplify regulations for farm management and is a good way to consolidate competing requirements into a single plan for each farm.

ACTION ITEMS

---------- Chapter 2:2.4.1

1. USDA should coordinate federal agencies in assisting producers to implement the consolidated farm management plan. This should include assuring the quality of consolidated farm management plans and compliance.

2. The consolidated farm management plan should seek to coordinate with programs administered by other federal agencies and states in order to create an integrated comprehensive farm management plan. The plan, however, should not override or supersede requirements of other programs.

GAO COMMENTS

---------- Chapter 2:2.4.2

Generally Agree. Although we have not recommended a consolidated farm management plan, we agree that the concept provides an excellent opportunity to simplify regulations and help make government regulations "farmer friendly." This recommendation also complements NPR's recommendation to reorganize USDA, streamline its field structure, and improve service to its customers.

IMPLEMENTATION
---------- Chapter 2:2.4.3

Not Implemented--Action Taken. Legislation was introduced in 1993 to consolidate the number of management plans required by USDA. However, this legislation focuses only on environmental and conservation management plans and does not include all farm management plans. Therefore, while related to the recommendation, the legislation would not fully implement the recommendation.

RELATED GAO PRODUCTS
---------- Chapter 2:2.4.4

None.

USDA05: ADMINISTER THE
EMPLOYMENT AND TRAINING
REQUIREMENTS FOR FOOD STAMP
RECIPIENTS MORE EFFECTIVELY
AND EFFICIENTLY
---------- Chapter 2:2.5

Redirect funds from an ineffective training program for food stamp recipients and allow them to participate in programs with proven results.

ACTION ITEM
---------- Chapter 2:2.5.1

Legislation should be enacted to amend the Food Stamp Act to strengthen the work and training requirement and require food stamp recipients to participate in more effective employment and training programs.

GAO COMMENTS
---------- Chapter 2:2.5.2

Generally Agree. Although we have not done work on this issue, in our view it makes good sense to redirect funds from ineffective programs to programs that have proven results. That is simply good public policy.

IMPLEMENTATION
---------- Chapter 2:2.5.3

Not Implemented--Action Taken. USDA has not taken any specific action to redirect funds so that food stamp recipients can participate in employment and training programs with proven results. Nor has legislation been introduced to amend the Food Stamp Act, as required by this recommendation. However, the Administrator of the Food and Nutrition Service (FNS) announced, in a May 1994 letter to regional administrators and operators of the Employment and Training Program, that FNS has changed its approach to administering this program. The Administrator said that FNS is now trying to target the program's funds to specific populations within the eligible food stamp recipient population rather than encouraging broad-based, low-cost programs. In addition, FNS officials said that the agency has drafted changes that may address this NPR recommendation, but OMB has not yet approved these changes. According to USDA officials, identifying programs with proven results is difficult. In addition, officials say, the main problem with the Food Stamp Employment and Training Program is not that the program is ineffective but that it tries to serve too many people with too few dollars.

RELATED GAO PRODUCTS
---------- Chapter 2:2.5.4

None.

USDA06: ENCOURAGE BETTER FOOD PACKAGE MANAGEMENT PRACTICES AND FACILITATE MULTISTATE CONTRACTS FOR INFANT FOOD AND FORMULA COST CONTAINMENT IN THE WIC PROGRAM
---------- Chapter 2:2.6

The recommendation encourages increased competition among infant formula vendors and manufacturers of other items in USDA's Special Supplemental Food Program for Women, Infants, and Children (WIC). Savings accrue to the program.

ACTION ITEMS
---------- Chapter 2:2.6.1

1. USDA should assume a leadership role in cost-containment efforts and focus on cost containment for additional items in the WIC food package such as infant cereal, juice, and other food products.

2. USDA should expand its role in disseminating "best practices" information to states interested in pursuing multistate cost-containment efforts.

3. USDA should continue and expand its educational efforts to promote breastfeeding.

GAO COMMENTS
---------- Chapter 2:2.6.2

Agree. We support the use by states of competitive contracts for the acquisition of WIC infant formula. Although we have not reviewed the potential benefits of multistate contracting, we have found that competitive bid contracting by individual states generally results in program savings and a potential increase in the number of recipients served.

IMPLEMENTATION
---------- Chapter 2:2.6.3

Partially Implemented. Congress enacted the WIC Infant Formula Procurement Act of 1992 before the NPR issued its recommendations in September 1993. This act directs USDA to take many of the same actions as the NPR. Hence, when USDA acted to fulfill the act's mandates, it also partially implemented this NPR recommendation. Recent legislation extends to infant cereal the cost-containment contract provisions that currently apply to the procurement of infant formula. In the meantime, USDA has worked with the states to contain costs by encouraging competition among producers of infant formula and other items in the WIC food package (action item 1) and by providing information and technical support to states that are soliciting and evaluating bids for WIC contracts (action item 2). Recent legislation improves breastfeeding promotion and support. USDA is also hiring a consultant to formulate a strategy for soliciting funds to support a national campaign to promote breastfeeding (action item 3).

RELATED GAO PRODUCTS
---------- Chapter 2:2.6.4

Supplemental Food Program: Savings From Food Purchases Could Increase WIC Participation (GAO/RCED-88-183BR, July 25, 1988).

Supplemental Food Program: Using Cost Saving Methods Could Increase Participation (GAO/RCED-88-35BR, Oct. 9, 1987).

USDA07: DELIVER FOOD STAMP
BENEFITS VIA ELECTRONIC
BENEFITS TRANSFER TO IMPROVE
SERVICE TO CUSTOMERS WHILE
REMAINING COST EFFECTIVE
---------- Chapter 2:2.7

Use electronic technology to distribute food stamp benefits, thereby improving service and reducing the need for current paper stamps.

ACTION ITEM
---------- Chapter 2:2.7.1

USDA's Food and Nutrition Service should participate in an interagency task force reporting to the Vice President to accelerate implementation of electronic benefits transfer (EBT).

GAO COMMENTS
---------- Chapter 2:2.7.2

Generally Agree. In our February 1994 testimony, which focused on the potential for EBT to reduce fraud and abuse and analyzed EBT pilot projects, we stated that the cost-effectiveness of EBT as a replacement for the coupon-based system for delivering food stamp benefits has not been conclusively demonstrated. Our work to date indicates that EBT may prove more useful and cost-effective when it is used to deliver benefits for a number of federal and state programs and not solely for the Food Stamp Program.

IMPLEMENTATION
---------- Chapter 2:2.7.3

Partially Implemented. USDA participated fully and actively in an interagency task force that reported to the Vice President in May 1994 and developed a plan containing 12 recommendations for implementing EBT nationwide. USDA also worked closely with one state (Maryland) to implement a statewide EBT system and with six other states (Iowa, Minnesota, New Jersey, New Mexico, Ohio, and Pennsylvania) to implement pilot EBT projects. Three other states (South Carolina, Texas, and Wyoming) have selected vendors to implement EBT projects. In total, 10 states have made progress toward deploying EBT; therefore, this NPR recommendation is considered partially implemented.

RELATED GAO PRODUCTS
---------- Chapter 2:2.7.4

Food Assistance: Reducing Fraud and Abuse in the Food Stamp Program With Electronic Benefit Transfer Technologies (GAO/T-RCED-94-125, Feb. 2, 1994).

DEPARTMENT OF COMMERCE (DOC)
========== Chapter 3

OVERALL SUMMARY
---------- Chapter 3:1

The Department of Commerce has made considerable progress in its implementation of the NPR recommendations, although none of the recommendations was fully implemented. NPR's view that Commerce is a "holding company" composed of 13 vastly different operating units, each pursuing disparate missions, is consistent with our observations of Commerce activities in prior work such as our transition series report on Commerce Issues.

We support the thrust of the NPR Commerce recommendations, including better coordination across government in shared program responsibility, improved customer service through technology advancement, and enhanced efficiency and effectiveness in operations. We continue to support these reinvention principles.

GAO CONTACT
---------- Chapter 3:1.1

William M. Hunt, Director, Federal Management Issues, General Government Division, (202) 512-8676.

RECOMMENDATION INFORMATION
---------- Chapter 3:2

DOC01: REINVENT FEDERAL ECONOMIC AND REGIONAL DEVELOPMENT EFFORTS
---------- Chapter 3:2.1

Improve coordination of federal economic development efforts with the goals of eliminating duplication and better directing federal resources to improve business conditions.

ACTION ITEMS
---------- Chapter 3:2.1.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 3:2.1.2

Agree. This recommendation is an underlying theme of several of our reports over the past few years. We agree with the tenet that better coordination can help improve efficiency and achieve better results in federal economic development efforts.

IMPLEMENTATION
---------- Chapter 3:2.1.3

Not Implemented--Action Taken. The Economic Development Administration's (EDA) reauthorization bill (H.R. 2442 and S. 2257) would provide for the establishment of a Federal Coordinating Council for Economic Development. However, the reauthorization bill has not been enacted.

RELATED GAO PRODUCTS
---------- Chapter 3:2.1.4

Rural Development: Patchwork of Federal Programs Needs to Be

Reappraised (GAO/RCED-94-165, July 28, 1994).

Housing and Community Development Issues (GAO/OCG-93-22TR, Dec. 1992).

Rural Development: Rural America Faces Many Challenges (GAO/RCED-93-35, Nov. 20, 1992.

DOC02: PROVIDE BETTER COORDINATION TO REFOCUS AND LEVERAGE FEDERAL EXPORT PROMOTION

---------- Chapter 3:2.2

This recommendation is designed to improve federal services to U.S. businesses competing in the world export markets.

ACTION ITEMS

---------- Chapter 3:2.2.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 3:2.2.2

Agree. We have advocated improved federal trade promotion efforts. In a January 1992 report, we recommended that the Secretary of Commerce, as Chair of the the Trade Promotion Coordinating Committee (TPCC), the interagency committee that oversees federal export promotion efforts, work with other TPCC member agencies and the Director of the Office of Management and Budget to (1) develop a governmentwide strategic plan for carrying out federal export promotion programs and (2) ensure that the budget requests for these programs are consistent with their relative strategic importance. This recommendation was incorporated into law in October 1992.

IMPLEMENTATION

---------- Chapter 3:2.2.3

Partially Implemented. Title II of the Export Enhancement Act of 1992 requires TPCC to issue annually a report containing a governmentwide strategic plan for federal export promotion efforts and describing its implementation. The act requires that the plan, among other things, establish priorities for federal export promotion, include a strategy for bringing federal export promotion activities into line with the new priorities and for improving their coordination, and propose a unified budget for federal trade promotion programs.

TPCC issued its first report to Congress, Towards a National Export Strategy, on September 29, 1993. It recommended numerous improvements to federal export promotion programs, and pledged to establish the governmentwide priorities and develop a unified export

promotion budget within the context of the fiscal year 1995 budget request.

Since the September 1993 plan was issued, TPCC has implemented a number of actions to improve coordination of export promotion programs. For example, TPCC is creating a nationwide network of Export Assistance Centers that consolidate the delivery of export promotion services in the field. However, little progress has been made in refocusing export promotion efforts. Governmentwide export promotion priorities have not been established and a unified export promotion budget request was not incorporated in the fiscal year 1995 budget request.

RELATED GAO PRODUCTS

---------- Chapter 3:2.2.4

International Trade: Coordination of U.S. Export Promotion Activities in Pacific Rim Countries (GAO/GGG-94-192, Aug. 29, 1994).

Export Promotion: Governmentwide Plan Contributes to Improvements (GAO/T-GGD-94-35, Oct. 26, 1993).

Export Promotion: Initial Assessment of Governmentwide Strategic Plan (GAO/T-GGD-93-48, Sept. 29, 1993).

Export Promotion Strategic Plan: Will it Be a Vehicle for Change? (GAO/T-GGD-93-43, July 26, 1993).

Export Promotion: Problems in the Small Business Administration's Programs (GAO/GGD-92-77, Sept. 2, 1992).

Export Promotion: A Comparison of Programs in Five Industrialized Nations (GAO/GGD-92-97, June 22, 1992).

Export Promotion: Overall U.S. Strategy Needed (GAO/T-GGD-92-40, May 20, 1992).

Export Promotion: Federal Programs Lack Organizational and Funding Cohesiveness (GAO/NSIAD-92-49, Jan. 10, 1992).

DOC03: REFORM THE FEDERAL EXPORT CONTROL SYSTEM FOR COMMERCIAL GOODS

---------- Chapter 3:2.3

To help ensure that leading U.S. industries are competitive in the global marketplace, changes should be made in the export control system.

ACTION ITEMS

---------- Chapter 3:2.3.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 3:2.3.2

Agree. We believe that changes in the federal export control system can be beneficial if balanced against national security concerns. Our reports over the last few years have dealt with improving various aspects of export control programs in the context of the need to balance the goals of U.S. competitiveness with protecting national security.

IMPLEMENTATION
---------- Chapter 3:2.3.3

Not Implemented--Action Taken. Commerce is working with other agencies to reform and streamline the export control system. Regulations are being rewritten, jurisdictional disputes are being addressed, export control lists continue to be reviewed, and efforts have been made to improve other agencies' access to licensing data. However, a number of these actions are not yet complete, and legislation to reauthorize the Export Administration Act has not yet been passed.

RELATED GAO PRODUCTS
---------- Chapter 3:2.3.4

Export Controls: License Screening and Compliance Procedures Need Strengthening (GAO/NSIAD-94-178, June 14, 1994).

Nuclear Nonproliferation: Licensing Procedures for Dual-Use Exports Need Strengthening (GAO/T-NSIAD-94-163, May 17, 1994).

Nuclear Nonproliferation: Export Licensing Procedures for Dual-Use Items Need to Be Strengthened (GAO/NSIAD-94-119, April 26, 1994).

Export Controls: Actions Needed to Improve Enforcement (GAO/NSIAD-94-28, Dec. 30, 1993).

Export Promotion: Governmentwide Plan Contributes to Improvements (GAO/T-GGD-94-35, Oct. 26, 1993).

Export Promotion: Initial Assessment of Governmentwide Strategic Plan (GAO/T-GGD-93-48, Sept. 29, 1993).

Export Controls: Issues in Removing Militarily Sensitive Items From the Munitions List (GAO/NSIAD-93-67, Mar. 31, 1993).

Export Promotion: Federal Programs Lack Organizational and Funding Cohesiveness (GAO/NSIAD-92-49, Jan. 10, 1992).

DOC04: STRENGTHEN THE
TOURISM POLICY COUNCIL
---------- Chapter 3:2.4

Revitalize the Tourism Policy Council and give it greater authority to coordinate federal tourism promotion efforts.

ACTION ITEMS
---------- Chapter 3:2.4.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 3:2.4.2

Generally Agree. We have not specifically assessed the need to strengthen the Tourism Policy Council. However, in concert with Commerce's responsibility for promoting tourism, we have advocated several changes to tourism programs. These include coordinating among government agencies to speed international airport clearance processing and to improve visitor facilitation. Given the size and diversity of the tourism industry, efficient and effective coordination of government and private sector activities is a prerequisite to successful tourism promotion.

IMPLEMENTATION
---------- Chapter 3:2.4.3

Not Implemented--Action Taken. Tourism Policy Council working groups are drafting strategies to improve coordination of federal tourism development activities and their promotion, but no final decisions have been made.

RELATED GAO PRODUCTS
---------- Chapter 3:2.4.4

International Trade: Easing Foreign Visitors' Arrival at U.S. Airports (GAO/NSIAD-91-6, Mar. 8, 1991).

Foreign Visitor Facilitation (GAO/T-NSIAD-90-56, July 18, 1990).

DOC05: CREATE
PUBLIC/PRIVATE COMPETITION
FOR THE NOAA FLEET
---------- Chapter 3:2.5

A pilot program is recommended to open the National Oceanic and Atmospheric Administration (NOAA) fleet to public and private competition to bolster the aging fleet.

ACTION ITEMS
---------- Chapter 3:2.5.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 3:2.5.2

Agree. NPR's recommendation is consistent with the recommendations in our August 3, 1994, report on research fleet modernization. In that report, we recommended that in order to ensure that all viable and cost-effective options for accomplishing NOAA's program missions are considered in making decisions on future fleet modernization, the Administrator, NOAA, should (1) ensure that sufficient funding is made available to carry out needed efforts to assess the operational feasibility and cost-effectiveness of using private sector contracting and charter services for vessels to support such mission requirements as hydrographic chartering and mapping, (2) continue to develop a methodology to assess the results of these efforts, and (3) reevaluate the level of vessel chartering in the fleet modernization plan in light of the results of these assessments.

IMPLEMENTATION

---------- Chapter 3:2.5.3

Partially Implemented. In February 1994, NOAA issued a solicitation for a contract to acquire sounding data in western Long Island Sound, Vineyard Sound, and Nantucket Sound. The solicitation represents an attempt by NOAA to experiment with a program of public-private competition to help fulfill NOAA's minimum number of days at sea, which may include NOAA bidding against private contractors in areas in which the agency can be competitive. NOAA expects to award the contract in the near future. This hydrographic survey effort is expected to take approximately a year.

To obtain an independent review of its Fleet Replacement and Modernization Plan, NOAA contracted with the National Research Council (NRC) of the National Academy of Sciences, the National Academy of Engineering, and the Institute of Medicine. NRC initiated its review on December 8, 1993, and issued a final report with recommendations in April 1994. In May 1994, a NOAA committee was established to respond to NRC's recommendations. The committee has formed task teams that are currently analyzing how best to implement the recommendations.

RELATED GAO PRODUCTS

---------- Chapter 3:2.5.4

Research Fleet Modernization: NOAA Needs to Consider Alternatives to the Acquisition of New Vessels (GAO/RCED-94-170, Aug. 3, 1994).

Ocean Research Vessels: NOAA Fleet Modernization Plan (GAO/T-RCED-94-52, Oct. 21, 1993).

DOC06: IMPROVE MARINE FISHERIES MANAGEMENT

---------- Chapter 3:2.6

To help protect fishing resources and provide new income to the government, NOAA should collaborate with Congress and fishing industry representatives to establish appropriate user fees to help offset management costs for national fisheries zones.

ACTION ITEMS
---------- Chapter 3:2.6.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 3:2.6.2

Insufficient Information. We have insufficient information to comment on this recommendation. User fees to help offset management costs for national fishery zones could be a source of additional revenue to the federal government. Implementing such user fees should be considered in the context of their costs and benefits to fishery zones management.

IMPLEMENTATION
---------- Chapter 3:2.6.3

Not Implemented--Action Taken. In part on the basis of discussions with a user group composed of agency officials, congressional staff, and fishing industry representatives, in March 1994, Commerce developed and submitted proposals to OMB to amend the Magnuson Fishery Conservation and Management Act. The Secretary of Commerce transmitted the administration's proposed amendments to the act to Congress on May 16, 1994. These proposals would establish user fees for the commercial use of marine fisheries resources. The administration's proposed amendments to the act were introduced in May as H.R. 4430 and S. 2138.

The Subcommittee on Fisheries Management, House Committee on Merchant Marine and Fisheries, has held eight hearings on reauthorizing the Magnuson Act, including one on user fees, and a bill was reported out of the Subcommittee on August 12, 1994. However, the bill does not provide for the collection of user fees. The Senate Committee on Commerce, Science, and Transportation has held a field hearing on the administration's proposal.

RELATED GAO PRODUCTS
---------- Chapter 3:2.6.4

None.

DOC07: PROVIDE EDA PUBLIC WORKS LOAN GUARANTEES FOR INFRASTRUCTURE ASSISTANCE
---------- Chapter 3:2.7

This recommendation would provide the EDA with authority to use part of its funding as a reserve for loan guarantees for various public economic development projects.

ACTION ITEMS
---------- Chapter 3:2.7.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 3:2.7.2

Insufficient Information. We have not reviewed this concept for financing improvements to the nation's infrastructure.

IMPLEMENTATION
---------- Chapter 3:2.7.3

Not Implemented--Action Taken. EDA's reauthorization bill (S. 2257) would provide loan guarantees for infrastructive assistance. However, the reauthorization bill has not been enacted.

RELATED GAO PRODUCTS
---------- Chapter 3:2.7.4

None.

DOC08: ESTABLISH A
MANUFACTURING TECHNOLOGY
DATA BANK
---------- Chapter 3:2.8

To help U.S. manufacturing firms increase their capabilities, Commerce should create a new database to provide technical information and contacts.

ACTION ITEMS
---------- Chapter 3:2.8.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 3:2.8.2

Insufficient Information. While we do support the concept of providing U.S. manufacturing firms with the technical information and contacts needed to improve their competitiveness, we have not addressed this issue as it relates to the need to create new databases.

IMPLEMENTATION
---------- Chapter 3:2.8.3

Not Implemented--Action Taken. Commerce has identified several databases for inclusion in the NPR- recommended manufacturing technology data bank. Industry comments have been requested, but the database has not been created. Commerce officials said that they expect to implement this recommendation in 1995.

RELATED GAO PRODUCTS
---------- Chapter 3:2.8.4

Science and Technology: Federal Efforts to Collect and Analyze Information on Foreign Science and Technology (GAO/T-RCED-93-08, Feb. 23, 1993).

Technology Transfer: Federal Efforts to Enhance the Competitiveness of Small Manufacturers (GAO/RCED-92-30, Nov. 22, 1991).

Trade and Economic Data: Many Federal Agencies Collect and Disseminate Information (GAO/NSIAD-91-173, May 1, 1991).

DOC09: EXPAND THE
ELECTRONIC AVAILABILITY OF
CENSUS DATA
---------- Chapter 3:2.9

To increase access to and use of census data, the Census Bureau should create a computerized census information center.

ACTION ITEMS
---------- Chapter 3:2.9.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 3:2.9.2

Generally Agree. With the exception of compact-disc, read-only-memory (CD-ROM) products, we have not studied the Census Bureau's use of new technology to disseminate information. However, we support exploring how technology might help in better meeting users' federal information needs.

IMPLEMENTATION
---------- Chapter 3:2.9.3

Partially Implemented. Census has taken a number of steps to expand the electronic availability of census data. It established an 800 voice phone line for state data centers, developed an Internet prototype for an interactive Census Visitors Center, and is expanding

the number of types of reports and databases available through the Internet. Census is actively involved with governmentwide initiatives to coordinate and publicize the availability of online information services.

Census is currently evaluating the costs and benefits of expanding electronic access to census data. In fiscal years 1995 and 1996, Census will plan and seek funding for continuing expansion of electronic access to census data. It plans to link its regional offices to these systems and to license them to state data centers and affiliates.

RELATED GAO PRODUCTS

---------- Chapter 3:2.9.4

CD-ROM Issues (GAO/GGD-93-57R, July 22, 1993).

Information Dissemination: Federal CD-ROM Titles--What Are Available and How They Were Priced (GAO/IMTEC-93-34FS, June 30, 1993).

Federal Register: Better Electronic Technology Planning Could Improve Production and Dissemination (GAO/GGD-93-5, Nov. 10, 1992).

Geographic Information Systems: Information on Federal Use and Coordination (GAO/IMTEC-91-72FS, Sept. 27, 1991).

DOC10: AMEND THE OMNIBUS TRADE AND COMPETITIVENESS ACT TO INCREASE THE DATA QUALITY OF THE NATIONAL TRADE DATA BANK

---------- Chapter 3:2.10

This recommendation outlines improvements needed in the quality and quantity of data in this business-oriented data bank.

ACTION ITEMS

---------- Chapter 3:2.10.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 3:2.10.2

Generally Agree. We agree that data quality and quantity should be a major consideration of any database. We suggested in earlier reports that Commerce could improve the coverage of information in the National Trade Data Bank by adding several additional databases to it.

IMPLEMENTATION

---------- Chapter 3:2.10.3

Partially Implemented. The Omnibus Trade and Competitiveness Act of 1988 has not been amended as suggested, but the fiscal year 1995 Department of Commerce appropriation allows the Department to recover the full cost of disseminating economic and statistical data rather than restricting the Department to "reasonable" fees consistent with 5 U.S.C. section 552. This new pricing structure and increased usage due to improved marketing efforts are resulting in an expanded database. The National Trade Data Bank is available at Federal Depository libraries, through subscriptions to monthly compact discs, and on the Internet. According to Commerce, considerable enhancements have been made to the database and users are pleased.

RELATED GAO PRODUCTS

---------- Chapter 3:2.10.4

Export Promotion: Problems With Commerce's Commercial Information Management System (GAO/NSIAD-89-162, Aug. 31, 1989).

Export Promotion: Status of Commerce's Worldwide Commercial Information Management System (GAO/NSIAD-89-100, Jan. 23, 1989).

DOC11: ELIMINATE LEGISLATIVE BARRIERS TO THE EXCHANGE OF BUSINESS DATA AMONG FEDERAL STATISTICAL AGENCIES

---------- Chapter 3:2.11

Eliminate legislative barriers to the exchange of business data among federal agencies (the Census Bureau, Bureau of Labor Statistics, and Bureau of Economic Analysis) to reduce the reporting burden on American business.

ACTION ITEMS

---------- Chapter 3:2.11.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 3:2.11.2

Agree. We agree with the need for better data sharing and cooperation among federal statistical agencies, and we supported the passage of the Foreign Direct Investment and International Financial Data Improvements Act of 1990. This legislation authorized the linking of data on foreign direct investment in U.S. companies collected by the Bureau of Economic Analysis with data on all U.S. plants collected by the Bureau of the Census. We would encourage more business data sharing while still protecting privacy concerns. This endorsement is based on ongoing work evaluating the efficiency and effectiveness of the Census Bureau, Bureau of Labor Statistics, Bureau of Economic Analysis, and the National Center for Health

Statistics.

IMPLEMENTATION
---------- Chapter 3:2.11.3

Not Implemented--Action Taken. In October 1993, OMB said it would take the lead in drafting data sharing legislation. OMB recently provided draft legislation to the heads of the statistical agencies and initiated interagency discussions of alternatives. However, no legislation has been introduced.

RELATED GAO PRODUCTS
---------- Chapter 3:2.11.4

Commerce Issues (GAO/OCG-93-12TR, Dec. 1992).

DOC12: ESTABLISH A SINGLE CIVILIAN OPERATIONAL ENVIRONMENTAL POLAR SATELLITE PROGRAM
---------- Chapter 3:2.12

To reduce duplication and save taxpayers a billion dollars over the next decade, various current and proposed polar satellite programs should be consolidated under NOAA.

ACTION ITEMS
---------- Chapter 3:2.12.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 3:2.12.2

Generally Agree. We generally agree that Department of Defense and Department of Commerce polar-orbiting environmental satellite systems should be consolidated to the maximum extent possible. However, we have not verified the estimated savings associated with converging these military and civilian satellite programs. Further, we believe that while consolidated funding and management offers certain advantages, such efforts present significant challenges.

IMPLEMENTATION
---------- Chapter 3:2.12.3

Not Implemented--Action Taken. Although a number of actions have occurred toward implementating this recommendation, a single satellite program has not been established. On May 5, 1994, the President signed Presidential Decision Directive NSTC-2, "Convergence of U.S.-Polar-Orbiting Operational Environmental Satellite Systems." The directive requires that the Department of Commerce and Department

of Defense (DOD) integrate their polar-orbiting environmental satellite systems into a single, converged, national system; that appropriate aspects of the National Aeronautic and Space Administration's (NASA) Earth Observing System (EOS) be incorporated into the national program; and that administrative responsibility for this national program be placed under a tri-agency integrated program office (IPO). Also in May 1994, DOD, DOC, and NASA issued the "Implementation Plan for a Converged Polar-Orbiting Environmental Satellite System." A tri-agency team has been established to execute the first phase of this implementation plan. The National Polar-Orbiting Operational Environmental Satellite System Integrated Program Office was formally established on October 3, 1994.

Although section 2001 of H.R. 3400, the "Government Reform and Savings Act of 1993," would have directed DOD, DOC, and NASA to propose a single operational polar environmental satellite system, this legislation has not been enacted. Nevertheless, the Presidential Decision Directive and tri-agency implementation plan achieved the intent of this legislation. A tri-agency group led by NOAA's Office of Policy and Strategic Planning, and including legislative specialists from DOD and NASA, has been created to assess whether legislation formally establishing the National Polar-Orbiting Operational Environmental Satellite System should be drafted. If this group concludes that legislation could facilitate convergence of the programs, it would make a formal request to the 104th Congress.

RELATED GAO PRODUCTS

---------- Chapter 3:2.12.4

National Space Issues: Observations on Defense Space Programs and Activities (GAO/NSIAD-94-253, Aug. 16, 1994).

Weather Satellites: Economies Available by Converging Government Meteorological Satellites (GAO/NSIAD-87-107, Apr. 23, 1987).

DOC13: USE SAMPLING TO MINIMIZE COST OF THE DECENNIAL CENSUS

---------- Chapter 3:2.13

Use sampling rather than more costly methods of counting nonrespondents to the next decennial census. (Savings will occur but are beyond the time frame of this analysis.)

ACTION ITEMS

---------- Chapter 3:2.13.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 3:2.13.2

Agree. We agree that the use of statistical sampling would reduce

the time and costly labor-intensive fieldwork required to follow up on census nonrespondents. In addition, the census can derive benefits from sampling in terms of a reduction in the burden on respondents and potentially increased data quality. Because of its critical nature to census planning and the need for operational testing, any possible legal issues concerning sampling should be resolved as expeditiously as possible.

IMPLEMENTATION

---------- Chapter 3:2.13.3

Not Implemented--Action Taken. Commerce is considering the need for legislation to permit use of sampling in the census. However, sampling methods for nonresponses are being developed for the 1995 Census Test.

RELATED GAO PRODUCTS

---------- Chapter 3:2.13.4

Decennial Census: Test Design Proposals Are Promising, But Fundamental Reform Is Still at Risk (GAO/T-GGD-94-12, Oct. 7, 1993).

Decennial Census: Focused Action Needed Soon to Achieve Fundamental Breakthroughs (GAO/T-GGD-93-32, May 27, 1993).

Decennial Census: Fundamental Reform Jeopardized by Lack of Progress (GAO/T-GGD-93-6, Mar. 2, 1993).

Commerce Issues (GAO/OCG-93-12TR, Dec. 1992).

Decennial Census: Opportunities for Fundamental Reform (GAO/T-GGD-92-51, June 10, 1992).

Decennial Census: 1990 Results Show Need for Fundamental Reform (GAO/GGD-92-94, June 9, 1992).

DOC14: BUILD A BUSINESS AND ECONOMIC INFORMATION NODE FOR THE INFORMATION HIGHWAY

---------- Chapter 3:2.14

To assist in the distribution of government information to private citizens, Commerce should build a business and economic information node to the "information highway."

ACTION ITEMS

---------- Chapter 3:2.14.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 3:2.14.2

Insufficient Information. While we have only recently started studying issues affecting the development of a business and economic information node to the information highway, we have reported on the current and future needs of federal information users. Contacts with trade, business, and commercial organizations revealed an interest in receiving a variety of federal documents in such electronic formats as electronic mail, bulletin boards, or on-line databases.

IMPLEMENTATION
---------- Chapter 3:2.14.3

Partially Implemented. Commerce is providing an information service called "Stat-USA" on the Internet. Stat-USA currently includes economic, financial, and trade data, and future plans call for additional data including demographic and social statistics, government procurement opportunities, and federal rules and regulations. Commerce is also working to provide common formats and protocols for data transfer and standards for governmentwide use, but these remain substantially undeveloped.

RELATED GAO PRODUCTS
---------- Chapter 3:2.14.4

Federal Information: Users' Current and Future Technology Needs (GAO/GGD-89-20FS, Nov. 30, 1988).

DOC15: INCREASE ACCESS TO CAPITAL FOR MINORITY BUSINESS
---------- Chapter 3:2.15

Commerce and the Small Business Administration (SBA) should provide the President with recommendations to improve SBA and Minority Business Development Administration (MBDA) programs.

ACTION ITEMS
---------- Chapter 3:2.15.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 3:2.15.2

Insufficient Information. We have not done any work that looked specifically at the access to capital issue. Our work has identified program weaknesses and improvements needed at MBDA and SBA. Our recommendations are aimed at improving the agencies' effectiveness and performance.

IMPLEMENTATION

---------- Chapter 3:2.15.3

Partially Implemented. MBDA has recommended changes to the Community Reinvestment Act to improve minority business development. For the longer term, MBDA has begun several initiatives to develop additional recommendations through seminars, forums, regional meetings, and developing standards for portfolio management. MBDA was instrumental in changes to the Community Reinvestment Act.

RELATED GAO PRODUCTS
---------- Chapter 3:2.15.4

Minority Business: Minority Business Development Agency Needs to Address Program Weaknesses (GAO/RCED-91-114, Apr. 16, 1991).

Minority Business: Management Improvements Needed at Minority Business Development Agency (GAO/RCED-90-69, Jan. 19, 1990).

DEPARTMENT OF DEFENSE (DOD)
========== Chapter 4

OVERALL SUMMARY
---------- Chapter 4:1

DOD has made some progress in implementing its 12 NPR recommendations. One of the recommendations has been fully implemented, and the remainder have advanced to some degree. Five of the recommendations have been partially implemented and the remaining six have not been implemented, but some action has been taken. DOD does not expect to finish implementation of some recommendations until as late as the year 2000. We believe adopting the recommendations throughout an organization as large as DOD could require an even longer period of time.

Many of NPR's recommended improvements to DOD operations are in line with the thrust of our reports and testimonies presented over the last several years. If properly implemented, these actions could result in substantially greater efficiencies in DOD operations. When changing existing operations, however, we believe that it is important to understand why existing procedures were put in place so as to avoid the possibility of making costly mistakes. In addition to implementing the NPR recommendations, we believe that DOD must improve its financial management systems and internal controls as well as its inventory management.

GAO CONTACT
---------- Chapter 4:1.1

Neal Curtin, Director of Reporting, National Security and International Affairs Division, (202) 512-6152.

RECOMMENDATION INFORMATION

---------- Chapter 4:2

DOD01: REWRITE POLICY DIRECTIVES TO INCLUDE BETTER GUIDANCE AND FEWER PROCEDURES

---------- Chapter 4:2.1

DOD should clarify policy directives and procedures to reduce administrative burden and unnecessary regulatory controls.

ACTION ITEMS

---------- Chapter 4:2.1.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 4:2.1.2

Agree. We endorse efforts to clarify the policy directives to reduce unnecessary procedures and controls. However, there are risks that must be considered. Directives were created based on extensive experience and lessons learned. Changing existing directives without adequate consideration of what brought about the original directives invites a repetition of costly mistakes. Revisions to existing directives should ensure that appropriate checks and balances are maintained.

IMPLEMENTATION

---------- Chapter 4:2.1.3

Partially Implemented. On June 24, 1994, DOD Directive 5025.1 was issued which declared that there shall be a single streamlined system for DOD directives. It also states that directives shall be written in such a way as to not require publishing implementing documents by the DOD components. The broader effort to reduce or streamline all policy and procedural documents, however, is not expected to be completed for two years.

RELATED GAO PRODUCTS

---------- Chapter 4:2.1.4

Test and Evaluation: DOD Has Been Slow in Improving Testing of Software-Intensive Systems (GAO/NSIAD-93-198, Sept. 29, 1993).

Export Controls: Issues in Removing Militarily Sensitive Items From the Munitions List (GAO/NSIAD-93-76, Mar. 31, 1993).

Contract Pricing: Unallowable Costs Charged to Defense Contracts (GAO/NSIAD-93-79, Nov. 20, 1992).

DOD02: ESTABLISH A UNIFIED BUDGET FOR THE DEPARTMENT OF DEFENSE

---------- Chapter 4:2.2

Give commanders greater flexibility to set priorities, solve funding problems, and resolve unplanned requirements at the lowest appropriate operating level.

ACTION ITEMS

---------- Chapter 4:2.2.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 4:2.2.2

Insufficient Information. We are not familiar with the DOD experiment called the Unified Budget Test referred to in the NPR report and therefore cannot comment on this recommendation specifically. While this overall recommendation is broadly worded, the elaboration of the recommendation and the discussion concerning minimizing budget restrictions in the NPR report as it relates to DOD appear to focus on the operations and maintenance (O&M) portion of the budget. DOD's budget is divided into six major appropriations categories--military personnel; O&M; procurement; research development, test, and evaluation; military construction; and family housing. The O&M account represents the largest portion of the proposed fiscal year 1995 DOD budget--almost 37 percent and $93 billion. The O&M budget is further subdivided by DOD components and then again within these components. This recommendation is not clear as to how high a level of aggregation of the O&M budget is desirable or how a unified budget would be affected by the lack of needed improvements in DOD's financial management systems and internal controls.

IMPLEMENTATION

---------- Chapter 4:2.2.3

Not Implemented--Action Taken. A provision was included in the President's fiscal year 1995 budget to permit family housing costs to be incurred in the Operations and Maintenance (O&M) account if funds are available from base support savings. The funds are not to exceed $25 million for the Army, $25 million for the Air Force, $20 million for the Navy, and $5 million for the Marine Corps. DOD believes this change would provide flexibility in responding to emergencies. DOD is also reviewing policies to allow DOD components to incur costs for non-centrally managed equipment requirements in their O&M account. The Defense Department believes this will encourage local commanders to make the best decisions in "buy" vs. "repair" issues.

DOD reports that several of its plans require legislation action, but no action has been taken as of yet.

RELATED GAO PRODUCTS
---------- Chapter 4:2.2.4

None.

DOD03: PURCHASE BEST VALUE
COMMON SUPPLIES AND SERVICES
---------- Chapter 4:2.3

Allow managers and commanders to purchase the best value common supplies and services from public, private, or nonprofit sources.

ACTION ITEMS
---------- Chapter 4:2.3.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 4:2.3.2

Generally Agree. We have reported that procurement officials are already authorized under existing procurement law to consider source selection factors other than price. We support efforts to implement and simplify "best value" practices and make them more usable for small dollar value procurements. To the extent that the NPR recommendation may seek to expand contracting authority, this would require further study.

IMPLEMENTATION
---------- Chapter 4:2.3.3

Not Implemented--Action Taken. DOD is conducting pilot tests to increase the flexibility of installation commanders to locally procure certain consumable items as well as wood products. The tests are under way but have not yet been concluded. DOD has also issued a directive on small purchase contracting authority, urging that small purchase contracting authority be granted to "other than procurement personnel" who have the necessary training. Most of the efforts to purchase best value common supplies and services are not expected to be completed until the end of next year.

RELATED GAO PRODUCTS
---------- Chapter 4:2.3.4

Defense Procurement: Programs for Considering Vendor's Past Performance in Awarding Contract (GAO/NSIAD-93-63, June 30, 1993).

DOD04: OUTSOURCE NON-CORE
DEPARTMENT OF DEFENSE
FUNCTIONS

---------- Chapter 4:2.4

By contracting out non-core functions (from towing services to certain information technology functions), DOD will be better able to focus on its core responsibilities.

ACTION ITEMS
---------- Chapter 4:2.4.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 4:2.4.2

Agree. We agree with this recommendation and would support an approach where functions are outsourced on a case by case basis. For example, we recently reviewed a price comparison of DOD printing operations and found that, like other price comparisons done in the past, the recent one, drawn largely from DOD facilities in the Washington area, showed that significant savings could be achieved if more of DOD's printing and duplicating work were procured commercially rather than being performed in-house. We are doing additional price comparisons to determine the extent to which DOD printing and duplicating savings can be achieved nationwide. Similar studies would be needed on other functional areas to ensure that DOD would get better quality service, save money, and reduce the administrative burden.

IMPLEMENTATION
---------- Chapter 4:2.4.3

Partially Implemented. A new executive order has been drafted which will replace Executive Order 12615, Performance of Commercial Activities. The executive order contains guidance for making decisions on making or contracting for certain government acquisitions. The efforts on contracting out in DOD are expected to be completed between now and the year 2000.

RELATED GAO PRODUCTS
---------- Chapter 4:2.4.4

Defense Management: Printing Operations at the Department of Defense (GAO/T-NSIAD-93-19, July 15, 1993).

DOD05: CREATE INCENTIVES
FOR THE DEPARTMENT OF
DEFENSE TO GENERATE REVENUES
---------- Chapter 4:2.5

This recommendation proposes giving managers and commanders the ability to generate income at the installation level by allowing the Corps of Engineers to recover its costs for processing certain

commercial applications and by establishing goals for solid waste reduction and recycling.

ACTION ITEMS

---------- Chapter 4:2.5.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 4:2.5.2

Insufficient Information. We have not done specific work regarding whether the Corps of Engineers should attempt to generate income to recover costs at the installation level. Consequently, we are not in a position to address this matter regarding the Corps.

We have, however, reviewed DOD's resource recovery and recycling program. Our report, Widespread Abuse in Recycling Program Increases Funds for Recreation Activities issued in December 1993, looked at DOD units other than the Corps of Engineers and found widespread abuse in the recycling program. Millions of dollars were being used annually for morale, welfare, and recreation (MWR) activities that should have been used instead to offset the need for appropriated funds or be returned to the U.S. Treasury. We reported that this was occurring because military bases were routinely receiving money from the sale of aircraft, vehicles, and other materials that DOD policy specifically excluded from the recycling program and then were using the proceeds to fund MWR activities. Although the purpose of the program is to reduce the volume of items going to the waste stream, we found that about 90 percent of the program's proceeds appeared to represent excluded items and items that would not go into the waste stream.

IMPLEMENTATION

---------- Chapter 4:2.5.3

Not Implemented--Action Taken. The Acting Assistant Secretary of the Army (Civil Works) offered proposed legislation, which was modeled on the proposed Water resources Development Act of 1994 (H.R. 4460), to enable the Secretary of the Army to establish fees for the evaluation of commercial permit applications. These fees would also be collected for the recover of costs associated with the preparation of environmental impact statements and for wetlands delineations. Congress also considered the Government Reform and Savings Act of 1993 (H.R. 3400), which would have amended section 2577 of title 10 U.S.C. to allow installation commanders to use revenues from sales of recyclable materials for operations and maintenance or morale-related purposes. The provision was not included in the Government Management Reform Act of 1994 (P.L. 103-356), which was enacted on October 13, 1994.

RELATED GAO PRODUCTS

---------- Chapter 4:2.5.4

Widespread Abuse in Recycling Program Increases Funds for Recreation Activities (GAO/NSIAD-94-40, Dec. 10, 1993).

DOD06: ESTABLISH AND PROMOTE A PRODUCTIVITY-ENHANCING CAPITAL INVESTMENT FUND

---------- Chapter 4:2.6

DOD should be authorized to expand its capital investment fund to manage its operations in a more businesslike manner.

ACTION ITEMS

---------- Chapter 4:2.6.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 4:2.6.2

Generally Agree. We generally agree with the concept of promoting productivity-enhancing capital investments, provided that the associated fund is effectively managed. However, our experience with DOD's capital asset program, now funded under the Defense Business Operations Fund, has not been good. DOD has not established adequate procedures, including controls over revenues and expenditures and separate reserve accounts, to accurately track and account for capital asset revenues, obligations, and expenditures. These weaknesses have raised questions about appropriate funding levels, justification of investment decisions, and accuracy of budget presentations. We have ongoing work in this area, including examining the need and justification for selected capital assets and the adequacy of oversight and control of the capital program. Until DOD has more fully developed its policies and procedures governing the capital program, we are not in a position to support expansion of this concept for financing capital improvements.

IMPLEMENTATION

---------- Chapter 4:2.6.3

Fully Implemented. DOD has the authority under the Defense Business Operating Fund (DBOF) to budget for and make capital improvements. This authority predates the NPR initiative. DBOF has the methodology in place to fund productivity-enhancing capital investments, which serves to implement this recommendation. Investments for fiscal year 1994 were reported to be 3 percent of sales.

RELATED GAO PRODUCTS

---------- Chapter 4:2.6.4

Defense Business Operations Fund: Improved Pricing Practices and

Financial Reports Are Needed to Set Accurate Prices (GAO-AIMD-94-132, June 22, 1994).

Financial Management: DOD Efforts to Improve Operations of the Defense Business Operations Fund (GAO/T-AIMD-94-170, Apr. 28, 1994).

Defense Management Initiative: Limited Progress in Implementing Management Improvement Initiatives (GAO/T-AIMD-94-105, Apr. 14, 1994).

Financial Management: Opportunities to Strengthen Management of the Defense Business Operations Fund (GAO/T-AFMD-93-6, June 16, 1993).

Financial Management: Status of the Defense Business Operations Fund (GAO/AFMD-92-79, June 15, 1992).

Industrial Funds: Weaknesses Remain in the Department of Defense's Capital Equipment Program (GAO/NSIAD-91-175, Apr. 17, 1991).

DOD07: CREATE A HEALTHY AND SAFE ENVIRONMENT FOR DEPARTMENT OF DEFENSE ACTIVITIES

---------- Chapter 4:2.7

To create a safe environment, DOD must take action in the areas of cleanup of hazardous wastes, use of environmental technology, and pollution prevention.

ACTION ITEMS

---------- Chapter 4:2.7.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 4:2.7.2

Agree. We strongly support actions by DOD and other agencies aimed at a safer environment. Cleanup, technology, and pollution prevention are among the major considerations in an overall program, and our past reports and ongoing work support an emphasis on them. Past efforts to reach environmental protection goals and ensure that limited resources are used wisely have been hindered by limited guidance and weaknesses in information systems and financial controls.

IMPLEMENTATION

---------- Chapter 4:2.7.3

Partially Implemented. The Deputy Secretary of Defense established the Environmental Security Technical Certification Program to demonstrate and validate the most promising and innovative environmental techniques that target DOD's most urgent environmental

needs. The techniques must be projected to payback the investment within five years through cost savings and improved efficiency. DOD also issued a policy memorandum from the Under Secretary of Defense (Acquisition) on December 10, 1993 to implement Executive Order 12856, which includes pollution prevention. It emphasized the goals of providing communities with information about hazardous substances stored at government facilities and improving facility management.

Action on other parts of this recommendation is expected to be completed by 1995.

RELATED GAO PRODUCTS

---------- Chapter 4:2.7.4

Environment: DOD's New Environmental Security Strategy Faces Barriers (GAO/NSIAD-94-142, Sept. 26, 1994).

Environmental Cleanup: Better Data Needed for Radioactively Contaminated Defense Sites (GAO/NSIAD-94-168, Aug. 24, 1994.)

Environmental Cleanup: Inconsistent Sharing Arrangement May Increase Defense Costs (GAO/NSIAD-94-231, July 7, 1994).

Natural Resources: Defense and Interior Can Better Manage Land Withdrawn for Military Use (GAO/NSIAD-94-87, Apr. 26, 1994).

Environmental Cleanup: Too Many High Priority Sites Impede DOD's Program (GAO/NSIAD-94-133, Apr. 21, 1994).

Chemical Weapons Destruction: Advantages and Disadvantages of Alternatives to Incineration (GAO/NSIAD-94-123, Mar. 18, 1994).

Environmental Compliance: Guidance Needed in Programming Defense Construction Projects (GAO/NSIAD-94-22, Nov. 26, 1993).

Superfund: Backlog of Unevaluated Federal Facilities Slows Cleanup Efforts (GAO/RCED-93-119, July 20, 1993).

Ozone-Depleting Chemicals: Increased Priority Needed If DOD Is to Eliminate Their Use (GAO/NSIAD-92-21, Nov. 13, 1991).

Hazardous Waste: Attention to DOD Inventories of Hazardous Materials Needed (GAO/NSIAD-90-11, Nov. 6, 1989).

DOD08: ESTABLISH A DEFENSE QUALITY WORKPLACE

---------- Chapter 4:2.8

Encourage the use of quality management concepts at all levels in the Department of Defense.

ACTION ITEMS

---------- Chapter 4:2.8.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 4:2.8.2

Generally Agree. We strongly support the idea of using quality management concepts at all levels in DOD. We support DOD's using these concepts to pursue an organizational culture that is devoted to continuous improvement; the quest for more economic, efficient, and effective operations in all activities; and the pilot testing and departmentwide implementation of the best management practices in the public and private sectors. While we have not specifically recommended that DOD establish a "defense quality workplace," we have reported that DOD needs to change its culture with respect to certain areas, such as increasing emphasis on economy and efficiency in inventory and supply management, and particularly training, since training is a key element in perpetuating cultural change. We have also recommended that DOD pilot test a number of commercial practices in an effort to find ways to improve its operations and reported that most federal installations that practice Total Quality Management benefit in such areas as increased productivity and improved quality, timeliness, attention to customer requirements, and problem-solving skills.

IMPLEMENTATION
---------- Chapter 4:2.8.3

Partially Implemented. A DOD Quality Advisor is in place and is working with senior managers on the DOD staff to implement quality management. Curricula are also in place throughout DOD. The agency is currently in the process of training many of its personnel in Total Quality Management.

Action on other parts of this recommendation is expected to be completed by 1998.

RELATED GAO PRODUCTS
---------- Chapter 4:2.8.4

National Space Issues: Observations on Defense Space Programs and Activities (GAO/NSIAD-94-253, Aug. 16, 1994).

Commercial Practices: DOD Could Reduce Electronics Inventories by Using Private Sector Techniques (GAO/NSIAD-94-110, June 29, 1994).

Commercial Practices: Leading Edge Practices Can Help DOD Better Manage Clothing and Textile Stocks (GAO/NSIAD-94-64, April 13, 1994).

Defense Transportation: Commercial Practices Offer Improvement Opportunities (GAO/NSIAD-94-26, Nov. 26, 1993).

Defense Inventory: Applying Commercial Purchasing Practices Should Help Reduce Supply Costs (GAO/NSIAD-93-112, Aug. 6, 1993).

Commercial Practices: DOD Could Save Millions by Reducing Maintenance and Repair Inventories (GAO/NSIAD-93-155, June 7, 1993).

DOD Food Inventory: Using Private Sector Practices Can Reduce Costs and Eliminate Problems (GAO/NSIAD-93-110, June 4, 1993).

Organizational Culture: Techniques Companies Use to Perpetuate or Change Beliefs and Values (GAO/NSIAD-92-105, Feb. 27, 1992).

DOD09: MAXIMIZE THE EFFICIENCY OF DOD HEALTH CARE OPERATIONS

---------- Chapter 4:2.9

Use emerging technology to upgrade care at DOD health care facilities.

ACTION ITEMS

---------- Chapter 4:2.9.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 4:2.9.2

Agree. We fully support the prudent use of emerging technology to upgrade and improve health care delivery at DOD health care facilities. The primary means for using emerging technology to achieve improvements in clinical operations is the Composite Health Care System (CHCS)--a fully integrated hospital information system. The outpatient and ancillary portions of the system are nearly ready for worldwide activation. The physician inpatient order entry capability requires redesign. This system has significant potential.

IMPLEMENTATION

---------- Chapter 4:2.9.3

Not Implemented--Action Taken. The Department of Defense is installing the Composite Health Care System (CHCS) and Fort Campbell will follow next year. Fort Knox and Wright Patterson Air Force Base already have the system. Scott Medical Center will seek to use technology to improve the proportion of health care delivered on an outpatient or ambulatory basis. DOD recently sought congressional authority to terminate the Uniformed Services University of the Health Sciences medical school program, but the fiscal year 1995 Defense Authorization Act (P.L. 103-337) prohibits DOD from closing the Uniformed Services University of the Health Sciences and directs that GAO evaluate several issues concerning the University.

Action on other parts of this recommendation is expected to be completed by 1997.

RELATED GAO PRODUCTS

---------- Chapter 4:2.9.4

Medical ADP Systems: Defense's Tools and Methodology for Managing CHCS Performance Need Strengthening (GAO/AIMD-94-61, July 15, 1994).

Defense Health Care: Uniformed Services Treatment Facility Health Care Programs (GAO/HEHS-94-174, June 2, 1994).

Defense Health Care: Challenges Facing DOD (GAO/T-HEHS-94-145, Apr. 19, 1994).

Composite Health Care Systems: Outpatient Capability Is Nearly Ready for Worldwide Deployment (GAO/IMTEC-93-11, Dec. 15, 1992).

Medical ADP Systems: Composite Health Care System Is Not Ready to Be Deployed (GAO/IMTEC-92-54, May 20, 1992).

DOD Medical Inventory: Reductions Can Be Made Through the Use of Commercial Practices (GAO/NSIAD-92-58, Dec. 5, 1991).

Medical ADP Systems: Changes in Composite Health Care System's Development Strategy Are Unwise (GAO/IMTEC-91-47, Sept. 30, 1991).

Defense's Acquisition of the Composite Health Care System (GAO/T-IMTEC-90-04, Mar. 15, 1990).

Medical ADP Systems: Composite Health Care System Defense Faces a Difficult Task (GAO/IMTEC-90-42, Mar. 15, 1990).

Medical ADP Systems: Composite Health Care System Operational Test Extended (GAO/IMTEC-89-30, Apr. 10, 1989).

DOD10: GIVE DEPARTMENT OF DEFENSE INSTALLATION COMMANDERS MORE AUTHORITY AND RESPONSIBILITY OVER INSTALLATION MANAGEMENT

---------- Chapter 4:2.10

By giving DOD installation commanders more authority over installation management, DOD will be better able to manage its resources, provide services to its employees, and move toward more entrepreneurial management.

ACTION ITEMS

---------- Chapter 4:2.10.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 4:2.10.2

Insufficient Information. Greater empowerment of installation commanders to manage is a recommendation that on the surface appears

to have much merit. However, the report does not provide sufficient information to indicate what additional authorities are intended to be granted and/or to what extent those authorities might run counter to greater centralization of management functions evident in recent Defense Management Review initiatives, such as in the areas of finance and accounting and printing. Nor is it clear to what extent such empowerment could result in the transfer of funding designated for readiness and training to other uses.

IMPLEMENTATION
---------- Chapter 4:2.10.3

Partially Implemented. DOD has given this recommendation emphasis by creating 21 subelements for it. As part of developing a cost accounting system for installation management, the Defense Finance and Accounting Service has issued a functional requirements document for the selection of certain systems in the Defense Business Operations Fund. There are, however, areas such as reviewing the financial constraints and limitations imposed on installations where no plan has been established to accomplish the goal.

Action on other parts of this recommendation is expected to be completed by 1999.

RELATED GAO PRODUCTS
---------- Chapter 4:2.10.4

None.

DOD11: REDUCE NATIONAL
GUARD AND RESERVE COSTS
---------- Chapter 4:2.11

This recommendation makes two changes in the current costs for reservists: (1) to limit compensation of federal employees on reserve duty to the greater of civilian or reserve compensation or to allow the reservist to take annual leave; and (2) to limit the basic allowance for quarters only to reservists who actually bring their dependents on short-term duty assignments when quarters are not provided to dependents.

ACTION ITEMS
---------- Chapter 4:2.11.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 4:2.11.2

Insufficient Information. This recommendation has merit from the standpoint of eliminating any perceived inequity between the amount of government pay provided to federal employees and nonfederal

employees on reserve duty. It also recognizes that the existing fiscal year impact could grow if pressures continue to build to increasingly rely on reservists for periods of extended active duty time. The recommended change would require a change in legislation. However, our prior work in reserve issues does not put us in a position to gauge the importance of current legislative provisions to recruiting or to maintaining needed reserve manning levels, or likewise to estimate the likely effect of any legislative change.

IMPLEMENTATION

---------- Chapter 4:2.11.3

Not Implemented--Action Taken. DOD believes that two laws, 5 U.S.C. section 6323 and 37 U.S.C. section 403, must be amended to implement this recommendation. Draft legislation has been prepared that would change 5 U.S.C. section 6323, which involves reservist pay. Under this proposal, military basic pay for federal employee reservists would be paid only to the extent that it exceeds civilian basic pay for periods of military leave. It would not affect reservists who use annual leave for the reserve period. Draft legislation also has been prepared that would eliminate payment of the basic allowance for quarters to reservists who are serving on active duty for 15 days or less if they are provided quarters by the government and are not accompanied by their dependents.

Completion of this effort is not expected before 1996.

RELATED GAO PRODUCTS

---------- Chapter 4:2.11.4

None.

DOD12: STREAMLINE AND REORGANIZE THE U.S. ARMY CORPS OF ENGINEERS

---------- Chapter 4:2.12

NPR recommends implementing a 1992 reorganization proposal that would reduce the number of division offices from 11 to 6 and would allow the Corps to work with OMB and other agencies to make maximum use of Corps' engineering and technical capabilities.

ACTION ITEMS

---------- Chapter 4:2.12.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 4:2.12.2

Insufficient Information. The November 1992 Corps of Engineers Reorganization Plan which would have reduced the number of Corps of

Engineers' division offices was withdrawn by the President in November 1993. The Secretary of the Army through the Acting Assistant Secretary of the Army for Civil Works (ASA-CW) is now developing a Corps staff "restructuring" plan. Since this plan is not yet complete, we are not in a position to assess its merits.

IMPLEMENTATION

---------- Chapter 4:2.12.3

Not Implemented--Action Taken. Preliminary work on the new restructuring plan to define the proper roles and responsibilities for each level and office within the Corps was started in June. The Secretary of the Army approved the redefined roles and responsibilities on September 29, 1994. Currently, three task forces are working on determining what personnel resources are needed at each level for the new roles. Corps staff said no offices will be closed in the near term.

RELATED GAO PRODUCTS

---------- Chapter 4:2.12.4

None.

DEPARTMENT OF EDUCATION (ED)

========== Chapter 5

OVERALL SUMMARY

---------- Chapter 5:1

The majority of the recommendations have not been implemented, although action has been initiated to effect the needed changes for all but one of the recommendations. Partly in response to a number of recommendations, the Department issued revised regulations, changed some of its policies and operating procedures, or took other actions to address some of the recommendations, but the effect of these actions has yet to be demonstrated. For other recommendations, the legislation needed to implement the suggested changes was not enacted in the 103rd Congress. Neither the Department of Education nor the Department of Defense has taken action to consolidate National Security Act Programs (ED04).

The actions taken to date should contribute to minimizing the Department of Education's long-standing managerial problems as it solidifies its leadership in improving the nation's education system. But the Department should continue its efforts, in some instances with Congress, to act on the recommendations and bring about the changes needed to eliminate its problems.

GAO CONTACT

---------- Chapter 5:1.1

Joseph J. Eglin, Jr., Assistant Director, Education and Employment

Issues, Health, Education, and Human Services Division, (202) 512-7009.

RECOMMENDATION INFORMATION

---------- Chapter 5:2

ED01: REDESIGN CHAPTER 1 OF ELEMENTARY AND SECONDARY EDUCATION ACT

---------- Chapter 5:2.1

Recommendations focus education funds on the neediest students and simplify requirements on schools receiving federal education aid. Existing funds are redirected.

ACTION ITEMS

---------- Chapter 5:2.1.1

1. Rigidity in the Chapter 1 program should be replaced by accountability for results.

2. The disincentives created by the use of standardized testing should be reversed.

3. Chapter 1 funding should be concentrated on schools serving large proportions of low-income students.

4. Schools and school districts should be permitted to use some Chapter 1 funds to identify needed social services and develop cooperative arrangements with the other agencies that can provide those services.

GAO COMMENTS

---------- Chapter 5:2.1.2

Agree. We have recommended better targeting of Chapter 1 funds to counties with the most needy students. Simplified requirements for schools receiving federal aid could enable categorical programs to better fit into school reform efforts, according to our report on systemwide education reform.

IMPLEMENTATION

---------- Chapter 5:2.1.3

Partially Implemented. October 1994 legislation reauthorizing the Elementary and Secondary Education Act of 1965 (1) reduces rigidity in the Chapter 1 program by expanding the schoolwide projects' provision and providing regulatory flexibility; (2) reduces the emphasis placed on standardized testing by replacing current testing requirements with state-level, multiple measures of student performance aligned with state performance standards; (3) includes measures to better target Chapter 1 funds on schools serving large

proportions of low-income students; and (4) permits schools and school districts to use some Chapter 1 funds to identify needed social services and develop cooperative arrangements with other agencies that can provide those services.

RELATED GAO PRODUCTS
---------- Chapter 5:2.1.4

Regulatory Flexibility in Schools: What Happens When Schools Are Allowed to Change the Rules? (GAO/HEHS-94-102, Apr. 29, 1994).

Systemwide Education Reform: Federal Leadership Could Facilitate District-Level Efforts (GAO/HRD-93-97, Apr. 30, 1993).

Chapter 1 Accountability: Greater Focus on Program Goals Needed (GAO/HRD-93-69, Mar. 1993).

Remedial Education: Modifying Chapter 1 Formula Would Target More Funds to Those Most in Need (GAO/HRD-92-16, July 28, 1992).

ED02: REDUCE THE NUMBER OF PROGRAMS THE DEPARTMENT OF EDUCATION ADMINISTERS
---------- Chapter 5:2.2

Eliminate or consolidate more than 40 existing education grant programs and free up funds for use in other educational programs.

ACTION ITEMS
---------- Chapter 5:2.2.1

1. Legislation should be enacted to eliminate 34 Department of Education programs, which are duplicative of other programs, have already achieved their purpose, or are more appropriately funded through nonfederal resources.

2. Legislation should be enacted to consolidate the Drug Free Schools and Communities Act and the proposed Safe Schools Act programs into a single, comprehensive, flexible program for safe and drug-free schools.

GAO COMMENTS
---------- Chapter 5:2.2.2

Generally Agree. We generally support reducing the administrative burden at federal and local levels. Although not speaking directly to education program consolidation, we have suggested that Congress consider simplifying current approaches to assist dislocated workers to one that assists workers regardless of the reason for their dislocation. We have also suggested making existing federal categorical education programs more conducive to systemwide reform while meeting the needs of at-risk students. Reducing the number of programs may be one of many strategies used to do this.

IMPLEMENTATION
---------- Chapter 5:2.2.3

Partially Implemented. Public Law 103-382, the Improving America's Schools Act of 1994, signed into law on October 20, 1994, eliminated some programs and consolidated the Drug Free Schools and Communities Act and Safe School Act programs.

RELATED GAO PRODUCTS
---------- Chapter 5:2.2.4

Multiple Employment Training Programs: Overlap Among Programs Raises Questions About Efficiency (GAO/HEHS-94-193, July 11, 1994).

Multiple Employment Training Programs: Conflicting Requirements Underscore Need For Change (GAO/HEHS-94-120, Mar. 10, 1994).

Multiple Employment Training Programs: Major Overhaul Is Needed (GAO/T-HEHS-94-109, Mar. 3, 1994).

Multiple Employment Training Programs: Most Federal Agencies Do Not Know If Their Programs Are Working Effectively (GAO/HEHS-94-88, Mar. 2, 1994).

Multiple Employment Training Programs: Overlapping Programs Can Add Unnecessary Administrative Costs (GAO/HEHS-94-80, Jan. 28, 1994).

Multiple Employment Training Programs: Conflicting Requirements Hamper Delivery of Services (GAO/HEHS-94-78, Jan. 28, 1994).

Dislocated Workers: Trade Adjustment Assistance Program Flawed (GAO/T-HRD-94-4, Oct. 19, 1993).

Multiple Employment Programs: National Employment Strategy Needed (GAO/T-HRD-93-27, June 18, 1993).

Multiple Employment Programs (GAO/HRD-93-26R, June 15, 1993).

Multiple Employment Programs (GAO/HRD-93-39R, July 24, 1992).

ED03: CONSOLIDATE THE
EISENHOWER MATH AND SCIENCE
EDUCATION PROGRAM WITH
CHAPTER 2
---------- Chapter 5:2.3

NPR proposes combining this teacher training program, which is largely consumed with short-term training, with other ED programs to create a new program with a more coherent national focus on teacher training and professional development.

ACTION ITEM

---------- Chapter 5:2.3.1

In the 1993 reauthorization of the Elementary and Secondary Education Act (ESEA), the Eisenhower Math and Science Education State Grant Program should be combined with the state and local program under Chapter 2 of ESEA.

GAO COMMENTS

---------- Chapter 5:2.3.2

Generally Agree. We generally agree with the thrust of this recommendation. In 1992, we found that short-term teacher training alone is unlikely to produce major improvements in student academic achievement. However, we have not recommended the specific steps described in this recommendation.

IMPLEMENTATION

---------- Chapter 5:2.3.3

Not Implemented--Action Taken. The Improving America's Schools Act, signed October 20, 1994, combines funds to create a new Eisenhower Program that addresses all disciplines, not just math and science. However, authority for a program similar to Chapter 2 was also included in the law under title 6.

RELATED GAO PRODUCTS

---------- Chapter 5:2.3.4

Department of Education: Eisenhower Math and Science State Grant Program (GAO/HRD-93-25, Nov. 10, 1992).

ED04: CONSOLIDATE NATIONAL SECURITY EDUCATION ACT (NSEA) PROGRAMS

---------- Chapter 5:2.4

The NSEA trust fund, administered by the Department of Defense, should be consolidated with the Center for International Education in ED to strengthen foreign language study and eliminate duplication of effort.

ACTION ITEM

---------- Chapter 5:2.4.1

The Departments of Education and Defense should consider a legislative proposal to move administration of the Boren program to the U.S. Department of Education, coordinating it with the Fulbright-Hays and Title VI programs.

GAO COMMENTS

---------- Chapter 5:2.4.2

Insufficient Information. We have insufficient information to assess this recommendation.

IMPLEMENTATION
---------- Chapter 5:2.4.3

Not Implemented--No Action Taken. Neither the Department of Defense nor the Department of Education has proposed legislation to address this recommendation.

RELATED GAO PRODUCTS
---------- Chapter 5:2.4.4

None.

ED05: STREAMLINE AND IMPROVE THE DEPARTMENT OF EDUCATION'S GRANTS PROCESS
---------- Chapter 5:2.5

Statutory restrictions on the department's rulemaking process should be removed, flexibility added to certain procedures, and unnecessary requirements eliminated to shorten the grant award process.

ACTION ITEMS
---------- Chapter 5:2.5.1

1. Legislation should be enacted to repeal Section 431 of the General Education Provisions Act.

2. To shorten the grant application review process, the Department of Education should change the policy for receipt of applications to require that applications be received by the closing date (not postmarked by the closing date), while extending the time available for applicants to prepare application packages.

3. The Department of Education should consider ways to reduce the unnecessary paperwork in applying for funding under some discretionary grant competitions.

4. The Department of Education should give program offices the flexibility to eliminate the peer review panel process in cases where it adds little benefit to the grant award process.

5. Where panel reviews continue to be used, the Department of Education should immediately contract out panel review logistics to a single contractor which would perform the function for all program offices, including photocopying of applications, booking hotel facilities, and other clerical functions.

6. The Department of Education should develop materials to explain better to customers how the department reviews applications so that

applicants have a better understanding of what happens to an application once it reaches the department.

7. The Department of Education should reduce the need for negotiation with grant recipients by publishing in the Federal Register program announcement the maximum amount of grant awards and return to the applicant, as disqualified from competition, any proposal which exceeds the maximum amount.

8. The Department of Education should initiate immediate steps to further standardize the negotiation process through staff training.

9. The Department of Education should notify applicants of the status of their applications and funding as early as possible to help applicants plan and, if necessary, seek alternative funding.

10. The Department of Education should improve training for program and grants specialists so they can better serve their customers.

11. Grants and Contracts Service (GCS) staff members should rotate to program offices and program office staff members should rotate to the GCS on detail periodically to remain in touch with, and gain a better understanding of, the work of the other part of the department.

12. The Department of Education should eliminate the continuation application process for budget years within the project period.

13. The Department of Education should develop criteria for evaluating the quality of a grantee's final program progress report.

14. The Department of Education should revise the Education Department General Administrative Regulations (EDGAR) to allow the Secretary of Education to refuse future funding under any department program, excluding student aid, to a grantee that has failed to submit a final program progress report or has submitted a report of unacceptable quality.

15. The Department of Education should use identified risk factors to establish priorities in monitoring of grantees.

16. The Department of Education should continue the efforts of the Monitoring and Performance Measurement Team to improve monitoring and develop performance measures to: (1) identify successful programs and practices; (2) aid in the dissemination of information to interested parties; (3) provide technical assistance to grantees, potential grantees, and other interested organizations; (4) assist grantees with substantive programmatic issues; and (5) ensure compliance with grant terms and conditions.

GAO COMMENTS

---------- Chapter 5:2.5.2

Agree. We have strongly advocated improving Education's grants process. However, we have not made this specific recommendation.

IMPLEMENTATION
---------- Chapter 5:2.5.3

Not Implemented--Action Taken. The Department of Education reports several actions under way to streamline and improve its grants process. Among these actions are developing regulations to change the policy for receipt of grant applications and establishing a quality improvement team to consider ways to reduce unnecessary paperwork in applying for grants and improve program office flexibility.

RELATED GAO PRODUCTS
---------- Chapter 5:2.5.4

Education Grants Management: Management Actions Initiated to Correct Material Weaknesses (GAO/HRD-91-72, Feb. 26, 1991).

Desegregation Activities: Administration of Education Grant Funds at the Cleveland School District (GAO/HRD-89-83, Aug. 29, 1989).

ED06: PROVIDE INCENTIVES FOR THE DEPARTMENT OF EDUCATION'S DEBT COLLECTION SERVICE
---------- Chapter 5:2.6

This recommendation would allow Education to use a portion of revenues collected from defaulted student loans to pay for collections costs, thereby providing an incentive for increased collections.

ACTION ITEM
---------- Chapter 5:2.6.1

The Department of Education's Debt Collection Service should develop a management strategy and evaluation plan, to be adopted by the end of fiscal year 1994, which does the following:

-- maximizes collections, consistent with broader student loan administration policies;

-- identifies ways in which the Debt Collection Service can use a larger proportion of the revenue it collects to fund more of the costs of its operations;

-- tests the effectiveness of different revenue-enhancing measures;

-- devises a gainsharing program within the Debt Collection Service;

-- identifies ways in which personnel, contracting, budget, and logistical policies can be adapted to enhance the effectiveness of the Debt Collection Service; and

-- to ensure that lower-income students are not adversely affected by the increased debt collection activity, ensures that repayments for those least able to repay are based on income, similar to the income contingent provisions of the Federal Direct Student Loan Program.

GAO COMMENTS
---------- Chapter 5:2.6.2

Agree. We agree and have proposed that federal agencies keep a portion of their increased collections to be used to improve debt collection systems and practices.

IMPLEMENTATION
---------- Chapter 5:2.6.3

Not Implemented--Action Taken. Congress did not act on the Government Downsizing, Performance and Accountability Act of 1994 (S. 1843, sec. 1107) to improve federal debt collection. The Department of Education is developing the strategy and evaluation plans for expanding and enhancing its debt collection activities.

RELATED GAO PRODUCTS
---------- Chapter 5:2.6.4

Guaranteed Student Loans: Legislative and Regulatory Changes Needed to Reduce Default Costs (GAO/HRD-87-76, Sept. 30, 1987).

Debt Collection: Billions Are Owed While Collection and Accounting Problems Are Unresolved (GAO/AFMD-86-39, May 23, 1986).

ED07: SIMPLIFY AND STRENGTHEN INSTITUTIONAL ELIGIBILITY AND CERTIFICATION FOR PARTICIPATION IN FEDERAL STUDENT AID
---------- Chapter 5:2.7

NPR recommends developing ways of measuring default indicators, creating profiles of high-risk institutions, and removing eligibility of institutions to participate in federal financial aid programs once the schools have become ineligible to receive federal student loan funds.

ACTION ITEMS
---------- Chapter 5:2.7.1

1. Legislation should be enacted to allow the Department to implement changes in the measures of school quality. The following changes should be considered and used if appropriate:

-- Development of additional default indicators, including a default rate based on proportion of dollars in default and the percentage of students receiving loans.

-- Creation of profiles of high-risk institutions that are potentially insolvent or likely to misuse student aid funds, which would then be used to concentrate oversight resources on institutions that pose the greatest risk.

-- Establishment of outcome measures to determine performance of participating schools, regardless of course length. These measures would include program completion rates, employment and earnings following program completion, and occupational skills testing to determine if students had acquired the knowledge required for the occupation for which the training was undertaken. Unsatisfactory performance would be grounds for removing an institution's eligibility to participate in the program.

-- Withholding of a certain percentage of funds from the school until a student has successfully completed the program of instruction and been employed for 90 days. A variation on this theme would be to provide a bonus to the school for successful training, placement, and retention of students.

2. The Department should move aggressively to implement those provisions of the Higher Education Act that became effective July 1, 1994, which greatly strengthen the program integrity requirements.

3. Section 435(m)(1)(B) of the Higher Education Act of 1965 should be amended to avoid the effect of the interpretation of the existing statute made in recent court decisions. The amendment should remove allegations of improper servicing and collection of loans as a basis for contesting the accuracy of cohort default rates.

4. Legislation should be enacted to provide that once a school has been determined to be ineligible for participation in the student loan program, it would also become ineligible for all federal student aid programs, unless it can be demonstrated that the default rates are high because the school serves a historically disadvantaged population and the school shows a continuing good-faith effort to reduce the default rate.

5. The Department should review the accuracy of, then expand, the current institutional Quality Assurance Program to provide regulatory relief to more institutions with reliable performance.

GAO COMMENTS

---------- Chapter 5:2.7.2

Agree. We agree and have reported on problems with Education's school eligibility and certification process, and we recommended changes and alternatives for improvement. The NPR recommendations are consistent with our position.

IMPLEMENTATION
---------- Chapter 5:2.7.3

Partially Implemented. The Department of Education has developed a number of changes through negotiated rulemaking and new "in house" procedures to measure school quality. But additional actions, such as implementing performance measures, are needed. The Department disagrees with the recommendation that Congress should remove a school's eligibility for participation in all federal student aid programs once a school is determined ineligible for participation in student loan programs.

RELATED GAO PRODUCTS
---------- Chapter 5:2.7.4

Guaranteed Student Loans (GAO/HR-93-2, Dec. 1992).

ED08: CREATE A SINGLE POINT
OF CONTACT FOR PROGRAM AND
GRANT INFORMATION
---------- Chapter 5:2.8

ED should create an electronic system that can be used by students, parents, researchers, and administrators to learn about department programs, funding opportunities, best practices, and other information.

ACTION ITEMS
---------- Chapter 5:2.8.1

1. The Department of Education should create an on-line database with multiple modem access capability which will allow potential applicants to obtain information on available grants, fellowships, and student aid through a single contact.

2. The Department of Education should establish a single phone number that anyone desiring information or forms could call to receive assistance.

GAO COMMENTS
---------- Chapter 5:2.8.2

Insufficient Information. We have insufficient information to assess this recommendation, because we have done no work in this area.

IMPLEMENTATION
---------- Chapter 5:2.8.3

Not Implemented--Action Taken. The Department of Education has developed a proposal for a one-stop shopping system that would provide a single point of contact for program and grant information.

This proposal, called "Gateway to ED," features a single 800 number (1-800-USA-LEARN) that would bring callers together with information specialists who can also make referrals to area experts. The proposal also features an "Ask a Question" service to allow people to send questions, via the Internet, to a single E-mail address.

RELATED GAO PRODUCTS

---------- Chapter 5:2.8.4

None.

ED09: IMPROVE EMPLOYEE DEVELOPMENT OPPORTUNITIES IN DEPARTMENT OF EDUCATION

---------- Chapter 5:2.9

Education should create a full spectrum of activities that can contribute to career development, including conducting a departmentwide assessment of training and development needs.

ACTION ITEMS

---------- Chapter 5:2.9.1

1. The Department of Education should set employee development as a priority.

2. The department should conduct an assessment of the training and development needs for each Principal Operating Component and Regional Office, and for each individual employee, so that future planning and budgeting can be well-grounded in data.

3. Managers throughout the Department, including Regional Offices, should be held accountable for investing in and supporting employee development activities by including this as an element in each manager's performance plan.

4. The Horace Mann Learning Center (HMLC) should develop generic curriculum useful to all employees to support new directions indicated by the National Education Goals, such as performance measurement; and HMLC should develop alternative means of delivering learning services to employees, e.g., the use of distance learning and desktop personal computers.

5. Principal Operating Components should be encouraged to make use of their own internal staff expertise to provide training events for others in the department.

6. Employees should be encouraged to develop and implement individual development plans that indicate the skill and knowledge areas needing attention and the training and development activities that will address those areas.

7. The department should make full use of free training opportunities available through other government agencies and

nonfederal organizations.

GAO COMMENTS
---------- Chapter 5:2.9.2

Agree. We strongly recommend these types of actions, which are necessary to successfully develop and upgrade the serious skill weaknesses of Education staff in such areas as accounting, finance, analysis, writing, and management. This would also function as part of the implementation of our recommendation for a strategic vision and strategic plans for human resources management.

IMPLEMENTATION
---------- Chapter 5:2.9.3

Not Implemented--Action Taken. The Department of Education has several internal implementation activities under way. In the Department's strategic plan, employee training and development are designated as a high priority. The Department has established a training and development team to reinvent the current training program, conducted a customer needs survey, requested that its managers invest additional funds to support employee training and development, and initiated a number of other related activities.

RELATED GAO PRODUCTS
---------- Chapter 5:2.9.4

Department of Education: Long-Standing Management Problems Hamper Reforms (GAO/HRD-93-47, May 28, 1993).

Transition Series: Education Issues (GAO/OCG-93-18TR, Dec. 1992).

ED10: ELIMINATE THE
GRANTBACK STATUTORY
PROVISION OF THE GENERAL
EDUCATION PROVISIONS ACT
---------- Chapter 5:2.10

NPR recommends repealing this provision, which permits the Department to return to a grantee a percentage of funds recovered from the grantee as a result of an audit.

ACTION ITEMS
---------- Chapter 5:2.10.1

1. The grantback provision in the General Education Provisions Act (Part E, Section 459) should be repealed to eliminate the disincentive for grantees to comply with the conditions of a grant or cooperative agreement.

2. The Department should then notify all affected grant recipients of the change in the law.

GAO COMMENTS
---------- Chapter 5:2.10.2

Insufficient Information. We have insufficient information to assess this recommendation.

IMPLEMENTATION
---------- Chapter 5:2.10.3

Not Implemented--No Action Taken. Legislation was introduced that would have eliminated the grantback provision (H.R. 3130), but the legislation as enacted (P.L. 103-382) did not contain this provision. As a result, agency officials do not expect the grantback provision to be repealed in the 103rd Congress.

RELATED GAO PRODUCTS
---------- Chapter 5:2.10.4

None.

ED11: BUILD A PROFESSIONAL, MISSION-DRIVEN STRUCTURE FOR RESEARCH
---------- Chapter 5:2.11

NPR recommends establishing a research advisory board, consolidating and targeting research and development efforts, and establishing an office to translate research findings into education reform assistance.

ACTION ITEMS
---------- Chapter 5:2.11.1

1. The upcoming reauthorization of Office of Educational Research and Improvement should include several of the central recommendations from the National Academy of Sciences report. These include:

-- A stable and broad-based advisory board--including outstanding researchers, teachers, principals, parents, and state and local officials--should be established and charged with guiding the agenda-setting process of OERI.

-- The board should identify procedures for contracts and grant peer-review panels that ensure that research merit and programmatic merit of proposals are judged only by those with the appropriate professional expertise.

-- The currently fragmented education research structure (centers, labs, clearinghouses, etc.) and the functional division of research funding (institution-based, individual, etc.) should be replaced as it becomes feasible by a very few education research

and development (R&D) institutes established after the model of the National Institutes of Health. Each should target a specific problem area with a sustained program of research and development that includes field-initiated efforts, institutionally based R&D, and special projects. These institutes should be charged with conducting high-quality research and development in support of the national education goals.

-- A Reform Assistance Office should be established to coordinate the integration and translation of research into reform assistance efforts.

-- OERI should report research findings directly to streamline its work and minimize opportunities for political pressure.

2. The Secretary of Education should request that the National Academy of Sciences extend its review to the rest of the department, looking at the other arrangements for research, especially National Institute on Drug and Rehabilitation Research, the research aspects of Office of Policy and Planning, and the small centers within Office of Vocational and Adult Education.

GAO COMMENTS
---------- Chapter 5:2.11.2

Generally Agree. We have no work that directly supports this recommendation. However, this recommendation is consistent with our recommendations for implementing departmentwide strategic management.

IMPLEMENTATION
---------- Chapter 5:2.11.3

Partially Implemented. Public Law 103-227 was signed on March 31, 1994 creating a National Educational Research Policy and Priorities Board, an Office of Reform Assistance and Dissemination, and a National Research Institute. The Department is currently restructuring its Office of Educational Research and Improvement to meet the requirements of the law.

RELATED GAO PRODUCTS
---------- Chapter 5:2.11.4

Department of Education: Long-Standing Management Problems Hamper Reforms (GAO/HRD-93-47, May 28, 1993).

ED12: DEVELOP A STRATEGY
FOR TECHNICAL ASSISTANCE AND
INFORMATION DISSEMINATION
---------- Chapter 5:2.12

Education should develop a strategy for its $290 million technical assistance efforts designed to promote the National Goals 2000

themes.

ACTION ITEMS
---------- Chapter 5:2.12.1

1. The Department of Education should develop a strategy for technical assistance and information dissemination to promote the Goals 2000, themes of equity, access, and achievement.

2. The Department of Education should create multi-purpose technical assistance centers that serve several programs and focus on a variety of issues, in contrast to those related to specific programs.

3. The Department of Education should foster development of a national electronic network that allows states, local agencies, teachers, and administrators to access research and exemplary practice information easily and share ideas and feedback among themselves through "electronic bulletin boards."

4. The Department of Education should establish the laboratories as institutions directed toward assisting state and local education agencies as they plan and implement systemic reform.

GAO COMMENTS
---------- Chapter 5:2.12.2

Agree. We support Education's efforts to improve and focus its technical assistance and information dissemination. We found that such actions could better support systemwide education reform efforts in school districts. Development of this type of strategy would also be consistent with our recommendations for implementing departmentwide strategic management.

IMPLEMENTATION
---------- Chapter 5:2.12.3

Partially Implemented. The Department is developing a strategy for technical assistance and information dissemination through the creation of Comprehensive Regional Technical Assistance Centers and a Technology-Based Technical Assistance Service. These are included in legislation enacted in October 1994 reauthorizing the Elementary and Secondary Education Act of 1965. The Regional Technical Assistance Centers are intended to assist state and local education agencies plan and implement systemic reform. The technical assistance service is to include an electronic network that allows institutions and individuals to access research and other information through electronic bulletin boards.

RELATED GAO PRODUCTS
---------- Chapter 5:2.12.4

Department of Education: Long-Standing Management Problems Hamper Reforms (GAO/HRD-93-47, May 28, 1993).

Systemwide Education Reform: Federal Leadership Could Facilitate District-Level Efforts (GAO/HRD-93-97, Apr. 30, 1993).

DEPARTMENT OF ENERGY (DOE)

========== Chapter 6

OVERALL SUMMARY

---------- Chapter 6:1

Actions--in some cases, bold and broadly sweeping actions--have been proposed and are being taken to implement all eight NPR recommendations affecting DOE. However, none of these recommendations has yet been fully implemented, and success in achieving the related savings and other anticipated benefits will require time and a continuing commitment of energy and other resources from DOE's leadership. In addition, success in implementing some of the recommendations will depend on actions outside DOE's control.

The actions that DOE has taken to implement the NPR's recommendations for improving the Department's contract management (DOE01 and DOE03) are particularly significant. As we and others have noted, DOE has failed in the past to properly manage the contractors that execute contracts for the Department valued at over $15 billion per year. Since June 1993, when the Secretary of Energy established a Contract Reform Team, DOE has been evaluating its contracting practices, proposing improvements in these practices, and starting to implement the proposed improvements, which directly support NPR's recommendations. In managing its environmental restoration and waste management contracts, DOE has taken steps to reduce costs, strengthen oversight, and ensure quality and safety. Likewise, in managing contracts at its laboratories and weapons production facilities, it has developed and is incorporating criteria and measures of performance and has taken steps to control costs. Overall, these contracting reforms are among the most sweeping in DOE's history; however, staffing limitations and weaknesses in DOE's information system could delay or curtail their implementation.

DOE has partially implemented the recommendation that it incorporate land-use planning in cleaning up its nuclear facilities. It has drafted guidance and begun developing land-use plans at several sites, but it cannot adjust the level of cleanup at its sites to correspond with planned future uses until Congress has enacted proposed amendments to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) or the Environmental Protection Agency (EPA) has approved the adjustments (DOE02). Similarly, DOE has taken action and legislation has been introduced to implement several other NPR recommendations--to increase federal income by refinancing the Bonneville Power Administration's debt (DOE04), to strengthen the Federal Energy Management Program (DOE05), to redirect the DOE laboratories to post-Cold War priorities (DOE06), to allow the private sector to cogenerate power at the DOE laboratories (DOE07), and to sell the Alaska Power Administration (DOE08)--but action on the pending legislation is required to fully

implement these recommendations. Previous legislative proposals to redefine the laboratories' missions and to sell the Alaska Power Administration have encountered opposition and have not been enacted.

GAO CONTACT
---------- Chapter 6:1.1

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RECOMMENDATION INFORMATION
---------- Chapter 6:2

DOE01: IMPROVE ENVIRONMENTAL CONTRACT MANAGEMENT
---------- Chapter 6:2.1

NPR proposes improvements in DOE's environmental cleanup contracts to achieve efficiency.

ACTION ITEMS
---------- Chapter 6:2.1.1

1. DOE should introduce competition and innovation in contracting for environmental cleanup services.

2. DOE should enhance the management of its waste management and environmental restoration contracts by providing qualified on-site DOE personnel to assume greater environmental project management and project design responsibilities.

3. DOE should adopt measures to reduce costs.

4. DOE should build tangible, outcome-oriented performance measures into its environmental restoration contracts to ensure objective, measurable assessments of contractor performance.

5. For the award of such environmental restoration contracts and the disbursement of fees, DOE should put more emphasis upon the contractors' record for ensuring worker safety and health.

6. To control costs, DOE's waste management and the environmental restoration programs should build a reliable methodology for estimating costs that is applied uniformly at all Environmental Restoration and Waste Management (EM) sites.

7. DOE should build capable cost estimating and cost engineering teams at each DOE site, who will be able to proficiently determine the contractors' scope of work and review cost estimates.

8. For those environmental services that are paid for on a cost-plus-award or a cost-plus-fixed fee award basis, DOE should

perform systematic and timely audits on costs incurred by every contractor to verify that costs charged are legitimate and reimbursable.

9. DOE should reevaluate the merits of requiring environmental restoration contractors to hire as many of the former management and operating contractors' staff, at current salary and benefit levels, as they can effectively employ.

10. DOE should examine options to increase the ratio of federal workers to contract employees to improve management and oversight and control costs.

GAO COMMENTS

---------- Chapter 6:2.1.2

Agree. We support improvements in contract management. We have repeatedly criticized DOE for failing to properly manage the vast network of contractors that carry out its missions; contracts for this work amount to over $15 billion a year. Contract management problems are particularly evident in the EM program, which was created in 1989 and has grown to encompass almost one-third of the Department's budget. Although DOE has implemented several strategies to increase its control over these cleanup contractors and adopted new contracting strategies, numerous problems remain.

IMPLEMENTATION

---------- Chapter 6:2.1.3

Not Implemented--Action Taken. DOE has begun implementing the changes recommended by the DOE Contract Reform Team in its February 1994 report entitled Making Contracting Work Better and Cost Less. For example, after extensive competition, DOE awarded a new contract for managing and operating the Idaho National Engineering Laboratory, which incorporates performance-based features and consolidates the current five contracts into one pact (action items 1 and 4). In July 1994, DOE also issued a solicitation package for the Rocky Flats management and operating contract that included various innovative features. Meanwhile, DOE is continuing to develop performance criteria and measures for ensuring that contractors consider workers' safety and health (action item 5) and is working to incorporate contract reform provisions into existing contracts (action item 3).

For its environmental restoration contracts, DOE is reviewing the roles and responsibilities of headquarters and field staff and has prepared a draft plan that looks at the feasibility of replacing contract employees with federal employees (action items 2 and 10). DOE is also working to increase competition for these contracts and has budgeted additional fiscal year 1995 funds for auditing cost-plus type contracts (action item 8). At the contractor level, DOE is taking steps to ensure that environmental contractors hire the most qualified employees (action item 9). To control costs, DOE has issued a policy requiring consideration of innovative contract arrangements, including measures to reduce costs (action item 3), developed a standardized cost-quality handbook and performance

objectives, and allocated additional slots for cost-estimating and engineering teams at the field offices (action items 6 and 7).

Although implementation is proceeding on all of the action items, full implementation, for the most part, is not expected until late 1995.

RELATED GAO PRODUCTS

---------- Chapter 6:2.1.4

Financial Management: Energy's Material Financial Management Weaknesses Require Corrective Action (GAO/AIMD-93-29, Sept. 30, 1993).

Department of Energy: Management Problems Require a Long-Term Commitment to Change (GAO/RCED-93-72, Aug. 31, 1993).

Department of Energy Contract Management (GAO/HR-93-9, Dec. 1992).

Department of Energy: Better Information Resources Management Needed to Accomplish Mission (GAO/IMTEC-92-53, Sept. 29, 1992).

DOE Management: Impediments to Environmental Restoration Management Contracting (GAO/RCED-92-244, Aug. 14, 1992).

Nuclear Weapons Complex: Improving DOE's Management of the Environmental Cleanup (GAO/T-RCED-92-43, Mar. 30, 1992).

Energy Management: Tightening Fee Process and Contractor Accountability Will Challenge DOE (GAO/RCED-92-9, Oct. 30, 1991).

DOE02: INCORPORATE LAND USE PLANNING IN CLEANUP

---------- Chapter 6:2.2

NPR recommends that DOE incorporate land-use planning into the nuclear facilities cleanup process.

ACTION ITEMS

---------- Chapter 6:2.2.1

1. The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) should be amended to provide more explicit encouragement of and direction for a cleanup process that incorporates early future use planning (i.e., the identification of a reasonable set of future land and facility use assumptions based on a number of criteria including current and expected future site use).

2. DOE, federal and state regulators, and other stakeholders should work together to address land-use planning at DOE sites while CERCLA is being reauthorized.

3. The cleanup of contaminated land should achieve specific standards based upon the future intended use of the site.

GAO COMMENTS

---------- Chapter 6:2.2.2

Generally Agree. We agree with the general direction of the NPR's recommendation to conduct land-use planning for DOE's facilities and to relate the level of cleanup to expected future uses of the land. According to NPR, such an approach can help clarify cleanup objectives and improve exposure and risk assessments, resulting in better-informed selections of cleanup remedies. We have also emphasized that the Department should acknowledge that some areas of the weapons complex may be irreversibly contaminated and may thus require long-term institutional control. In our August 1994 report, we noted that if Congress agrees with DOE's and EPA's plans to utilize land-use planning, Congress could consider amending the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) to provide more specific direction about incorporating future land uses when determining cleanup levels and selecting remedial actions. We also recommended that the Administrator, EPA, provide more detailed guidance for the 5-year reviews required by CERCLA for sites not returned to unrestricted use, and communicate this guidance to DOE. We recommended that the guidance (1) specify that such reviews address whether land-use patterns are changing or likely to change in the near future and (2) discuss responsibilities for maintaining land-use restrictions.

IMPLEMENTATION

---------- Chapter 6:2.2.3

Partially Implemented. Legislation (H.R. 3800 and S. 1834) to amend CERCLA was introduced but never enacted by the 103rd Congress. Supported by the administration, this legislation would have specifically authorizied the consideration of land use in cleanups and the use of community working groups to recommend future land uses (action items 1 and 2). EPA is seeking congressional direction and clarification on how it could consider land use in selecting remedies and setting cleanup levels. Meanwhile, DOE has decided to develop land-use plans as part of its cleanup efforts. The Assistant Secretary for Environmental Management has set a goal of establishing future use recommendations for DOE's sites by the end of 1995. In January 1994, DOE issued final draft guidance for identifying future land uses. One DOE site has completed a future land-use report, and several other sites are beginning to work with citizens and other stakeholders to develop land-use plans (action item 2). However, DOE cannot adjust its level of cleanup without EPA's approval or legislative clarification (action item 3).

RELATED GAO PRODUCTS

---------- Chapter 6:2.2.4

Nuclear Cleanup: Completion of Standards and Effectiveness of Land Use Planning Are Uncertain (GAO/RCED-94-144, Aug. 26, 1994).

Nuclear Weapons Complex: Improving DOE's Management of the

Environmental Cleanup (GAO/T-RCED-92-43, Mar. 30, 1992).

Nuclear Weapons Complex: Major Safety, Environmental, and Reconfiguration Issues Facing DOE (GAO/T-RCED-92-31, Feb. 25, 1992).

Correcting Environmental Problems Facing the Nuclear Weapons Complex (GAO/T-RCED-90-85, May 17, 1990).

DOE03: MAKE FIELD FACILITY CONTRACTS OUTCOME-ORIENTED

---------- Chapter 6:2.3

This recommendation would modify the current DOE contract process at field facilities to make the contracts more outcome-oriented to improve efficiency and contractor performance.

ACTION ITEMS

---------- Chapter 6:2.3.1

1. Increase the use of performance objectives and goal-based budgeting when establishing funding levels for programs and projects.

2. Promote better coordination and more active competition at and among facilities.

3. Strengthen the authority of government field managers and hold them accountable.

4. Test and assess alternatives to the cost reimbursement contract model traditionally used by the agency at laboratories and weapons production plants.

5. Improve the capability of the financial management systems used to accumulate data from laboratories and weapons centers to measure, analyze, report, and control spending so that it is uniform, accurate, and received rapidly for programs and facilities.

GAO COMMENTS

---------- Chapter 6:2.3.2

Agree. In our view, contractors should be held liable for improper performance and accountable for improper behavior. However, as noted in our December 1992 report entitled Department of Energy Contract Management, the needed changes will take both time and commitment. As a positive step, the Secretary of Energy, in June 1993, established a special Contract Reform Team to, among other things, develop a framework of performance measurements and incentives for use in DOE's management and operating contracts.

IMPLEMENTATION

---------- Chapter 6:2.3.3

Not Implemented--Action Taken. In February 1994, DOE's Contract

Reform Team issued a report identifying corrective actions that directly support the action items recommended by the NPR. DOE has formed task teams, including representatives from across the Department, to implement each corrective action. Many of these actions focus on developing objective performance criteria and measures and switching to performance-based contracts for operating the various DOE facilities (action item 1). Although DOE is still developing these performance measures, it incorporated some of them in the contract that it awarded for managing the Idaho National Engineering Laboratory--the first contract awarded since the reform effort began. DOE is also endeavoring to use more competition in selecting contractors (action item 2), substitute fixed-price contracts for the cost-reimbursable contracts that it used almost exclusively in the past (action item 4), and improve its financial management system (action item 5). The impact of these various actions on the authority of DOE's field managers is not yet clear (action item 3).

RELATED GAO PRODUCTS

---------- Chapter 6:2.3.4

DOE Management: Contract Provisions Do Not Protect DOE From Unnecessary Pension Costs (GAO/RCED-94-201, Aug. 26, 1994).

Energy Management: Modest Reforms Made in University of California Contracts, but Fees Are Substantially Higher (GAO/RCED-94-202, Aug. 25, 1994).

Department of Energy: Challenges to Implementing Contract Reform (GAO/RCED-94-150, Mar. 21, 1994).

Department of Energy: Management Problems Require a Long-Term Commitment to Change (GAO/RCED-93-72, Aug. 31, 1993).

Department of Energy Contract Management (GAO/HR-93-9, Dec. 1992).

Energy Management: Vulnerability of DOE's Contracting to Waste, Fraud, Abuse, and Mismanagement (GAO/RCED-92-101, Apr.10, 1992).

Energy Management: Tightening Fee Process and Contractor Accountability Will Challenge DOE (GAO/RCED-92-9, Oct. 30, 1991).

DOE04: INCREASE ELECTRICAL POWER REVENUES AND STUDY RATES

---------- Chapter 6:2.4

NPR proposes increasing federal income by allowing the Power Marketing Administrations (PMA) to recover a larger portion of their operating costs through rate increases or by changing the financing of the Bonneville Power Administration.

ACTION ITEMS

---------- Chapter 6:2.4.1

1. The Secretary should encourage PMAs in the Southeast, Southwest, western areas, and Bonneville to be more aggressive in promoting energy conservation programs with their subscriber utilities.

2. The Secretary should establish a new rate policy for PMAs in the Southeast, Southwest, western areas, and Bonneville.

3. Congress should remove the Energy and Water Development Appropriations Act prohibition against expending federal funds to conduct studies of market rates or other noncost-based methods for the pricing of hydroelectric power by federal PMAs.

GAO COMMENTS

---------- Chapter 6:2.4.2

Disagree. Although we agree that the PMAs should be allowed to recover a larger portion of their operating costs, we disagree that the actions, as proposed, will increase federal income. The proposed debt restructuring, in our opinion, would merely exchange an old Treasury debt for a new Treasury debt and therefore would not increase federal receipts.

IMPLEMENTATION

---------- Chapter 6:2.4.3

Not Implemented--Action Taken. Three bills introduced in Congress, the Government Reform and Savings Act of 1993 (H.R. 3400), the Department of Energy Reform and Savings Act of 1993 (S. 1638), and the Bonneville Power Administration Refinancing Act (S. 2332), focus on the concept of restructuring debt. Debt restructuring has been selected by the administration as an alternative to encouraging energy conservation programs (action item 1) or to establishing new rate policies (action item 2). H.R. 3400, which the House approved in November 1993 and referred to the Senate Committee on Governmental Affairs, would require the administrators of the PMAs to study refinancing options. S. 1638 would require the administrators of the PMAs, among other things, to repay their federal debt, and S. 2332 would require the Bonneville Power Administration to refinance its appropriated debt. Reforming the rate policy was not addressed in any of these bills (action item 2). None of these bills was passed by the 103rd Congress. Although congressional action would be necessary to remove the prohibition against conducting studies of market rates for PMAs, a proposal to remove this prohibition was not included in the pending legislation (action item 3).

RELATED GAO PRODUCTS

---------- Chapter 6:2.4.4

Bonneville Power Administration: Borrowing Practices and Financial Condition (GAO/AIMD-94-67BR, Apr. 19, 1994).

GAO Products on Bonneville Power Administration (GAO/RCED-93-133R, Mar. 31, 1993).

Agency Authority to Borrow Should Be Granted More Selectively (GAO/AFMD-89-4, Sept. 15, 1989).

Policies Governing Bonneville Power Administration's Repayment of Federal Investment Still Need Revision (GAO/EMD-84-25, Oct. 26, 1983).

Bonneville Power Administration's Repayment of the Federal Investment (GAO Testimony, 122327, Sept. 14, 1983).

Federal Investment in the Columbia River Power System: Status of Repayment (GAO Testimony, 122041, Aug. 3, 1983).

Policies Governing the Bonneville Power Administration's Repayment of Federal Investments Need Revision (GAO/EMD-81-94, June 16, 1981).

DOE05: STRENGTHEN THE FEDERAL ENERGY MANAGEMENT PROGRAM

---------- Chapter 6:2.5

NPR recommends a number of improvements to this program, designed to better manage federal energy use.

ACTION ITEMS

---------- Chapter 6:2.5.1

1. Upgrade the Director of the Federal Energy Management Program (FEMP) to Deputy Assistant Secretary status.

2. Support a priority status for FEMP's budget request for fiscal years 1994 and 1995.

3. Promptly hire new FEMP staff for fiscal year 1994.

GAO COMMENTS

---------- Chapter 6:2.5.2

Generally Agree. We agree that certain improvements need to be made to strengthen FEMP. These changes include a greater emphasis on energy management by DOE and other federal agencies and increased funding for federal energy conservation efforts. Funding options could be increased by simplifying the procedures for financing energy conservation projects through nonfederal sources, such as contracting based on energy-saving performance and utility rebate programs.

IMPLEMENTATION

---------- Chapter 6:2.5.3

Not Implemented--Action Taken. DOE has taken steps consistent with each of the action items proposed by NPR to strengthen FEMP. DOE has proposed a reorganization that would elevate the status of the FEMP

Director by having the Director report directly to the Assistant Secretary (action item 1); asked for an increase in FEMP funding, from $15.7 million in fiscal year 1994 to $37.1 million in fiscal year 1995 (action item 2); and hired six of the eight new staff that it plans to hire (action item 3). Congress did increase the FEMP funding to $23.5 million for fiscal year 1995. Efforts to complete the FEMP reorganization and the hiring of new staff are still pending.

RELATED GAO PRODUCTS

---------- Chapter 6:2.5.4

Energy Conservation: Contractors' Efforts at Federally Owned Sites (GAO/RCED-94-96, Apr. 29, 1994).

Energy Conservation: Federal Agencies' Funding Sources and Reporting Procedures (GAO/RCED-94-70, Mar. 30, 1994).

Barriers to Installing Energy-Efficient Lighting in Federal Buildings (GAO/T-GGD-90-54, July 11, 1990).

Energy Conservation: Federal Shared Energy Savings Contracting (GAO/RCED-89-99, Apr. 17, 1989).

Status of the Federal Energy Management Program (GAO/RCED-84-86, Mar. 7, 1984).

DOE06: REDIRECT ENERGY LABORATORIES TO POST-COLD WAR PRIORITIES

---------- Chapter 6:2.6

This recommendation provides guidance for use of DOE energy labs, focusing on defining new missions, consolidating or eliminating unneeded facilities, and making their services of greater benefit in the post-Cold War era.

ACTION ITEMS

---------- Chapter 6:2.6.1

1. DOE should continue to support the reduction of funding for nuclear weapons production, research, testing programs, and infrastructure that are not needed to meet current defense requirements.

2. The Secretary should develop a vision and mission for the total DOE laboratory complex. The Secretary should then review the mission and facilities of DOE laboratories, weapons production facilities, and testing sites and recommend the phased consolidation or closure of obsolete or redundant facilities.

3. The Secretary should convene a group to design and implement mechanisms for identifying intellectual assets, test facilities, and research capabilities at national labs that can be useful to other

government agencies.

4. Once DOE has established a fair "pricing" process, it should encourage laboratory managers to bid on federal contracts and to apply for government grants that could utilize their unique technical capabilities without competing directly with the existing capabilities of private industry.

5. Laboratory managers should also be encouraged to work more closely with the private sector on high-priority R&D needs and to bid for contract or cooperative work on such projects.

6. DOE, the contractors who manage the laboratories, and laboratory managers should work to make access to the laboratories' resources more accessible to the private sector, removing unnecessary layers of approval for cooperative R&D agreements and contract work-for-others, and taking other steps to simplify and speed up the process.

GAO COMMENTS

---------- Chapter 6:2.6.2

Agree. We agree that the mission of the national laboratories needs to be redefined. These laboratories--and particularly the three defense laboratories--represent a significant national resource that may be redirected toward important national priorities outside of their traditional defense mission. Our ongoing work suggests that strong government leadership is needed to redefine the laboratories' missions and provide the kind of managerial tools necessary to ensure a successful transition to new mission areas, such as competitiveness and environmental technologies. These are the areas in which experts believe the greatest contributions can be made. In the past, several government task forces have been charged with examining the mission of the national laboratories and developing appropriate recommendations for change, but little has occurred. The laboratories are very powerful, have strong constituencies and independent power bases, and are already redefining their own missions in the absence of stronger DOE leadership.

We also agree that opportunities exist for consolidating certain weapons facilities and for sharpening the laboratories' defense mission in light of changing military priorities. For example, the laboratories still have an important role to play in improving the safety of weapons.

IMPLEMENTATION

---------- Chapter 6:2.6.3

Not Implemented--Action Taken. In February 1994, the Secretary of Energy created the Advisory Board Task Force on Alternative Futures for the Department of Energy National Laboratories to examine the changing roles and missions of the national laboratories and to make specific recommendations for redirecting their considerable resources and talents to important national priorities. Part of the task force's charge is to analyze alternative scenarios for the laboratories, including restructuring and/or closing parts of the

laboratory system (action items 1, 2, and 3). The task force is scheduled to report the results of its work in February 1995.

Meanwhile, the defense laboratories, facing declines in their nuclear weapons budgets, have aggressively sought partnerships with other federal agencies (action item 4) and with private industry (action item 5). The Secretary has encouraged these kinds of partnerships as a way of opening up the laboratories' unique facilities and valuable technical talent (action item 6).

RELATED GAO PRODUCTS

---------- Chapter 6:2.6.4

Department of Energy: Management Problems Require a Long-Term Commitment to Change (GAO/RCED-93-72, Aug. 31, 1993).

Energy Policy: Changes Needed to Make National Energy Planning More Useful (GAO/RCED-93-29, Apr. 27, 1993).

Department of Energy Contract Management (GAO/HR-93-9, Dec. 1992).

Nuclear Weapons Complex: Issues Surrounding Consolidating Los Alamos and Lawrence Livermore National Laboratories (GAO/RCED-92-98, Sept. 24, 1992).

Energy Policy: Developing Strategies for Energy Policies in the 1990s (GAO/RCED-90-85, June 19, 1990).

DOE07: SAVE COSTS THROUGH PRIVATE POWER COGENERATION

---------- Chapter 6:2.7

This would allow the private sector to cogenerate power at DOE labs as a means of saving money. DOD has similar authority at this time.

ACTION ITEM

---------- Chapter 6:2.7.1

Legislation should be enacted to amend section 804(2)(B) of title VIII, the Shared Energy Savings amendment of the National Energy Conservation Policy Act, to remove the restriction that limits the sale or use of cogenerated electricity to federally owned facilities.

GAO COMMENTS

---------- Chapter 6:2.7.2

Generally Agree. Although we have not specifically made a recommendation on this issue, we generally support the idea of using fuel-efficient cogeneration technology where feasible. The benefits of using this technology were recognized by Congress as early as 1978 with passage of the Public Utilities Regulatory Policies Act, which required electric utilities to purchase energy from cogenerators and other power producers.

IMPLEMENTATION
---------- Chapter 6:2.7.3

Not Implemented--Action Taken. Three bills were introduced in the 103rd Congress: the Government Reform and Savings Act of 1993 (H.R. 3400), the Department of Energy Reform and Savings Act of 1993 (S. 1638), and the Government Downsizing, Performance, and Accountability Act of 1994 (S. 1843). All of these bills proposed amending the National Energy Conservation Policy Act (NECPA) to remove the restriction that limits the sale or use of cogenerated electricity to federally owned facilities. The Senate Committee on Energy and Natural Resources held a hearing on S. 1638 in November 1993. In addition, the Federal Cogeneration Act of 1993 (H.R. 3371) would have permitted off-site electricity sales, although it did not propose amending NECPA. None of these bills was passed by the 103rd Congress.

RELATED GAO PRODUCTS
---------- Chapter 6:2.7.4

None.

DOE08: SUPPORT THE SALE OF THE ALASKA POWER ADMINISTRATION
---------- Chapter 6:2.8

The federal government should divest its interests in the Alaska Power Administration.

ACTION ITEM
---------- Chapter 6:2.8.1

Legislation should be enacted that is the same as, or similar to, H.R. 5516 from the 102nd Congress authorizing the sale of the two Alaska Power Administration projects in accordance with the previously negotiated purchase agreements.

GAO COMMENTS
---------- Chapter 6:2.8.2

Generally Agree. We support the concept of such a sale, provided the terms and conditions of the sale carefully balance the interests of the Alaska Power Administration's (APA) existing ratepayers and of taxpayers. However, we have continuing concerns, as we noted in our February 1990 report entitled Federal Electric Power: Views on the Sale of Alaska Power Administration Hydropower Assets, about the terms and conditions of the sale as proposed. Specifically, while the selling price will likely facilitate the sale and minimize the impact of the sale on APA ratepayers, it will not likely reflect the fair market value of the assets and will not recover all federal

costs associated with the project.

IMPLEMENTATION

---------- Chapter 6:2.8.3

Not Implemented--Action Taken. DOE has been working since 1986 to facilitate the sale of the APA. Four bills were introduced in the 103rd Congress supporting the sale: the Government Reform and Savings Act of 1993 (H.R. 3400); the Department of Energy Reform and Savings Act of 1993 (S. 1638); the Government Downsizing, Performance, and Accountability Act of 1994 (S. 1843); and the Alaska Power Administration Sale Authorization Act (S. 2383). The House approved H.R. 3400 on November 22, 1993, and referred it to the Senate Committee on Governmental Affairs. The Senate Committee on Energy and Natural Resources approved S. 2383 on August 12, 1994. None of these bills was passed by the 103rd Congress.

RELATED GAO PRODUCTS

---------- Chapter 6:2.8.4

Federal Electric Power: Views on the Sale of Alaska Power Administration Hydropower Assets (GAO/RCED-90-93, Feb. 22, 1990).

ENVIRONMENTAL PROTECTION AGENCY (EPA)

========== Chapter 7

OVERALL SUMMARY

---------- Chapter 7:1

Of the 11 NPR recommendations addressed to EPA, the agency has fully implemented 1, partially implemented 3 others, and taken some action but not implemented 7 others. EPA had begun to reorganize the Office of Enforcement before the NPR issued its report, and the agency had fully implemented this recommendation by October 1993 (EPA11). Similarly, EPA has been carrying out activities for several years to implement the three partially implemented recommendations--to increase flexibility for local governments (EPA01), consider environmental justice (EPA09), and promote quality science (EPA10).

EPA has initiated some activity to implement the remaining seven recommendations, even though it has not finished responding to the specific action items associated with these recommendations. It is important to note, however, that while many of these action items call for new activities, EPA initiated efforts in past years that further the goals of several of the seven recommendations, including the recommendations to place more emphasis on preventing pollution (EPA03), establish measurable environmental goals (EPA07), and reform the agency's contract management process (EPA08).

GAO CONTACT

---------- Chapter 7:1.1

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RECOMMENDATION INFORMATION

---------- Chapter 7:2

EPA01: IMPROVE ENVIRONMENTAL PROTECTION THROUGH INCREASED FLEXIBILITY FOR LOCAL GOVERNMENTS

---------- Chapter 7:2.1

EPA should amend the regulations it determines are most troublesome for local governments pursuant to the Regulatory Flexibility Act of 1980. The goal is to provide alternative, flexible approaches to meeting environmental mandates.

ACTION ITEMS

---------- Chapter 7:2.1.1

1. EPA should amend the regulations pursuant to the Regulatory Flexibility Act of 1980 determined to be most troublesome for local government to provide alternative and flexible approaches to meeting environmental mandates.

2. EPA should convene a series of town meetings across the United States with environmental and other citizen groups and local officials to ensure that outside input is considered before regulatory reform recommendations are finalized.

3. EPA should establish a pilot project that will assist one community to assess its environmental and community health risks in directing resources to priority problems.

GAO COMMENTS

---------- Chapter 7:2.1.2

Generally Agree. Our work has documented the regulatory burdens many localities face in meeting environmental requirements. Accordingly, we support the goal of providing alternative, flexible approaches to meeting environmental mandates, including nonregulatory approaches such as market-based incentives and pollution prevention strategies. However, in our view it might be more appropriate to provide such flexibility by amending the pertinent environmental statutes rather than by providing it through the Regulatory Flexibility Act. Furthermore, in providing local governments with regulatory relief, care must be taken to ensure that human health and the environment are adequately protected and to avoid creating environmental inequities between localities.

IMPLEMENTATION

---------- Chapter 7:2.1.3

Partially Implemented. EPA is taking steps to reduce regulatory burdens on small communities by soliciting their comments on the regulations that they find most burdensome. For example, the agency recently changed a rule to give small communities separate consideration on the basis of the amount of solid waste they produce. EPA is now gathering information at the state and local levels to identify possible alternatives to current regulations. It has formed a Local Government Advisory Committee and a Small Town Task Force Advisory Committee to advise the EPA Administrator and recommend ways to increase flexibility for local governments. EPA is also encouraging states to more fully utilize the flexibilities in current regulations. For example, the Office of Water has asked EPA regional offices and states to increase their use of monitoring flexibilities already built into chemical regulations under the agency's drinking water program. In particular, the Office has strongly encouraged states to develop, and regions to approve, monitoring waiver programs. These waiver programs would allow drinking water systems, under certain conditions, to forgo expensive testing for water contaminants if these contaminants were extremely unlikely to be found in the systems' water supplies. Also, the President's Clean Water Initiative, announced in February 1994, proposed changes to the Clean Water Act that would allow market-based incentives and would increase flexibility for local governments. The reauthorization bill incorporating these proposed changes was not passed during the 103rd Congress (action item 1).

EPA has convened town meetings to obtain public comment on proposed changes in the agency's regulations. For example, the Office of Solid Waste and Emergency Response has scheduled town meetings with local government officials and citizen groups to solicit their views on regulatory reforms (action item 2).

EPA established a pilot project in Columbus, Ohio, to assess health risks in the community. The project has reviewed the community's environmental risks and is developing priorities through a consensus process to target resources to the most pressing environmental needs. In addition, EPA's Region 8 is pilot testing a block grant program with the states of Montana and North Dakota that would give these states the flexibility to move resources from one program or medium to another to meet environmental program goals and optimize environmental results. The agency is also planning several cross-media and media-specific pilot programs at the local and state levels to test whether increasing flexibility will improve the performance of environmental protection programs (action item 3).

RELATED GAO PRODUCTS

---------- Chapter 7:2.1.4

Regulatory Flexibility Act: Status of Agencies' Compliance (GAO/GGD-94-105, Apr. 27, 1994).

Environmental Protection: Meeting Public Expectations With Limited

Resources (GAO/RCED-91-97, June 18, 1991).

EPA02: STREAMLINE EPA'S PERMIT PROGRAM

---------- Chapter 7:2.2

Streamlining efforts include a permit clearinghouse to serve as a single point of contact and piloting a cross-program permit tracking system.

ACTION ITEMS

---------- Chapter 7:2.2.1

1. EPA should establish a permit clearinghouse by July 1995 to serve as a single point of contact for regulated industries and local governments to obtain information about national and regional regulations and permitting requirements.

2. EPA should authorize states that now have full statutory authority and permit fee systems in place to take full responsibility for permit programs.

3. EPA should identify, by June 1994, statutes that prevent flexibility in permitting and report to the Administrator for follow-up action.

4. EPA should develop a cross-program permit tracking system pilot with one state and one region by June 1994.

GAO COMMENTS

---------- Chapter 7:2.2.2

Insufficient Information. Although the concept of streamlining the permit process appears to have merit, we have not to date assessed the benefits (or possible drawbacks) of establishing a permit clearinghouse or piloting a cross-program permit tracking system.

IMPLEMENTATION

---------- Chapter 7:2.2.3

Not Implemented--Action Taken. EPA is in the initial phase of addressing this recommendation. The agency chartered a Permit Streamlining Task Force in July 1994 to improve environmental permitting processes. The task force was charged with developing an implementation plan by September 30, 1994, that would establish priorities for action and detailed plans and time frames for implementing the permitting improvements embodied in all four of the recommendation's action items. EPA has developed an interim action plan and expects to complete the final plan by December 15, 1994.

RELATED GAO PRODUCTS

---------- Chapter 7:2.2.4

None.

EPA03: SHIFT EPA'S EMPHASIS TOWARD POLLUTION PREVENTION AND AWAY FROM POLLUTION CONTROL

---------- Chapter 7:2.3

EPA needs to emphasize pollution prevention by implementing an effective pollution prevention strategy that includes amending regulations and motivating the private sector to invest in cleaner, less polluting technologies and practices.

ACTION ITEMS

---------- Chapter 7:2.3.1

1. The preamble to each major rule proposed by EPA should include a summary of the total multimedia releases and resultant risks to the environment from the activities that are the subject of the rule.

2. EPA should use its flexibility as it already has for the pulp and paper industry to adjust regulatory timetables so that major rules are proposed on the same date.

3. EPA should change existing reporting requirements that create disincentives to multimedia inspections and enforcement actions at both the federal and state level.

4. EPA should move toward a consolidated grant approach providing states with maximum flexibility in the use of federal funds in carrying out responsibilities that have been delegated to the states by EPA.

5. EPA should provide states with incentives to invest funds in water conservation and pollution prevention programs that reduce pollutant loadings of concern.

6. EPA should invite a specific industry sector to jointly undertake several projects to evaluate the feasibility of developing multimedia pollution prevention strategies for that particular industry.

7. EPA should help focus existing private sector labeling and standards programs by identifying the product categories of greatest concern. In addition, the agency should work with the American National Standards Institute in developing a coherent U.S. position on eco-labeling and life-cycle analysis.

8. EPA should work cooperatively with the Department of Agriculture (USDA), the Food and Drug Administration, and other agencies to develop a national strategy to promote more efficient use of pesticides and fertilizers.

9. EPA should develop a plan for implementing the two pending executive orders on pollution prevention and recycling, so that it

can carry out its role and work jointly with other federal agencies, as outlined in the executive orders.

10. EPA should create an integrated database that provides information useful for measuring performance by industry, sector, and facility, and for devising long-term multimedia pollution prevention strategies.

11. EPA should earmark funds for environmental technology for prevention.

12. A significant portion of funds for the Environmental Technology Initiative should be targeted for technical assistance, including information access.

GAO COMMENTS

---------- Chapter 7:2.3.2

Agree. We support pollution prevention strategies. A central theme running through much of our work over the past several years has been that it is far less expensive (and more environmentally beneficial) to reduce or eliminate pollution at its source rather than treat it at the "end of the pipe." Although EPA has taken steps towards promoting pollution prevention, our work has stressed the need for EPA to place greater emphasis on these efforts.

IMPLEMENTATION

---------- Chapter 7:2.3.3

Not Implemented--Action Taken. EPA's Pollution Prevention Policy Statement broadly addresses this recommendation. The agency has taken numerous steps to build pollution prevention into each of its media areas. The implementation of this recommendation is driven by two executive orders and is reflected in institutional changes at EPA. On August 3, 1993, President Clinton signed Executive Order 12856, which requires the volume of toxic pollutants released into the environment from federal facilities to be cut in half by 1999. The order also requires all federal agencies to comply with the Emergency Planning and Community Right-to-Know Act of 1986, which authorized programs to provide information on hazardous and toxic chemicals and established emergency planning and notification requirements. On October 20, 1993, President Clinton signed Executive Order 12873, which requires the federal government to procure recycled paper and other products, such as rerefined oil and retread tires.

Responsibility for addressing the first and second action items rests with the Office of Policy, Planning and Evaluation's Regulatory Policy Council. According to a Council member, EPA is not responding across the board to the requirement for a summary of the total multimedia releases and resultant risks to the environment because the technology for responding to this requirement does not exist (action item 1). The Council has tried to adjust and schedule regulatory timetables for particular industries. Specifically, it has decided to adjust the regulatory timetables for the six

industries included in EPA's Common Sense Initiative--the automobile assembly, computer and electronics, iron and steel, metal plating and finishing, petroleum refining, and printing industries (action item 2).

The recent reorganization of EPA's enforcement office changed reporting requirements, establishing the Office of Enforcement and Compliance Assurance (OECA), which is organized primarily around economic sectors and is designed to support industries' efforts to meet environmental requirements by preventing pollution (action item 3).

Steps have been taken to give states greater flexibility in using federal funds to carry out responsibilities delegated to them by EPA. For example, the legislation proposed to reauthorize the Federal Water Pollution Control Act (H.R. 3948) would give maximum flexibility in using grant funds to states adopting a watershed approach (action item 4). This legislative proposal would also give states incentives to invest in water conservation and pollution prevention programs. EPA helped to develop the language in the proposal establishing such incentives for states (action item 5).

EPA will invite industry to participate in developing multimedia pollution prevention strategies for specific industrial sectors through the Common Sense Initiative. This initiative will bring together federal, state, and local representatives; environmental leaders; and industry executives to examine the full range of environmental requirements affecting six selected industries--the automobile assembly, computer and electronics, iron and steel, metal plating and finishing, petroleum refining, and printing industries (action item 6).

EPA is developing guidance that will assist agencies in identifying environmentally preferable products for purchase (action item 7), and it is working with the U.S. Department of Agriculture and the Food and Drug Administration to develop a comprehensive food safety/pesticide strategy (action item 8).

EPA has taken steps to implement two executive orders on pollution prevention and recycling. Specifically, EPA's Office of Pollution Prevention and Toxics (OPPT) has developed a plan to implement Executive Order 12856 to reduce toxics released into the environment. Also, in April 1994, EPA proposed procurement guidelines for federal agencies and departments to use in implementing Executive Order 12873 on recycling. An interagency task force met in May 1994 to develop a plan to implement Executive Order 12856 and draft interim final guidance (action item 9).

OPPT is creating a database for pollution prevention strategies (action item 10) and is developing an implementation plan to earmark funds for environmental protection technology (action item 11). In addition, EPA has targeted fiscal year 1995 Environmental Technology Initiative funds for technical assistance and is soliciting project proposals, pending congressional approval (action item 12).

RELATED GAO PRODUCTS

---------- Chapter 7:2.3.4

Toxic Substances: Status of EPA's Efforts to Reduce Toxic Releases (GAO/RCED-94-207, Sept. 22, 1994).

Drinking Water: Stronger Efforts Needed to Protect Areas Around Public Wells From Contamination (GAO/RCED-93-96, Apr. 14, 1993).

Environmental Protection: Meeting Public Expectations with Limited Resources (GAO/RCED-91-97, June 18, 1991).

Water Pollution: More Emphasis Needed on Prevention in EPA's Efforts to Protect Groundwater (GAO/RCED-92-47, Dec. 30, 1991).

Environmental Protection: Meeting Public Expectations With Limited Resources (GAO/RCED-91-97, June 18, 1991).

EPA04: PROMOTE THE USE OF ECONOMIC AND MARKET-BASED APPROACHES TO REDUCE WATER POLLUTION

---------- Chapter 7:2.4

EPA should work with Congress to propose language amending the Clean Water Act to explicitly encourage market-based approaches to reduce water pollution. EPA should also identify wastewater discharge fees that could be included in the Clean Water Act's reauthorization.

ACTION ITEMS

---------- Chapter 7:2.4.1

1. EPA should work with Congress to propose language amending the Clean Water Act to explicitly encourage market-based approaches to reduce water pollution.

2. The EPA Administrator should work with Congress to identify water pollution discharge fees that could be included in the Clean Water Act reauthorization.

GAO COMMENTS

---------- Chapter 7:2.4.2

Agree. We support market-based approaches to reducing water pollution and have asked Congress to consider amending the Clean Water Act to explicitly authorize pollutant trading. In addition, we have asked Congress to consider directing EPA to develop a pollutant-based fee system for dischargers to generate additional revenues and serve as an incentive for dischargers to reduce or eliminate toxic discharges.

IMPLEMENTATION

---------- Chapter 7:2.4.3

Not Implemented--Action Taken. The President's Clean Water Initiative, published in February 1994, includes recommendations for amendments to the Clean Water Act that would promote market-based approaches and would authorize fees for water discharge permits. For instance, the proposal endorses programs for trading water pollution reduction credits (action item 1) and recommends that broad authority be extended to states, tribes, and EPA to determine the basis of their fee structures for National Pollutant Discharge Elimination System (NPDES), pretreatment, and sludge programs (action item 2). The legislative proposals incorporating the initiative's recommendations were not passed during the 103rd Congress.

RELATED GAO PRODUCTS
---------- Chapter 7:2.4.4

Water Pollution: EPA Needs to Set Priorities for Water Quality Criteria Issues (GAO/RCED-94-117, June 17, 1994).

Environmental Protection: Implications of Using Pollution Taxes to Supplement Regulation (GAO/RCED-93-13, Feb. 17, 1993).

Water Pollution: Pollutant Trading Could Reduce Compliance Costs if Uncertainties Are Resolved (GAO/RCED-92-153, June 15, 1992).

Water Pollution: Stronger Efforts Needed by EPA to Control Toxic Water Pollution (GAO/RCED-91-154, July 19, 1991).

EPA05: INCREASE PRIVATE SECTOR PARTNERSHIPS TO ACCELERATE DEVELOPMENT OF INNOVATIVE TECHNOLOGIES
---------- Chapter 7:2.5

NPR recommends that EPA develop an action plan with specific milestones for improving the regulatory and statutory climate for innovative technologies.

ACTION ITEMS
---------- Chapter 7:2.5.1

1. EPA should develop an action plan with specific milestones, by mid-1994, for improving the regulatory and statutory climate for innovative technologies.

2. EPA, in partnership with other federal agencies, should establish a small business center as a pilot program to expand the technology options available in the marketplace by helping businesses obtain financing for new technologies.

3. EPA should develop and promote a series of monographs to assist industry in identifying pollution prevention opportunities and making informed, responsible design choices.

4. EPA should establish five partnerships similar to the McClellan

Air Force Base model to expand available sites where developers and vendors can test and evaluate their technologies.

5. EPA should establish an environmental technology performance verification program by October 1995, to evaluate and validate the claims of environmental technology vendors.

6. EPA should establish five partnerships with different industries to reengineer common products and processes in order to promote environmentally cleaner manufacturing processes.

GAO COMMENTS

---------- Chapter 7:2.5.2

Agree. We support improving the climate for innovative technologies. Several of our reviews in the Superfund and drinking water/wastewater areas have identified barriers hindering the wider use of innovative technologies. While EPA has attempted to address some of these barriers in the past, a more systematic and comprehensive approach is warranted.

IMPLEMENTATION

---------- Chapter 7:2.5.3

Not Implemented--Action Taken. In January 1994, the EPA Administrator announced the U.S. EPA Environmental Technology Initiative: FY 1994 Program Plan and the Technology Innovation Strategy as a combined action plan for developing public-private partnerships to accelerate the development of environmental technologies. The strategy contains several specific objectives designed to reduce regulatory and policy barriers that inhibit innovation in technology. Of the $36 million that EPA has invested in 73 projects in fiscal year 1994 to develop and commercialize technology, about $2 million is being allocated for 12 projects that address specific regulatory and policy issues. Work on many of these projects has just begun, and completion is planned by the middle of fiscal year 1995. Milestones are being set within each project's schedule (action item 1). EPA has provided financing for small businesses to commercialize new technologies through the agency's Small Business Innovation Research program (action item 2).

To assist industry in identifying pollution prevention opportunities and making informed, responsible design choices, EPA has developed two case study reports--A Summary of Pollution Prevention Case Studies with Economic Data and Abstracts of Pollution Prevention Case Study Sources (action item 3). The agency is also selecting five partnerships for industry to test and evaluate environmental technologies under the Environmental Technology Initiative, subject to the proposed projects' selection for funding through the initiative in fiscal year 1995 (action item 4).

EPA is funding a feasibility study to develop options for an environmental technology performance verification program. One of the focus areas for funding in the fiscal year 1995 Environmental Technology Initiative is Innovation Capacity. This area will address

environmental technology performance verification (action item 5).

Under a program called Design for the Environment, EPA has established two partnerships with the printing and dry cleaning industries to reengineer products and processes to prevent pollution through the use of safer chemicals. Three additional partnerships are being negotiated with the aerospace, metal plating, and wiring boards industries (action item 6).

RELATED GAO PRODUCTS

---------- Chapter 7:2.5.4

Water Pollution: Information on the Use of Alternative Wastewater Treatment Systems (GAO/RCED-94-109, Sept. 26, 1994).

Superfund: EPA Needs to Better Focus Cleanup Technology Development (GAO/T-RCED-93-34, Apr. 28, 1993).

Water Pollution: Alternative Strategies Needed to Reduce Wastewater Treatment Costs (GAO/T-RCED-92-84, Aug. 4, 1992).

EPA06: STOP THE EXPORT OF BANNED PESTICIDES

---------- Chapter 7:2.6

EPA should work with Congress to develop legislation to stop the exportation of banned pesticides from the United States by June 1994.

ACTION ITEMS

---------- Chapter 7:2.6.1

1. EPA should work with Congress in developing legislation that would stop the United States from exporting banned pesticides by June 1994.

2. EPA should work with appropriate national and international organizations and private industry to develop policies that make Prior Informed Consent (PIC) more enforceable throughout the world.

3. EPA, in cooperation with USDA and the Food and Drug Administration (FDA), should consider developing a public-private sector partnership to provide technical assistance to developing countries by January 1995.

GAO COMMENTS

---------- Chapter 7:2.6.2

Generally Agree. We understand that there are strongly held, different views on this matter. We agree that exporting substances banned in this country is troubling and deserves further examination. Our report entitled Pesticides: Limited Testing Finds Few Exported Unregistered Pesticide Violations on Imported Food (1) identified unregistered pesticides produced in the United States for export and

(2) determined, on the basis of the results of testing by FDA and USDA, whether these pesticides are returning to the United States as residues on imported goods. While we found that FDA's monitoring for such residues indicated that these problems are rare, we did discover that FDA lacked sufficient information to provide complete assurance that the problems were not occurring.

IMPLEMENTATION

---------- Chapter 7:2.6.3

Not Implemented--Action Taken. EPA has worked with Congress to develop legislation to stop the export of banned pesticides; however, this proposal was not passed during the 103rd Congress. Although the agency has taken action on all three action items, the export of banned pesticides has not ended. EPA regulates the sale and use of pesticides under two statutes--the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) and the Federal Food, Drug and Cosmetic Act. On September 21, 1993, the administration announced a plan for reforming FIFRA that included a provision to ban the export of pesticides whose registrations for domestic use had been canceled or denied for health or safety reasons. Legislative proposals to amend FIFRA (H.R. 4329 and S. 2050) also contained provisions to prohibit the export of certain pesticides (action item 1).

EPA is working with other countries and appropriate organizations on the Prior Informed Consent (PIC) system, a procedure through which participating importing countries receive information about pesticides whose use has been banned or severly restricted because of concerns about the pesticides' effects on health and/or the environment. The importing nation can then allow or prohibit a pesticide's import. Under FIFRA, EPA does not have the authority to prohibit the export of banned pesticides as long as certain labeling and notification requirements have been met (action item 2).

EPA works with other agencies to respond to requests from developing countries for technical assistance, but no agency funds are set aside specifically for this purpose. The legislative proposals to amend FIFRA (H.R. 4329 and S. 2050) direct EPA to provide technical assistance to developing countries and authorize funding for this purpose (action item 3); however, these proposals were not passed during the 103rd Congress.

RELATED GAO PRODUCTS

---------- Chapter 7:2.6.4

Pesticides: Limited Testing Finds Few Exported Unregistered Pesticide Violations on Imported Food (GAO/RCED-94-1, Oct. 6, 1993).

EPA07: ESTABLISH MEASURABLE GOALS, PERFORMANCE STANDARDS, AND STRATEGIC PLANNING WITHIN EPA

---------- Chapter 7:2.7

EPA should draft measurable environmental goals for the range of environmental problems the United States faces. The agency should also draft internal goals to provide direction for assessing and redirecting existing EPA strategies.

ACTION ITEMS
---------- Chapter 7:2.7.1

1. By April 1994, EPA should prepare measurable internal goals to provide direction for assessing and redirecting existing EPA strategies where needed.

2. By April 1995, EPA should draft measurable environmental goals for the range of environmental problems the United States faces.

3. EPA should develop performance measures for selected goals and strategies consistent with the Government Performance and Results Act of 1993 (GPRA).

GAO COMMENTS
---------- Chapter 7:2.7.2

Agree. We concur with the need for measurable environmental goals. A central theme of our work over the past several years has been the need for EPA to establish strategic plans and develop measurable environmental goals and indicators. These goals, strategies, and indicators are critical for EPA to ensure that (1) the most pressing environmental needs are addressed in an era of limited resources and (2) progress in these efforts can be tracked and assessed.

IMPLEMENTATION
---------- Chapter 7:2.7.3

Not Implemented--Action Taken. EPA has drafted a 5-year strategic plan that is intended to define the agency's role and direction into the next century. Although the plan includes guiding principles for the agency, it states that EPA is still developing measurable environmental goals (action item 1).

On the national level, EPA appears to be on schedule in establishing measurable goals by Earth Day (Apr. 22, 1995) for the range of environmental problems the United States faces. As a first step, EPA launched the National Environmental Goals Project in November 1993. To date, this project has developed a preliminary list of broad environmental goal areas for which measurable goals need to be set. EPA is holding public meetings across the country during 1994 to discuss the draft goal areas and obtain public input. After obtaining input, EPA will develop the goal statements, which the public will review during a second round of meetings, and EPA will finalize and release the statements. EPA plans to link its future strategic plans to this complete set of measurable goals (action item 2).

EPA's implementation of the Government Performance and Results Act of

1993 (GPRA) began in fiscal year 1994 when the Office of Management and Budget (OMB) selected EPA's Leaking Underground Storage Tank (LUST) program as a GPRA pilot program. EPA plans to expand its implementation of the programs covered by GPRA until it achieves full implementation. Full implementation of GPRA begins in fiscal year 1999 (action item 3).

RELATED GAO PRODUCTS
---------- Chapter 7:2.7.4

Environmental Protection Issues (GAO/OCG-93-16TR, Dec. 1992).

Environmental Protection: Meeting Public Expectations With Limited Resources (GAO/RCED-91-97, June 18, 1991).

Environmental Protection Agency: Protecting Human Health and the Environment Through Improved Management (GAO/RCED-88-101, Aug. 16, 1988).

EPA08: REFORM EPA'S
CONTRACT MANAGEMENT PROCESS
---------- Chapter 7:2.8

NPR recommends reform in EPA's contract management process by implementing performance standards and by maximizing competition in the contracting process.

ACTION ITEMS
---------- Chapter 7:2.8.1

1. EPA should fully implement performance standards for contract management advocated by the standing committee, the OMB review, and the Administrator by January 1994.

2. EPA should institutionalize the oversight recommendations of the standing committee, the OMB review, and the Administrator by January 1995.

3. EPA should maximize competition in the contracting process.

4. OMB should provide EPA with more flexibility in determining the appropriate balance of extramural versus intramural resources.

GAO COMMENTS
---------- Chapter 7:2.8.2

Generally Agree. We agree that EPA should reform its contract management process. However, our work has identified other, more serious problems than the need to implement performance standards and maximize competition in the contracting process. Specifically, we have found that EPA and other agencies (1) rely extensively on contractors to carry out agency missions, (2) administer contracts ineffectively, (3) insufficiently oversee contract auditing, and (4)

lack high-level management attention to and accountability for contract management.

IMPLEMENTATION

---------- Chapter 7:2.8.3

Not Implemented--Action Taken. EPA has a number of initiatives under way to reform its contract management process. To implement performance standards for contract management, EPA has incorporated standards in employees' position descriptions and in job vacancy announcements (action item 1).

An Office of Management and Budget (OMB) review and an EPA standing committee developed 40 recommendations to reform EPA's contract management process. EPA has implemented 26 of the 40 recommendations and says that its effort will fully address the NPR's call for reform in contract management (action item 2).

To maximize competition in the contracting process, EPA has initiated a pilot project to award a major contract for federal information processing support services electronically via the Internet, a worldwide computer network. According to an agency document, this approach will make procurement information accessible to a wide audience of potential bidders, reduce procurement lead-times, increase competition, and achieve substantial savings. Also to maximize competition, EPA is planning to break up some large multifunction contracts with broad statements of work into smaller, more manageable contracts. Finally, EPA is scheduled to participate in an OMB pilot project to ensure that contracts deliver the results intended (action item 3). To improve the balance between extramural and intramural resources, EPA is converting 900 contractor positions to full-time equivalent positions. This conversion is considered a major component of the agency's contract reform program (action item 4).

RELATED GAO PRODUCTS

---------- Chapter 7:2.8.4

Superfund Program Management (GAO/HR-93-10, Dec. 1992).

Federal Contracting: Cost-Effective Contract Management Requires Sustained Commitment (GAO/T-RCED-93-2, Dec. 3, 1992).

EPA09: ESTABLISH A BLUEPRINT FOR ENVIRONMENTAL JUSTICE THROUGH EPA'S OPERATIONS

---------- Chapter 7:2.9

EPA should develop a blueprint of actions that will incorporate environmental justice considerations into all aspects of EPA operations.

ACTION ITEMS
---------- Chapter 7:2.9.1

1. EPA should develop, by mid-1994, a blueprint of actions that will incorporate environmental justice considerations into all aspects of EPA operations.

2. EPA should prepare an annual report providing analysis of the progress it has made regarding environmental justice and should develop appropriate remedies for communities that have suffered environmental injustice.

GAO COMMENTS
---------- Chapter 7:2.9.2

Generally Agree. In our view, there is merit in incorporating environmental justice considerations into all aspects of EPA's operations. We reviewed a sample of hazardous waste sites and found that African Americans made up the majority of the population in three of the four communities where the sites were located, suggesting a bias in the siting of these facilities. On the basis of Congress's and the administration's strong interest in this issue, we are conducting an ongoing review of environmental equity in the siting of solid and hazardous waste facilities.

IMPLEMENTATION
---------- Chapter 7:2.9.3

Partially Implemented. In implementing this recommendation, EPA has met the time frames outlined in Executive Order 12898 (Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations, Feb. 11, 1994). EPA has developed a draft environmental justice strategy and an action document to integrate environmental justice into all of the agency's programs and policies. The agency has also created an interagency work group on environmental justice (action item 1).

In February 1994, EPA issued an annual report on the progress of its efforts in the area of environmental justice. EPA has yet to develop appropriate remedies for communities that have suffered environmental injustice (action item 2).

RELATED GAO PRODUCTS
---------- Chapter 7:2.9.4

Superfund: EPA'S Community Relations Efforts Could Be More Effective (GAO/RCED-94-156, Apr. 8, 1994).

Siting of Hazardous Waste Landfills and Their Correlation With Racial and Economic Status of Surrounding Communities (GAO/RCED-83-168, June 1, 1983).

EPA10: PROMOTE QUALITY

SCIENCE FOR QUALITY
DECISIONS
---------- Chapter 7:2.10

Improvements include establishing guidelines for professional development of EPA's scientific and technical staff and expanding the use of peer-review and quality assurance procedures.

ACTION ITEMS
---------- Chapter 7:2.10.1

1. EPA should work to establish guidelines for professional development and promotion of scientific and technical staff.

2. EPA should expand the use of peer review and quality assurance procedures to promote excellence in science.

3. The EPA Administrator should assess the organizational effectiveness and appropriate structures of EPA's laboratories.

4. EPA should develop a plan to integrate opportunities for increased scientific communications within and outside EPA.

GAO COMMENTS
---------- Chapter 7:2.10.2

Agree. We support the need to promote quality science and have highlighted the problems associated with poor or questionable science and quality assurance procedures in several of our reports. Most recently, we concluded in our report entitled Peer Review: EPA Needs Implementation Procedures and Additional Controls that EPA's January 1993 peer review policy statement does not define technically based products and does not specify the implementation procedures or steps needed to perform peer review.

IMPLEMENTATION
---------- Chapter 7:2.10.3

Partially Implemented. EPA has established a "career-paths" task force to review the agency's staff development programs for scientific and technical personnel and to institute guidelines for these employees' professional development (action item 1). To expand the agency's use of peer review, the EPA Administrator issued a policy statement reaffirming the role of peer review and charging EPA's Science Policy Council with instituting an expanded peer review program in all EPA offices (action item 2).

An assessment of EPA's scientific and technical laboratories and facilities was completed in May 1994. This assessment, conducted by the MITRE Corporation, identified a number of options for consolidating EPA's laboratories along physical, organizational, or functional lines. On the basis of the assessment's findings and observations, the EPA Administrator reported to Congress that the agency was implementing an integrated set of actions to restructure

its research laboratories and facilities (action item 3).

The Science Policy Council is in the initial phase of addressing scientific communications. The Council's primary focus will be on risk characterization (action item 4).

RELATED GAO PRODUCTS

---------- Chapter 7:2.10.4

Peer Review: EPA Needs Implementation Procedures and Additional Controls (GAO/RCED-94-89, Feb. 22, 1994).

Environmental Enforcement: EPA Cannot Ensure the Accuracy of Self-Reported Compliance Monitoring Data (GAO/RCED-93-21, Mar. 31, 1993).

Water Pollution: Stronger Efforts Needed by EPA to Control Toxic Water Pollution (GAO/RCED-91-154, July 19, 1991).

Toxic Substances: EPA's Chemical Testing Program Has Not Resolved Safety Concerns (GAO/RCED-91-136, June 19, 1991).

Disinfectants: EPA Lacks Assurance They Work (GAO/RCED-90-139, Aug. 30, 1990).

EPA11: REORGANIZE EPA'S OFFICE OF ENFORCEMENT

---------- Chapter 7:2.11

EPA should initiate a reorganization of its headquarters enforcement organization by October 1, 1993.

ACTION ITEM

---------- Chapter 7:2.11.1

EPA should implement the Administrator's headquarters enforcement reorganization proposal.

GAO COMMENTS

---------- Chapter 7:2.11.2

Insufficient Information. In past reports, we have identified long-standing enforcement problems within EPA and have examined alternative enforcement organizations for the agency. However, we have not made recommendations on preferred options. Also, some means beyond organizational structure--performance ratings, reporting mechanisms, or other procedures--will have to be found to ensure accountability for program results.

IMPLEMENTATION

---------- Chapter 7:2.11.3

Fully Implemented. In October 1993, the EPA Administrator announced the reorganization of the agency's Office of Enforcement. The new office, known as the Office of Enforcement and Compliance Assurance, consolidates enforcement within one office rather than maintaining an enforcement component in each program office. Formerly, an enforcement component was located in each EPA program office.

RELATED GAO PRODUCTS

---------- Chapter 7:2.11.4

Environmental Enforcement: Alternative Enforcement Organizations for EPA (GAO/RCED-92-107, Apr. 14, 1992).

EXECUTIVE OFFICE OF THE PRESIDENT (EOP)

========== Chapter 8

OVERALL SUMMARY

---------- Chapter 8:1

The Office of Management and Budget (OMB) and other parts of the Executive Office of the President (EOP) have taken some action to implement all 12 of the recommendations in this section. One recommendation has been fully implemented, and 6 more have been partially implemented. In response to EOP01, OMB is attempting, within its authority, to streamline developing and clearing surveys as well as encouraging agencies to seek authority to review their information collection efforts. For EOP02, OMB has begun a process for reviewing the OMB circulars and the process for modifying circulars. Regarding EOP04, while OMB removed "anti pass the hat" language from the budget, the legislation signed into law retained this language preventing interagency funding for interagency organizations without prior statutory approval. OMB has redirected resources to provide better management information by implementing a major reorganization integrating its management and budget functions (EOP05). However, it is too soon to determine the effects of this reorganization on the quality of management information and the execution of OMB's management mission. OMB has begun implementing EOP06 via actions such as attempting to increase consultation with executive agencies in developing the budget.

The Office of the United States Trade Representative (USTR) has partially implemented recommendations EOP03, EOP07, and EOP08. Coordination with state and local governments has improved through USTR's Office of Intergovernmental and Public Liaison. To improve trade policy coordination, agencies have been added to the Trade Policy Review Group (TPRG), the interagency committee that coordinates the making of U.S. trade policy. To improve trade negotiating skills, a training class was created for USTR staff.

A Customer Service Bureau has been established within the Executive Office of the President (fully implementing EOP09), the Executive Office is continuing work on EOP10, internal review of critical administrative processes, and EOP12, improving administrative

processes. Regarding EOP11, the Office has taken action to provide guidelines for the presidential transition process, but taken no action to amend the Presidential Transition Act.

GAO CONTACT
---------- Chapter 8:1.1

William M. Hunt, Director, Federal Management Issues, General Government Division, (202) 512-8676.

RECOMMENDATION INFORMATION
---------- Chapter 8:2

EOP01: DELEGATE ROUTINE PAPERWORK REVIEW TO THE AGENCIES AND REDEPLOY OMB'S RESOURCES MORE EFFECTIVELY
---------- Chapter 8:2.1

These recommendations outline improvements to streamline the government's paperwork review process and reduce unnecessary burdens on agencies.

ACTION ITEMS
---------- Chapter 8:2.1.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 8:2.1.2

Generally Agree. We agree that OMB could delegate some routine paperwork reviews to agencies so that its limited resources could be used more effectively. Reducing OMB's paperwork burden could improve its ability to provide broad management support to agencies. However, we need more specific information concerning the standards and guidelines envisioned for this delegation in order to determine its overall effect on OMB and the agencies.

IMPLEMENTATION
---------- Chapter 8:2.1.3

Partially Implemented. Executive Order 12862 requires agencies to establish outreach efforts to obtain comments from the customers served by federal agencies. In October 1993, OMB published a Resource Manual for Customer Surveys. This manual included information on techniques for developing customer satisfaction surveys and provisions for a "generic" clearance process to expedite approval of voluntary surveys under the Paperwork Reduction Act. Following the process detailed in the Resource Manual on Customer Surveys, OMB has approved several generic customer survey clearances,

reducing the clearance time for the generic approvals from 12 weeks to 2 weeks.

The Paperwork Reduction Act requires that OMB review and approve most information collection requests and surveys of federal agencies so that the burden of these requests on citizens is minimized. The act contains a provision that allows OMB to delegate review and approval authority for information collections to agencies that develop an independent review unit meeting OMB approval. As part of OMB's effort to simplify and speed the process of approving agency information collection requests, on November 5, 1993, the Director of OMB sent a memorandum to the agencies clarifying OMB's ability to delegate paperwork review to agencies and describing the requirements agencies must meet to be granted that delegation. Prior to the NPR initiative, only one agency, the Federal Reserve Board, had received the delegation of authority. In response to OMB's memorandum on delegation, several additional agencies have initiated efforts to obtain delegations of authority for information collection clearance.

Additionally, OMB is taking steps to simplify and improve the clearance process by encouraging agencies to collect information electronically and to use information technology to communicate with OMB.

RELATED GAO PRODUCTS

---------- Chapter 8:2.1.4

Paperwork Reduction: Mixed Effects on Agency Decision Processes and Data Availability (GAO/PEMD-89-20, Sept. 7, 1989).

Managing the Government: Revised Approach Could Improve OMB's Effectiveness (GAO/GGD-89-65, May 4, 1989).

EOP02: MODIFY THE OMB CIRCULAR SYSTEM

---------- Chapter 8:2.2

OMB should reinvigorate the process for the review, updating, and consolidation of management circulars. It should also develop uniform processes for developing circulars and for obtaining input during their development.

ACTION ITEMS

---------- Chapter 8:2.2.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 8:2.2.2

Insufficient Information. While GAO has in the past commented on specific OMB circulars, we have not reviewed the process for developing the circulars and thus cannot comment on this

recommendation.

IMPLEMENTATION
---------- Chapter 8:2.2.3

Not Implemented--Action Taken. OMB has taken initial steps to begin analysis of the circular system. In March 1993, the OMB Director initiated a review of OMB circulars, and in August 1994 a list of circulars selected for intense review was prepared. However, little progress has been made to improve the process for revising circulars as yet.

RELATED GAO PRODUCTS
---------- Chapter 8:2.2.4

None.

EOP03: STRENGTHEN THE OFFICE OF U.S. TRADE REPRESENTATIVE'S COORDINATION WITH STATE AND LOCAL GOVERNMENTS
---------- Chapter 8:2.3

The Trade Representative's Office should examine the trade policy needs of state and local governments and work with them on relevant issues.

ACTION ITEMS
---------- Chapter 8:2.3.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 8:2.3.2

Agree. We agree with the need for the USTR to work with state and local trade officials regarding trade policy interests and priorities in order to identify the most important areas to pursue in reducing foreign barriers to U.S. exports.

IMPLEMENTATION
---------- Chapter 8:2.3.3

Partially Implemented. A USTR official told us that the agency has acted to improve coordination with state and local governments, but not in response to the NPR recommendation. In January of 1993, 8 months prior to the issuance of the NPR report, USTR created an Office of the Assistant USTR for Intergovernmental and Public Liaison. This office, headed by a political appointee, is intended to provide state and local governments greater access to USTR. In

December 1993, legislation implementing the North American Free Trade Agreement (NAFTA) was passed. The law requires the President to consult with the states in order to achieve conformity of state laws with NAFTA and create a consultation process to address issues relating to NAFTA that directly affect the states. This office is responsible for these actions. Proposed legislation to implement the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) would require establishment of a similar process.

State and local government organizations we talked to generally agreed that USTR is accessible and does a good job of informing them of trade policy issues that affect them. As part of the Uruguay Round negotiations, USTR consulted with state governments regarding efforts to expand the GATT government procurement code obligations to the sub-federal level. Thirty-seven governors agreed to follow code procedures and open their procurement to foreign suppliers. However, several organizations said that some recent USTR trade policy decisions with significant consequences for states were made without adequate consultation. Also, some of these organizations are concerned that the three-person liaison office is not adequately staffed to meet current responsibilities and may be unable to meet any increased workload resulting from the new GATT regime.

RELATED GAO PRODUCTS

---------- Chapter 8:2.3.4

None.

EOP04: IMPROVE FEDERAL ADVISORY COMMITTEE MANAGEMENT

---------- Chapter 8:2.4

Discontinuing the "anti-pass-the-hat" language annually inserted into appropriations acts would allow appropriate pooling of executive resources for certain multiagency projects.

ACTION ITEMS

---------- Chapter 8:2.4.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 8:2.4.2

Insufficient Information. We generally agree that legislative barriers should be removed whenever appropriate to facilitate cross-organizational cooperation. However, elimination of "anti pass the hat" language would have consequences in addition to the elimination of barriers to cooperation. Removal of this type of prohibition would significantly alter Congress' ability to control the use of appropriated funds. Before removing statutory barriers to cross-organizational cooperation, their intended purposes should be

weighed against any other consequences.

IMPLEMENTATION
---------- Chapter 8:2.4.3

Not Implemented--Action Taken. In the fiscal year 1995 budget, the President proposed the removal of the provision in the annual Treasury, Postal Service, and General Appropriations Act that prohibits the funding of interagency organizations without congressional action. However, Congress included the provision in the fiscal year 1995 Treasury/Postal appropriation signed on September 30, 1994.

RELATED GAO PRODUCTS
---------- Chapter 8:2.4.4

None.

EOP05: REINVENT OMB'S MANAGEMENT MISSION
---------- Chapter 8:2.5

NPR recommends a series of actions by OMB to redirect resources to provide better management information for presidential decisionmaking.

ACTION ITEMS
---------- Chapter 8:2.5.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 8:2.5.2

Generally Agree. We have long advocated OMB's increased attention to its management role. OMB's leadership is important for dealing with difficult issues both within and across the federal sector. In our 1990 testimony, we concluded that having the management and budget staff work together and establishing a systematic process to evaluate key management issues could help OMB reach its management leadership potential. Information on the actions NPR proposes is not yet available and so we are not able to comment on them.

IMPLEMENTATION
---------- Chapter 8:2.5.3

Partially Implemented. On March 1, 1994, OMB initiated a major reorganization of its staff, redirecting how its resources are focused on agency and cross-cutting issues. However, it is too soon to determine whether these changes will enable OMB to provide better management information for presidential decisionmaking. OMB needs to

establish clear goals and specific performance measures in order to ensure that the reorganization is having the desired effects.

OMB's reorganization incorporated both former management and budget staff into new Resource Management Offices. It has instituted a new "program examiner" position, replacing separate budget examiner and management staff positions. Program examiners are responsible for all matters pertaining to a specific area, including budget, legislative, management, financial management, procurement, and regulatory policymaking issues. OMB intends to broaden the scope of agency reviews to include management issues as well as governmentwide initiatives, such as the Government Performance and Results Act and the Chief Financial Officers Act. A memorandum from the Director of OMB stated that the reorganization was intended to improve OMB's ability to oversee agency programs and policies to ensure their efficiency and effectiveness.

RELATED GAO PRODUCTS

---------- Chapter 8:2.5.4

OMB's High Risk Program: Benefits Found but Greater Oversight Needed (GAO/AFMD-92-63, Aug. 6, 1992).

OMB Management Leadership (GAO/T-GGD-91-1, Oct. 3, 1990).

Managing the Government: Revised Approach Could Improve OMB's Effectiveness (GAO/GGD-89-65, May 4, 1989).

EOP06: IMPROVE OMB'S RELATIONSHIP WITH OTHER AGENCIES

---------- Chapter 8:2.6

This recommendation outlines methods by which OMB can work more effectively with agencies and with states.

ACTION ITEMS

---------- Chapter 8:2.6.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 8:2.6.2

Generally Agree. We clearly agree with this recommendation that OMB work with agencies to identify the most important management issues and the policies needed to address them. Our general management review of OMB found that the agencies appear to operate best when a consultative, cooperative approach has been used in addressing management issues. It is also important for OMB to work effectively with the states in overseeing the implementation of policies and programs and assessing their effectiveness and efficiency.

IMPLEMENTATION
---------- Chapter 8:2.6.3

Not Implemented--Action Taken. Although OMB has taken positive actions to improve its relationship with other agencies and states, it is too early to determine whether these actions result in building more effective working relationships.

On May 31, 1994, OMB's Director and Deputy Director distributed guidance encouraging OMB staff to establish a dialog between OMB and the agencies about important issues and policies, share information and analyses, and work with agencies on management and other long-range issues. On August 11, 1994, OMB held a meeting with agency officials to review budget and management issues that would be addressed in the fall's budget formulation process. According to an OMB official, this kind of discussion was unprecedented.

OMB's March 1, 1994, reorganization, integrating management and budget functions, may enhance OMB's ability to examine the impact of policy initiatives on state and local governments. OMB's Office of Information and Regulatory Affairs has also taken steps to hold periodic meetings with state and local government officials to discuss regulatory issues.

RELATED GAO PRODUCTS
---------- Chapter 8:2.6.4

Managing the Government: Revised Approach Could Improve OMB's Effectiveness (GAO/GGD-89-65, May 4, 1989).

EOP07: STRENGTHEN THE
OFFICE OF THE U.S. TRADE
REPRESENTATIVE'S TRADE
POLICY COORDINATION PROCESS
---------- Chapter 8:2.7

These recommendations outline ways to improve the interagency trade policy coordination process.

ACTION ITEMS
---------- Chapter 8:2.7.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 8:2.7.2

Generally Agree. We support improved coordination of trade policymaking among federal international trade agencies. However, we have not done work to identify which changes to the interagency trade policymaking process would be most effective in improving this coordination. In a 1990 report on tobacco export policy, we

suggested that, if Congress intends health issues to receive consideration in trade negotiations, Congress could specifically require that the Department of Health and Human Services (HHS) actively participate in the interagency trade policymaking process. In a 1993 report, we recommended that the administration evaluate the usefulness of, and assess the need for, a particular interagency trade policymaking body, the National Advisory Council on International Monetary and Financial Policies.

IMPLEMENTATION

---------- Chapter 8:2.7.3

Partially Implemented. The administration began to take steps to improve interagency coordination of trade policymaking before the NPR report was issued. In November 1993, the Environmental Protection Agency and HHS were formally added to the Trade Policy Review Group (TPRG), the interagency committee that coordinates the formulation of U.S. trade policy. Also, the White House's National Economic Council (NEC), from its inception, has played a role in coordinating the interagency trade policymaking process. Since issuance of the NPR report, little additional implementation has occurred. Additional means by which to implement this recommendation remain under discussion within the EOP. One area that may require attention is clarification of the NEC's role in the trade policymaking process. There appears to be some duplication of effort between the NEC and the TPRG. Also, agencies have complained that the NEC's operating procedures are unclear.

RELATED GAO PRODUCTS

---------- Chapter 8:2.7.4

Agricultural Loan Guarantees: National Advisory Council's Critical Views on Loans to Iraq Withheld (GAO/GGD-94-24, Oct. 27, 1993).

Trade and Health Issues: Dichotomy Between U.S. Tobacco Export Policy and Antismoking Initiatives (GAO/NSIAD-90-190, May 15, 1990).

EOP08: STRENGTHEN THE OFFICE OF THE U.S. TRADE REPRESENTATIVE'S NEGOTIATION PROCESS

---------- Chapter 8:2.8

The Office of the USTR should implement various techniques for upgrading the negotiating skills of its employees and the analysis of the negotiation process itself.

ACTION ITEMS

---------- Chapter 8:2.8.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 8:2.8.2

Insufficient Information. We believe that enhancing skills through training should be an important management concern. However, we have not done work to identify the specific negotiation training needs of USTR employees.

IMPLEMENTATION
---------- Chapter 8:2.8.3

Partially Implemented. A senior USTR official has developed and is teaching a training course to improve the negotiating skills of USTR staff. The 5-day course is designed for all USTR staff who are negotiators or who expect to become negotiators, and consists of training in negotiating skills, a mock negotiations exercise, and discussions of "lessons learned" in past USTR negotiations. USTR's goal is to put every eligible staff member through the course by the end of 1994. So far about 50 USTR staff have taken the class. Since June 1994, the course has been open to officials in other federal agencies.

RELATED GAO PRODUCTS
---------- Chapter 8:2.8.4

None.

EOP09: ESTABLISH A CUSTOMER SERVICE BUREAU IN THE EOP
---------- Chapter 8:2.9

Using available resources, EOP management should establish a small, one-stop customer service bureau within the EOP.

ACTION ITEMS
---------- Chapter 8:2.9.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 8:2.9.2

Insufficient Information. We have not specifically addressed the need for an EOP Customer Service Bureau.

IMPLEMENTATION
---------- Chapter 8:2.9.3

Fully Implemented. On the basis of the recommendations of a working group, the EOP established a Customer Service Bureau in late 1993 in the Office of Administration to serve EOP agencies. Two permanent

positions for the bureau were approved in June 1994. The bureau provides services for EOP agencies in project management, direct administrative support, and training.

During staff orientation, employees are instructed about the Customer Service Bureau. A workshop series presented a seminar on the Customer Service Bureau in March 1994. Further, the Assistant Director in the Office of Administration conducted meetings for staff to discuss issues related to customer services. In addition, the Office produced a tabbed telephone book highlighting customer service and direct lines to commonly used services.

RELATED GAO PRODUCTS

---------- Chapter 8:2.9.4

None.

EOP10: CONDUCT QUALITATIVE SELF-REVIEWS OF CRITICAL ADMINISTRATIVE PROCESSES

---------- Chapter 8:2.10

The Assistant to the President for Management and Administration should establish a formal program of ongoing, internal quality reviews of administrative processes in the EOP to save money and improve service.

ACTION ITEMS

---------- Chapter 8:2.10.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 8:2.10.2

Insufficient Information. We agree with the need for continual assessments of administrative processes to improve service at less cost. However, we have not addressed this issue specifically in the EOP.

IMPLEMENTATION

---------- Chapter 8:2.10.3

Not Implemented--Action Taken. The EOP entered into a new initiative to review the Office of Administration's Directives. The EOP directors submitted recommended changes to the directives during the spring of 1994. As of September 1994, the Office of General Counsel had not conducted its review of the directives to determine the revisions that can be made.

The EOP also routinely conducts two series of reviews to monitor financial operations. The Financial Management Division periodically

assesses high-risk areas to prevent occurrence of material weaknesses in agencies for whom the EOP provides financial services. Annually, the EOP performs independent reviews and prepares reports under the Financial Integrity Act.

In addition, the Office of Administration has established special programs to develop staff capabilities to enhance customer services operations. On the basis of a working group's recommendations to improve customer services, the EOP instituted a series of seminars, workshops, and meetings during fiscal year 1994 to improve staff communication and teamwork.

RELATED GAO PRODUCTS

---------- Chapter 8:2.10.4

Continuous Improvement: The Quality Challenge (GAO/QMG-93-1, Mar. 1993).

EOP11: IMPROVE THE PRESIDENTIAL TRANSITION PROCESS

---------- Chapter 8:2.11

Past difficulties with the presidential transition should be corrected by amendment of the Presidential Transition Act and related actions.

ACTION ITEMS

---------- Chapter 8:2.11.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 8:2.11.2

Generally Agree. We have not looked at this process since 1988. Our past reviews of presidential transitions have recommended that Congress may wish to consider amendments to the Presidential Transition Act to provide for increased guidance on the use of and accountability for funds.

IMPLEMENTATION

---------- Chapter 8:2.11.3

Not Implemented--Action Taken. No action has been initiated to amend the Presidential Transition Act. However, OMB's Financial Management Division coordinated the preparation of several volumes for use as a transition guide. The guide describes the tasks and formulates the issues of significance to a new administration.

RELATED GAO PRODUCTS

---------- Chapter 8:2.11.4

Presidential Transitions Effectiveness Act of 1988--H.R. 3932 (GAO/T-GGD-88-19, Mar. 16, 1988).

EOP12: IMPROVE ADMINISTRATIVE PROCESSES

---------- Chapter 8:2.12

This recommendation outlines a series of steps to improve internal administrative processes within the EOP, including mail processing, paperwork flow, and supply management.

ACTION ITEMS

---------- Chapter 8:2.12.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 8:2.12.2

Insufficient Information. We advocate the use of new technologies to streamline operations and improve service to the public. We have not assessed the need for improvements in mail processing, paperwork flow, and supply management at the EOP. However, our recent work at the White House indicates that improvements in personnel and procurement processes warranted attention to ensure that appropriate procurement practices are followed in a timely manner, and that personnel actions are processed accurately and promptly to avoid unnecessary retroactive corrections.

IMPLEMENTATION

---------- Chapter 8:2.12.3

Partially Implemented. These activities by nature are ongoing, with no fixed completion date. The Office has upgraded technical operations in the supply system, the publishing branch, the financial management system, and the library system. These systems will require some assessment annually as part of the 5-year planning process for information technology under OMB Circular A-130.

In addition, the Administrative Operations group formed a quality management team to develop improvements in processes. The Office reports that the team has refined staff scheduling and reduced overtime. This team gives staff the opportunity to continue to generate better methods for performing their work.

RELATED GAO PRODUCTS

---------- Chapter 8:2.12.4

Personnel Practices: Retroactive Appointments and Pay Adjustments in the Executive Office of the President (GAO/T-GGD-94-32, Oct. 22,

1993).

Personnel Practices: Retroactive Appointments and Pay Adjustments in the Executive Office of the President (GAO/GGD-93-148, Sept. 9, 1993).

White House: Acquisition of Automated Resume Processing System (GAO/GGD-93-117, June 17, 1993).

FEDERAL EMERGENCY MANAGEMENT AGENCY (FEMA)

========== Chapter 9

OVERALL SUMMARY

---------- Chapter 9:1

FEMA has not fully implemented any of the four NPR recommendations but has made substantial progress toward these goals. To shift its emphasis to preparing for and responding to the consequences of all disasters, the agency is reorganizing its resources into an all-hazards functional structure (FEMA01). It is developing a more anticipatory and customer-driven response to catastrophic disasters by improving its ability to deploy resources to disaster areas (FEMA02). To help reduce the total cost of disasters and minimize the federal costs of disaster assistance, FEMA is developing a National Mitigation Strategy and is working with Congress on legislative initiatives designed to reduce these costs. FEMA has also agreed to give the states greater flexibility and discretion in using the funds that FEMA makes available to them. This flexibility should allow states to focus funding to meet their highest-risk requirements (FEMA03). Finally, the current FEMA Director has taken steps to develop a skilled management team by reorganizing the agency and appointing a higher percentage of executive leaders with direct emergency management experience (FEMA04).

Through our work on federal disaster assistance, we have identified several issues that the NPR recommendations did not address. For example, federally backed flood insurance policies are still being underwritten for some properties located on coastal barriers even though this practice is contrary to the Coastal Barrier Resources Act of 1982, which was enacted to discourage development on selected coastal barriers. In addition, the federal crop insurance and disaster assistance programs have not been integrated. We have recommended that, for substantial savings, these programs be considered together as risk-reduction alternatives subject to the same decision-making process as the budget. Finally, FEMA has not clarified its regulations to specify how much and under what conditions it will pay to restore historic structures. In 1992, we noted that differences in interpretations of FEMA's regulations on restoring historic structures had contributed to disputes during the recovery from the Loma Prieta earthquake, which occurred in October 1989.

GAO CONTACT

---------- Chapter 9:1.1

Judy England-Joseph, Director, Housing and Community Development Issues, Resources, Community, and Economic Development Division, (202) 512-7631.

RECOMMENDATION INFORMATION
---------- Chapter 9:2

FEMA01: SHIFT EMPHASIS TO PREPARING FOR AND RESPONDING TO THE CONSEQUENCES OF ALL DISASTERS
---------- Chapter 9:2.1

FEMA's early focus was on preparedness for nuclear war. The current world situation and recent natural disasters highlight the need for FEMA to continue to shift its resources to respond to all hazards.

ACTION ITEMS
---------- Chapter 9:2.1.1

1. FEMA should continue to shift emphasis to preparation for and response to the consequences of all disasters.

2. The Director of FEMA should review the agency's classified responsibilities and ensure that they do not detract from its unclassified mission of general disaster preparedness. As part of that review, the Director should ensure the maintenance of a single point of contact to manage the scaled-down enduring constitutional government programs.

3. FEMA should sharply reduce the number of security clearances.

GAO COMMENTS
---------- Chapter 9:2.1.2

Agree. We support a shift in FEMA's program emphasis to a more all-hazards approach. For example, many of the assets and capabilities previously held for military contingencies in FEMA's former National Preparedness Directorate have been found to be very useful in other hazards, such as natural disasters. Similarly, affording state and local governments greater flexibility in the use of resources provided under authority of the Civil Defense Act can also enhance states' and localities' overall ability to respond to different types of emergencies.

IMPLEMENTATION
---------- Chapter 9:2.1.3

Partially Implemented. FEMA has implemented the first two of the three action items under this recommendation. Specifically, the

agency has been reorganized so that all directorates now have an all-hazards mission that includes mitigation, preparedness, and response and recovery (action item 1). In addition, National Security assets are now available for use in all types of disasters. FEMA also completed a study of its national security emergency mobilization programs and reassigned staff on the basis of the study's findings. In addition, FEMA established a National Security Steering Group to coordinate intra-agency and interagency national security functions, and it named a National Security Coordinator to serve as a single point of contact to manage the integration of the agency's national security programs (action item 2). Finally, FEMA is reviewing all of its positions to determine the need for security clearances but has not yet reduced the number of such clearances. (action item 3).

RELATED GAO PRODUCTS

---------- Chapter 9:2.1.4

Disaster Management: Improving the Nation's Response to Catastrophic Disasters (GAO/RCED-93-186, July 23, 1993).

Disaster Assistance: DOD's Support for Hurricanes Andrew and Iniki and Typhoon Omar (GAO/NSIAD-93-180, June 18, 1993).

Housing and Community Development Issues (GAO/OCG-93-22TR, Dec. 1992).

Disaster Assistance: Federal, State, and Local Response to Natural Disasters Need Improvement (GAO/RCED-91-43, Mar. 6, 1991).

FEMA02: DEVELOP A MORE ANTICIPATORY AND CUSTOMER-DRIVEN RESPONSE TO CATASTROPHIC DISASTERS

---------- Chapter 9:2.2

These recommendations should make FEMA respond faster and more effectively to catastrophic disasters.

ACTION ITEMS

---------- Chapter 9:2.2.1

1. Where cost-effective, FEMA should establish rapid-response teams to monitor catastrophes, assess damage, and advise governors and the President.

2. Where cost-effective, FEMA should mobilize and preposition people and supplies in anticipation of catastrophes.

3. FEMA should reexamine its field structure in relation to the Agency's mission.

4. FEMA should establish regional centers of excellence.

GAO COMMENTS

---------- Chapter 9:2.2.2

Agree. We support a quicker and more proactive federal response to meet the health and safety needs of victims when disasters are of such magnitude that the local infrastructure clearly cannot meet all the needs. While FEMA and the federal government have a role in the initial response to many presidentially declared disasters, the victims' immediate needs can generally be met with state, local, and volunteer resources. Unlike the bulk of disasters, catastrophic disasters overwhelm the ability of state, local, and voluntary agencies to adequately provide victims with essential services within 12 to 24 hours. FEMA needs a disaster unit whose primary mission is planning for and responding to catastrophic disasters. Among other things, the units should estimate the extent of damage and relief needs immediately following a disaster, then advise state and local officials of federal resources available to address these needs as well as the extent to which DOD resources will be needed to supplement Red Cross resources in meeting needs for mass care. FEMA should also enhance the capacity of state and local governments to respond to such disasters by upgrading training and exercises in anticipation of catastrophic disaster and monitoring the states' and localities' preparedness.

IMPLEMENTATION

---------- Chapter 9:2.2.3

Not Implemented--Action Taken. FEMA has taken action regarding all the action items, but none has been implemented. For example, FEMA is developing a situation assessment capability to facilitate its response to disasters. This capability includes aerial reconnaissance assets, predictive modeling assets, and field assessment teams (action item 1). FEMA has also identified initial response resources, consisting of three national Emergency Response Teams, that the agency can deploy before a disaster occurs if advance warning is available. FEMA has developed the first element of, and is currently designing the remainder of, a deployable, on-site Disaster Field Office training team, which the agency plans to use to train FEMA employees as needed when disasters strike (action item 2).

As requested by Congress, FEMA is studying its regional structure to ensure that its operations are risk-based and efficient. A report of this study is scheduled to be issued in the future (action item 3). Finally, FEMA believes regional centers of excellence may be established as an outcome of this study (action item 4).

RELATED GAO PRODUCTS

---------- Chapter 9:2.2.4

Disaster Management: Improving the Nation's Response to Catastrophic Disasters (GAO/RCED-93-186, July 23, 1993).

Disaster Assistance: DOD's Support for Hurricanes Andrew and Iniki and Typhoon Omar (GAO/NSIAD-93-180, June 18, 1993).

Housing and Community Development Issues (GAO/OCG-93-22TR, Dec. 1992).

Disaster Assistance: Federal, State, and Local Response to Natural Disasters Need Improvement (GAO/RCED-91-43, Mar. 6, 1991).

FEMA03: CREATE RESULTS-ORIENTED INCENTIVES TO REDUCE THE COSTS OF A DISASTER

---------- Chapter 9:2.3

The Midwest floods, Hurricanes Hugo and Andrew, and the Loma Prieta earthquake all illustrate the enormous costs of disaster to society. These recommendations will move toward reducing those costs.

ACTION ITEMS

---------- Chapter 9:2.3.1

1. FEMA should develop objective criteria for declaring emergencies and major disasters.

2. FEMA should enforce existing flood insurance requirements applicable to people living in high-risk areas.

3. The administration and Congress should explore incentives to expand insurance coverage against natural hazards and increase mitigation.

4. Grants for mitigation and preparedness should fund preparedness for the greatest risks.

5. FEMA should propose comprehensive federal policies that reduce the total cost of disasters and minimize federal costs of disaster assistance.

GAO COMMENTS

---------- Chapter 9:2.3.2

Insufficient Information. Creating results-oriented incentives to reduce the costs of disasters should be explored. The cost of federal disaster response and recovery assistance has increased dramatically in recent years. However, there are many possible causes for this increase, as well as many possible solutions. We have not reviewed these issues in sufficient depth to take a formal position.

IMPLEMENTATION

---------- Chapter 9:2.3.3

Not Implemented--Action Taken. FEMA has taken some action to implement this recommendation. An agency task force has considered

statutory revisions designed to improve and establish objective criteria for declaring disasters and adjusting cost-shares (action item 1).

FEMA is designing a program to increase the number of flood insurance policies by 20 percent by October 1, 1996. The agency supports the lender compliance provisions of national flood insurance reform legislation, such as S. 1275, entitled the Community Development, Banking, and Financial Institutions Act of 1993 (action item 2).

FEMA supports legislative initiatives that are designed to reduce the costs of disasters (S. 1350 and H.R. 2873, both entitled the Natural Disaster Protection Act of 1993). This proposed legislation is also designed to expand insurance coverage and increase mitigation (action item 3).

Beginning in fiscal year 1995, FEMA plans to give the states greater flexibility and discretion in using the funds available to them through the Comprehensive Cooperative Agreement. According to FEMA, this increased flexibility will allow the states to focus funding to meet their highest-risk requirements (action item 4).

FEMA has also begun to develop a National Mitigation Strategy to help reduce the total cost of disasters and minimize the federal costs of disaster assistance (action item 5).

RELATED GAO PRODUCTS

---------- Chapter 9:2.3.4

None.

FEMA04: DEVELOP A SKILLED MANAGEMENT TEAM AMONG POLITICAL APPOINTEES AND CAREER STAFF

---------- Chapter 9:2.4

Leadership has been the weak link in FEMA's mission as the federal government's emergency management coordinator. These recommendations strive to improve FEMA's leadership to successfully implement its new all-hazards mission.

ACTION ITEMS

---------- Chapter 9:2.4.1

1. Through organizational restructuring and reordering of priorities, all agency directorates should be responsible to the Director for fulfilling the primary agency mission of disaster response.

2. The Director of FEMA should select and develop capable and cohesive executive leaders for the agency.

3. The Director of FEMA should institute a staff career development

program.

GAO COMMENTS
---------- Chapter 9:2.4.2

Generally Agree. FEMA has a large number of political appointees relative to its size. FEMA's mission of disaster relief demands a uniquely strong management team with considerable professional experience to deal effectively with other federal agencies, state and local emergency managers, and volunteer organizations. Given the need for a high level of professionalism and experience, a reduction in the number of political appointees in key positions could be an important element in developing an effective management team.

IMPLEMENTATION
---------- Chapter 9:2.4.3

Partially Implemented. All FEMA directorates now report to the FEMA Director, following an overall agency reorganization (action item 1). The current Director has made an effort to appoint executive leaders with emergency management skills. For example, the Director appointed experienced FEMA employees to head two of the directorates and fill the Chief of Staff position. As a result, the percentage of political appointees/noncareer senior executive service employees with direct emergency management experience is higher now than in previous years (action item 2). The Director has also identified a need to develop a management training program for all managers and has requested a 200-percent increase in fiscal year 1995 funds for employee development (action item 3).

RELATED GAO PRODUCTS
---------- Chapter 9:2.4.4

None.

DEPARTMENT OF HEALTH AND HUMAN
SERVICES (HHS)
========== Chapter 10

OVERALL SUMMARY
---------- Chapter 10:1

Action has been taken on 12 of the 14 recommendations related to the Department of Health and Human Services (HHS), but none of these recommendations has been fully or partially implemented. Legislation was introduced and is pending for eight of these. No action was taken on the remaining two recommendations to (1) develop a national, uniform inspection system to ensure a safe food supply and (2) restructure the management of railroad industry benefit programs. An NPR spokesperson said that the administration has not placed a high priority on these two recommendations at this point in time as agency actions or actions pending on other recommendations may indirectly

address them.

GAO CONTACT
---------- Chapter 10:1.1

Jane L. Ross, Director, Income Security Issues, Health, Education, and Human Services Division, (202) 512-7215.

RECOMMENDATION INFORMATION
---------- Chapter 10:2

HHS01: PROMOTE EFFECTIVE, INTEGRATED SERVICE DELIVERY FOR CUSTOMERS BY INCREASING COLLABORATIVE EFFORTS
---------- Chapter 10:2.1

These recommendations outline a number of steps needed to better integrate and deliver social services to communities and families.

ACTION ITEMS
---------- Chapter 10:2.1.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 10:2.1.2

Agree. We have conducted several evaluations which have pointed out the need to promote effective, integrated service delivery. For example, our work at the Administration on Aging (AOA) identified that more could be done to improve the long-standing problem of fragmented services for the elderly. Further, during our work on transportation for the elderly at AOA and the Department of Transportation (DOT), we found a persistent need to improve service coordination and collaboration between HHS and DOT. In both of these reviews, we recommended actions that would promote better service integration, reduce service fragmentation, and increase the dissemination of information. HHS has acted on all of these recommendations, but needs to remain vigilant in ensuring that their efforts in these areas continue.

In addition, in examining school-linked human services, we found that these services appear to be a promising short-term strategy for aiding children with problems that distract them from their studies and put them at risk of dropping out of school. Such services also appear to have the potential to support at-risk children after they complete preschool programs such as Head Start. We found a dearth of short-term impact evaluations of these services, however, as well as a lack of evaluation of long-term impact. This makes it very difficult to compare such services to alternatives. We recommended that the Secretaries of HHS and Education develop an approach for

evaluating short and long-term impacts of several school-linked programs to provide states and localities with better information about the impact of school-linked services.

IMPLEMENTATION
---------- Chapter 10:2.1.3

Not Implemented--Action Taken. HHS has established a work group on Customer Service and Service Integration. The agency announced customer service standards for direct customers, such as Medicare recipients and Indian Health Service recipients, in September 1994. Standards were also developed for HHS's indirect customers or grantees such as states, local governments, and private agencies. HHS has not yet developed a comprehensive strategy to promote service integration. The work group has developed some draft plans and pilot projects for service integration. This work is farther along in programs for children and families than in programs for the elderly and disabled. Forecast completion is December 31, 1999.

In addition, legislation was passed addressing this recommendation. Public Law 103-227, "Goals 2000: Educate America Act," requires several actions to improve the coordination of Department of Education and Department of Health and Human Services programs at the federal and local levels. Title VII, the Safe Schools Act of 1994, requires that Education programs and activities under Title XII be coordinated with health, social services, juvenile justice, and other services. Title IX, the Educational Research and Improvement Act of 1994, requires promotion of coordination on research and development issues between the Department of Education and HHS' Administration for Children and Families, the National Institutes of Health, and other agencies. As part of national education dissemination, Title IX also establishes programs to promote the development of an integrated system of service delivery to children from birth through age 18 and their families by facilitating linkages and cooperation among a variety of services, including health and social services, child care, Head Start, and other early childhood agencies that receive HHS funds.

Further legislation has been proposed. H.R. 820, "National Competitiveness Act of 1994," Title XI, the Local Empowerment and Flexibility Act of 1994, would specify that local governments and private, nonprofit agencies be enabled to integrate programs and program funds across existing federal assistance categories to better meet local social service needs. "Local flexibility plans" would be approved by a federal "Community Enterprise Board" composed of the Vice President and various federal agency representatives, including HHS. The local flexibility plans would allow for greater local flexibility to accomplish social service objectives rather than exclusively emphasizing the measurement of resources used and process to determine a program's effectiveness. Title VI, the Information Technology Applications Act of 1994, would also require federal efforts to identify and develop high-speed computer networking to "improve the provision of health care, including furnishing health care providers and their patients with better, more accurate, and more timely information" and "by improving coordination of federal efforts to deploy these technologies in cooperation with the private

sector as part of an advanced national information infrastructure."

RELATED GAO PRODUCTS
---------- Chapter 10:2.1.4

Long-Term Care Reform: States' Views on Key Elements of Well-Designed Programs for the Elderly (GAO/HEHS-94-227, Sept. 6, 1994).

Medicaid Long-Term Care: Successful State Efforts to Expand Home Services While Limiting Costs (GAO/HEHS-94-167, Aug. 11, 1994).

Health Care Reform: School-Based Health Centers Can Promote Access to Care (GAO/HEHS-94-166, May 13, 1994).

School-Linked Human Services: A Comprehensive Strategy for Aiding Students at Risk of School Failure (GAO/HRD-94-21, Dec. 30, 1993).

Long-Term Care Forum (GAO/HRD-93-1-SP, July 13-14, 1993).

Long-Term Care Case Management: State Experiences and Implications for Federal Policy (GAO/HRD-93-52, Apr. 6, 1993).

Social Security: Need for Better Coordination of Food Stamp Services for Social Security Clients (GAO/HRD-92-92, Sept. 25, 1992).

Integrating Human Services: Linking At-Risk Families with Services More Successful Than System Reform Efforts (GAO/HRD-92-108, Sept. 24, 1992).

Services for the Elderly: Long-Standing Transportation Problems Need More Federal Attention (GAO/HRD-91-117, Aug. 29, 1992).

Welfare Programs: Ineffective Federal Oversight Permits Costly Automated System Problems (GAO/IMTEC-92-29, May 27, 1992).

Administration on Aging: More Federal Action Needed to Promote Service Coordination for the Elderly (GAO/HRD-91-45, Apr. 23, 1991).

HHS02: REENGINEER THE HHS PROCESS FOR ISSUING REGULATIONS
---------- Chapter 10:2.2

HHS should improve the timeliness and quality of regulations issued and should involve stakeholders in the development of regulations.

ACTION ITEMS
---------- Chapter 10:2.2.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 10:2.2.2

Agree. On the basis of our work at the Food and Drug Administration (FDA), we agree that HHS needs to improve the timeliness of regulations. We recommended the development of a single FDA tracking system to improve management oversight of the process. FDA agreed and is currently implementing that recommendation. Our work, however, did not analyze the quality of regulations or the degree of participation of affected interests.

We discussed problems in the regulatory process in our management review work at the Social Security Administration (SSA) in 1987 and in followup work in 1989. SSA took a variety of actions to address problems caused by its procedures. We have done no further work to evaluate the effectiveness of changes made by SSA. In addition, other problems in the regulatory process over which SSA has limited control--complexity of issues and short effective dates in the law--remain a problem in regulatory development.

IMPLEMENTATION
---------- Chapter 10:2.2.3

Not Implemented--Action Taken. The HHS Continuous Improvement Workgroup is developing an implementation plan involving designating a regulatory czar, setting a regulatory agenda and a streamlined process, experimenting with negotiated rulemaking through a reinvention laboratory at the Health Care Financing Administration (HCFA), and obtaining input from states and other interested parties on ways to increase consultation. The plan is expected to be finalized by December 31, 1994. The Chief of Staff has been appointed Regulations Officer for the department. HHS has requested an OMB analyst be assigned as a liaison for HHS regulatory review and is waiting for an OMB decision. OMB has delegated some of its rulemaking authority to HHS.

RELATED GAO PRODUCTS
---------- Chapter 10:2.2.4

FDA Regulations: Sustained Management Attention Needed to Improve Timely Issuance (GAO/HRD-92-35, Feb. 21, 1992).

Management of HHS: Using the Office of the Secretary to Enhance Departmental Effectiveness (GAO/HRD-90-54, Feb. 9, 1990).

Social Security: Status and Evaluation of Agency Management Improvement Initiatives (GAO/HRD-89-42, July 24, 1989).

HHS03: DEVELOP A NATIONAL,
UNIFORM INSPECTION SYSTEM TO
ENSURE A SAFE FOOD SUPPLY
---------- Chapter 10:2.3

Responsibility for food safety should be consolidated into a single agency, and policies and inspection systems should be implemented on

an objective, scientific basis.

ACTION ITEMS
---------- Chapter 10:2.3.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 10:2.3.2

Agree. In May 1994, we testified that an independent federal food safety agency would be the preferred approach. However, we recognized that many problems are associated with setting up such an agency. On the other hand, we also testified on the various problems associated with consolidating food safety activities under either the Food and Drug Administration or the U.S. Department of Agriculture.

IMPLEMENTATION
---------- Chapter 10:2.3.3

Not Implemented--No Action Taken. According to HHS and NPR officials, the responsibility for this recommendation has been moved from HHS and given to the Executive Office of the President. Because of the numerous federal agencies (e.g., USDA, EPA, and HHS) currently involved in food inspections, HHS felt that the decision on how to structure a single food safety agency should be made at a higher level. NPR officials agreed and also reported that no action has been taken on this issue.

RELATED GAO PRODUCTS
---------- Chapter 10:2.3.4

Food Safety: A Unified, Risk-Based Food Safety System Needed (GAO/T-RCED-94-223, May 25, 1994).

Food Safety: A Unified Risk-Based System Needed to Enhance Food Safety (GAO/T-RCED-94-71, Nov. 4, 1993).

Food Safety and Quality: Uniform, Risk-Based Inspection System Needed to Ensure Safe Food Supply (GAO/RCED-92-152, June 26, 1992).

Food Safety and Quality: Who Does What in the Federal Government (GAO/RCED-91-19A and 19B, Dec. 21, 1990).

HHS04: RECONFIGURE SUPPORT
FOR HEALTH PROFESSIONS
EDUCATION
---------- Chapter 10:2.4

Existing programs should be consolidated and/or eliminated.

ACTION ITEMS
---------- Chapter 10:2.4.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 10:2.4.2

Generally Agree. Our evaluations have not shown that the grant programs for medical education under Titles VII and VIII of the Public Health Service Act had a significant effect on the supply, distribution, or minority representation of health professions. If Congress chooses to use Title VII and VIII programs to improve supply, distribution, and minority representation of health professionals, it needs to better assure that the programs are properly structured and that funds are used for these purposes. Congress will need to ensure that there are specific program goals, common outcome measures and reporting requirements for each goal, restrictions limiting the use of funds to activities whose results can be measured and reported against these goals, and criteria for allocating funding among professions to meet these goals.

IMPLEMENTATION
---------- Chapter 10:2.4.3

Not Implemented--Action Taken. According to HHS officials, action on this recommendation will be driven by whatever health reform legislation passes. The administration's Health Security Act proposes funding issues for grant programs that will focus more on primary care. While legislation is being debated, HHS has proposed in its fiscal year 1995 budget requests to consolidate multiple training programs. HHS has proposed legislation to consolidate nurse training programs this year, followed next year by legislative proposals to consolidate the remaining training programs, including primary care physicians.

RELATED GAO PRODUCTS
---------- Chapter 10:2.4.4

Health Professions Education: Role of Title VII/VIII Programs in Improving Access to Care is Unclear (GAO/HEHS-94-164, July 8, 1994).

Medicare: Graduate Medical Education Payment Policy Needs to be Reexamined (GAO/HEHS 94-33, May 4, 1994).

HHS05: RESTRUCTURE THE MANAGEMENT OF RAILROAD INDUSTRY BENEFIT PROGRAMS
---------- Chapter 10:2.5

Railroad Retirement Board functions should be integrated into existing programs administered by federal, state, and private sector service providers.

ACTION ITEMS
---------- Chapter 10:2.5.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 10:2.5.2

Generally Agree. On the basis of our work in the area of railroad retirement benefits, we believe this recommendation has some merit. We believe that the social security equivalent portion of railroad retirement benefits should be transferred. Such a transfer would result in uniformity in the benefits being provided (presently benefits are not paid to dependent children under the rail program). Further, the private rail portion of railroad retirement benefits is not funded as are other private industry pensions and is not under the Employee Retirement Income Security Act of 1994, and rail workers are at risk because of a large unfunded actuarial liability that has resulted in federal "bailouts" during past periods of financial crisis. Finally, the rail unemployment insurance program has experienced financial problems in the past. This program is more liberal and subject to abuse than state programs, and it results in a duplication of an existing unemployment apparatus.

IMPLEMENTATION
---------- Chapter 10:2.5.3

Not Implemented--No Action Taken. NPR has deferred indefinitely its recommendation to restructure the management of railroad industry benefits programs. However, the Railroad Retirement Board is making some improvements in internal processing to better service beneficiaries.

RELATED GAO PRODUCTS
---------- Chapter 10:2.5.4

Railroad Retirement: Future Rail Employment and Trust Fund Solvency (GAO/HRD-89-30, Apr. 5, 1989).

Railroad Retirement: Federal Financial Involvement (GAO/HRD-86-88, May 9, 1986).

HHS06: IMPROVE SOCIAL
SECURITY ADMINISTRATION
DISABILITY CLAIMS PROCESSING
TO BETTER SERVE PEOPLE WITH
DISABILITIES AND SAFEGUARD
TRUST FUND ASSETS
---------- Chapter 10:2.6

SSA should apply resources and management tools needed to reduce

backlogs and to avoid paying benefits to individuals who are no longer disabled.

ACTION ITEMS

---------- Chapter 10:2.6.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 10:2.6.2

Agree. In our view, the administration of SSA's disability programs has reached a crisis stage. Service is poor and billions of dollars in payments to ineligible individuals will be wasted if mandated continuing disability reviews are not resumed. SSA's short-term efforts to reduce the number of pending claims have been largely unsuccessful. Further, long-range SSA plans are uncertain about when and to what extent service will improve. However, SSA has begun a major reengineering effort to improve disability claims processing and staff productivity.

IMPLEMENTATION

---------- Chapter 10:2.6.3

Not Implemented--Action Taken. Legislative proposals--the Government Reform and Savings Act of 1993 (H.R. 3400) and the Government Downsizing, Performance, and Accountability Act of 1994 (S. 1843)--were considered that would have improved the continuing disability review process by establishing minimum funding levels for such reviews. While H.R. 3400 passed the House in November 1993, no action has been taken on S. 1843.

On March 31, 1994, SSA disseminated a reengineering proposal for improving its disability programs. On June 30, a revised proposal was sent to the Commissioner of SSA for a decision and the proposal was approved in September 1994. In addition, SSA is developing a legislative proposal to establish a trust fund self-financing account to pay for continuing disability reviews. SSA is also continuing to develop its modernized disability claims processing system.

RELATED GAO PRODUCTS

---------- Chapter 10:2.6.4

Social Security: New Continuing Disability Review Process Could Be Enhanced (GAO/HEHS-94-118, June 27, 1994).

Social Security: Major Changes Needed for Disability Benefits for Addicts (GAO/HEHS-94-128, May 13, 1994).

Social Security: Increasing Number of Disability Claims and Deteriorating Service (GAO/HRD-94-11, Nov. 10, 1993).

Social Security Disability: SSA Needs to Improve Continuing

Disability Review Program (GAO/HRD-93-109, July 8, 1993).

Social Security: Rising Disability Rolls Raise Questions That Must Be Answered (GAO/T-HRD-93-15, Apr. 22, 1993).

Social Security: SSA Needs to Improve Service for Program Participants (GAO/T-HRD-93-11, Mar. 25, 1993).

Social Security Disability: Growing Funding and Administrative Problems (GAO/T-HRD-92-28, Apr. 27, 1992).

ADP Systems: SSA Efforts in Implementing Its Field Office Modernization (GAO/IMTEC-89-45, May 17, 1989).

HHS07: PROTECT SOCIAL SECURITY, DISABILITY AND MEDICARE TRUST FUND ASSETS BY REMOVING BARRIERS TO FUNDING PRODUCTIVE OVERSIGHT ACTIVITIES

---------- Chapter 10:2.7

HHS should aggressively pursue options to ensure that adequate investments are made to avoid unnecessary payments from trust funds.

ACTION ITEMS

---------- Chapter 10:2.7.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 10:2.7.2

Agree. We strongly advocate these types of actions. Over the past several years, we have issued reports and testimonies discussing Medicare's declining investment in program safeguard efforts and concluded that funding declines contributed to hundreds of millions of dollars in program losses. We recommended that Congress consider modifying budget procedures so that Medicare safeguard funding could be increased without having to cut spending elsewhere. Under the Budget Enforcement Act of 1990, Congress provided for increasing appropriations for Internal Revenue Service (IRS) compliance activities without necessitating spending cuts elsewhere. We believe using IRS' method of funding compliance activities as a model for Medicare would better enable Congress to appropriate the funding needed for Medicare's safeguard activities. Congress enacted our recommendation in 1992, but the bill was vetoed by the President for other reasons.

IMPLEMENTATION

---------- Chapter 10:2.7.3

Not Implemented--Action Taken. H.R. 3400, which passed the House in

November 1993, proposed additional funding for Social Security safeguards dedicated to processing Continuing Disability Reviews. These reviews periodically assess the continuing eligibility for those receiving Social Security benefits. NPR's recommendation pertaining to SSA's disability claims processing (HHS06) provides further discussion on SSA payment safeguards. According to HHS officials, OMB believes fiscal year 1995 funding for Medicare program safeguards are appropriate. The Health Care Financing Administration (HCFA) continues to give safeguard activities priority and attempts to develop innovative approaches to ensure effective oversight.

RELATED GAO PRODUCTS

---------- Chapter 10:2.7.4

Medicare: HCFA's Contracting Authority for Processing Medicare Claims (GAO/HEHS-94-171, Aug. 2, 1994).

Social Security: New Continuing Disability Review Process Could Be Enhanced (GAO/HEHS-94-118, June 27, 1994).

Medicare: Inadequate Review of Claims Payments Limits Ability to Control Spending (GAO/HEHS-94-42, Apr. 28, 1994).

Medicare: Greater Investment in Claims Review Would Save Millions (GAO/HEHS-94-35, Mar. 2, 1994).

Medicare: Adequate Funding and Better Oversight Needed to Protect Benefit Dollars (GAO/T-HRD-94-59, Nov. 12, 1993).

Social Security: Reporting and Processing of Death Information Should Be Improved (GAO/HRD-92-88, Sept. 4, 1992).

Health Insurance: Vulnerable Payers Lose Billions to Fraud and Abuse (GAO/HRD-92-69, May 7, 1992).

HHS08: COORDINATE COLLECTION AND DISSEMINATION OF SOCIAL SECURITY ADMINISTRATION DEATH INFORMATION TO PROTECT FEDERAL PROGRAM ASSETS

---------- Chapter 10:2.8

SSA's clearinghouse for death information and "best practices" can be used by dozens of federal and state agencies to reduce federal program outlays.

ACTION ITEMS

---------- Chapter 10:2.8.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 10:2.8.2

Agree. We agree that SSA should be the clearinghouse for federal death information. It is the primary collection point for notices of death coming from family members and friends of deceased individuals, as well as a recipient of death reports from the states, the Health Care Financing Administration, the State Department, and funeral homes across the country. This puts SSA in a unique position to provide to other federal and state programs the most comprehensive death database currently available. We recently issued a report pointing out opportunities to improve the completeness and accuracy of SSA's death records. This will improve the efficiency and effectiveness of using this information for other entities to control their benefit payments.

IMPLEMENTATION

---------- Chapter 10:2.8.3

Not Implemented--Action Taken. SSA has been working with states to remove restrictions on the use of their death information based on the requirements of the Omnibus Budget Reconciliation Act of 1993. They have no other initiatives that provide for them to be the clearinghouse of death information in the federal government.

Legislation H.R. 3400 and S. 1843 was proposed that would have expanded SSA's authority to obtain and disseminate death information for use in administering the Social Security Act and other programs. The legislation required state agreements for providing death information to SSA, expanded redisclosure of death information to states as well as federal agencies, and eliminated prior special state exemptions for providing death information to SSA. H.R. 3400 passed the House in November 1993, but S. 1843 was not acted upon in the Senate.

RELATED GAO PRODUCTS

---------- Chapter 10:2.8.4

Social Security: Most Social Security Death Information Accurate But Improvements Possible (GAO/HEHS-94-211, Aug. 29, 1994).

Social Security: Reporting and Processing of Death Information Should Be Improved (GAO/HRD-92-88, Sept. 4, 1992).

Welfare Benefits: States Need Social Security's Death Data to Avoid Payment Error Fraud (GAO/HRD-91-73, Apr. 2, 1991).

Federal Agencies Need SSA's Death Information to Avoid Erroneous Payments (GAO/T-HRD-91-6, Feb. 6, 1991).

Federal Benefit Payments: Agencies Need Death Information from Social Security to Avoid Erroneous Payments (GAO/HRD-91-3, Feb. 6, 1991).

Veterans Benefits: VA Needs Death Information From Social Security to Avoid Erroneous Payments (GAO/HRD-90-110, July 27, 1990).

HHS09: TAKE MORE AGGRESSIVE ACTIONS TO COLLECT OUTSTANDING DEBTS OWED TO THE SOCIAL SECURITY TRUST FUND

---------- Chapter 10:2.9

SSA should be given the authority to use a full range of debt collection tools available under the Debt Collection Act of 1982 to collect debts owed by individuals who are no longer on benefit rolls.

ACTION ITEMS

---------- Chapter 10:2.9.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 10:2.9.2

Agree. There are several actions SSA could take that would improve its debt collection activities. Among these is the use of all the collection tools included in the Debt Collection Act of 1982. These tools have been denied to SSA in the past because Congress was concerned about aggressively collecting overpayments from the aged and disabled. We believe that collection agencies can routinely provide addresses of debtors to SSA and that SSA could apply interest and penalties to debtors in those situations where repayment will not be a financial hardship on the debtors. This would increase the reserves to the trust funds, create a more equitable situation in relation to those beneficiaries who do repay their debts, and provide an incentive for some debtors to repay their debts who currently do not.

IMPLEMENTATION

---------- Chapter 10:2.9.3

Not Implemented--Action Taken. S. 1843 and H.R. 3400 would have provided SSA the authority to use such collection tools as assessing interest and penalties on outstanding debts. H.R. 3400 passed in the House in November 1993, but S. 1843 was not acted upon in the Senate.

RELATED GAO PRODUCTS

---------- Chapter 10:2.9.4

Debt Management: More Aggressive Actions Needed to Reduce Billions in Overpayments (GAO/HRD-91-46, July 9, 1991).

HHS10: INSTITUTE AND COLLECT USER FEES ON FDA'S

INSPECTION AND APPROVAL PROCESSES

---------- Chapter 10:2.10

Food, drug, and medical device manufacturers, processors and suppliers should be required to pay for FDA services.

ACTION ITEMS

---------- Chapter 10:2.10.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 10:2.10.2

Generally Agree. We have found numerous shortcomings in FDA approval and inspection procedures with regard to pharmaceuticals, over-the-counter drugs, and medical devices. To some extent, these are linked to resource problems. However, we have also found that FDA does not always have a sound basis for requesting and assigning new resources. As long as user fees supplement existing appropriations in the context of a strategic plan, they could provide needed help.

IMPLEMENTATION

---------- Chapter 10:2.10.3

Not Implemented--Action Taken. HHS requested authority to expand user fees to medical devices and other services in its fiscal year 1995 proposal. H.R. 4728, the Medical Device User Fee Act of 1994, would have amended the Federal Food, Drug, and Cosmetic Act to authorize a device application fee. However, the legislation has not been enacted. No legislation has yet been proposed in the Senate.

RELATED GAO PRODUCTS

---------- Chapter 10:2.10.4

FDA User Fees: Current Measures Not Sufficient for Evaluating Effect on Public Health (GAO/PEMD-94-26, July 22, 1994).

HHS11: REDESIGN SSA SERVICE DELIVERY AND MAKE BETTER USE OF TECHNOLOGY TO PROVIDE IMPROVED ACCESS AND SERVICES TO CUSTOMERS

---------- Chapter 10:2.11

SSA's organizational structure needs to be updated to reflect changing customer needs and to take full advantage of emerging technologies.

ACTION ITEMS
---------- Chapter 10:2.11.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 10:2.11.2

Agree. We have recommended that SSA produce a service delivery plan that spells out SSA's preferred methods of future service delivery, including the facilities it will need, where they should be located, and the human resources and automation that will be required to staff them.

IMPLEMENTATION
---------- Chapter 10:2.11.3

Not Implemented--Action Taken. SSA is following the strategic management approach recommended by GAO to ensure that its planning activities are tied to its customer needs and mission goals. The customer service plan, which has been developed to comply with Executive Order 12862 (September 11, 1993), is to be used to update the agency strategic plan. As part of updating the agency strategic plan, SSA plans to define its future business and service delivery requirements. The supporting plans for facilities, information systems, and human resources are expected to be developed or modified based on the direction of the agency strategic plan.

SSA has under consideration several options for balancing its field office workloads by issuing monthly benefit checks on multiple days throughout the month rather than on just one day of the month. Customer and stakeholder input was obtained on the options and will be considered in determining how to proceed. The systems changes required to implement the option chosen will require several years of work effort.

RELATED GAO PRODUCTS
---------- Chapter 10:2.11.4

Social Security Administration: Risks Associated With Information Technology Investment Continue (GAO/AIMD-94-143, Sept. 19, 1994).

Social Security: SSA Needs to Act Now to Assure World-Class Service (GAO/T-HRD-94-46, Oct. 28, 1993).

Social Security: Sustained Effort Needed to Improve Management and Prepare for the Future (GAO/HRD-94-22, Oct. 27, 1993).

Social Security: Need to Improve Post-Entitlement Service to the Public (GAO/HRD-93-21, May 7, 1993).

Social Security: Telephone Busy Signal Rates at Local SSA Field Office (GAO/HRD-93-49, Mar. 4, 1993).

Social Security: Measure of Telephone Service Accuracy Can Be Improved (GAO/HRD-91-69, Aug. 30, 1991).

Social Security Downsizing: Significant Savings but Some Service Quality and Operational Problems (GAO/HRD-91-63, Mar. 19, 1991).

Social Security: Staff Reductions and Service Quality (GAO/HRD-89-106BR, June 16, 1989).

Social Security: Decision to Implement Nationwide 800 Telephone Service (GAO/HRD-88-120, May 21, 1988).

Social Security: Staff Reductions and Service Quality (GAO/HRD-88-97, May 13, 1988).

HHS12: STRENGTHEN DEPARTMENTWIDE MANAGEMENT

---------- Chapter 10:2.12

The Department should conduct a review of its organizational structure and management systems to determine an appropriate balance between centralized and decentralized functions.

ACTION ITEMS

---------- Chapter 10:2.12.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 10:2.12.2

Agree. We agree that the Department needs to strengthen its departmentwide management. In our management review of HHS, we made a series of recommendations aimed at strengthening departmental management, including recommending the establishment of departmentwide strategic and workforce planning processes that considered the centralization and decentralization of departmental functions. Such processes logically should examine the balance between centralized and decentralized functions.

IMPLEMENTATION

---------- Chapter 10:2.12.3

Not Implemented--Action Taken. HHS has established a study team to review its management structure and systems and identify options to strengthen departmentwide management. The team has prepared a preliminary report that is under review by a steering committee that oversees HHS' continuous improvement efforts. In addition, as part of the Department's ongoing efforts to reduce internal controls and regulations by 50 percent, another work group is studying opportunities for delegating authority and responsibility to the lowest levels. Action recommended by this work group may be implemented immediately if agreed to by the person whose authority or

responsibility is affected.

RELATED GAO PRODUCTS
---------- Chapter 10:2.12.4

Management of HHS: Using the Office of the Secretary to Enhance Departmental Effectiveness (GAO/HRD-90-54, Feb. 9, 1990).

HHS13: REVIEW THE FIELD AND REGIONAL OFFICE STRUCTURE OF THE HHS AND DEVELOP A PLAN FOR SHIFTING RESOURCES TO MATCH WORKLOAD DEMANDS
---------- Chapter 10:2.13

The review should emphasize customer service, results, and increased accountability.

ACTION ITEMS
---------- Chapter 10:2.13.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 10:2.13.2

Agree. A series of our reports related to SSA noted that staffing imbalances existed at its field offices, and SSA needed to conduct a needs assessment and create work standards for its employees. Also, one ongoing assignment reviewing a key social service program has found that there is no process for obtaining firm, upfront commitment of regional resources and the headquarters office has no direct control of regional resources. Finally, we recommended in our management review of HHS that the department establish departmental strategic planning and workforce planning systems that should include reviewing the field and regional office structure and identifying a plan to shift resources accordingly.

IMPLEMENTATION
---------- Chapter 10:2.13.3

Not Implemented--Action Taken. HHS has established a study team to review the field and regional office structure and identify options to improve the use of these resources. The team has prepared a preliminary report that is under review by a steering committee that oversees HHS' continuous improvement efforts. In addition, HHS also participates in the President's Management Council, charged with reporting to Congress in March 1995 on the consolidation and closure of field offices governmentwide.

RELATED GAO PRODUCTS

---------- Chapter 10:2.13.4

Social Security: Sustained Effort Needed to Improve Management and Prepare for Future (GAO/HRD-94-22, Oct. 27, 1993).

Administration on Aging: More Federal Action Needed to Promote Service Coordination for the Elderly (GAO/HRD-91-45, Apr. 23, 1991).

Management of HHS: Using the Office of the Secretary to Enhance Departmental Effectiveness (GAO/HRD-90-54, Feb. 9, 1990).

Social Security: Stable Leadership and Better Management Needed to Improve Effectiveness (GAO/HRD-87-39, Mar. 18, 1987).

Social Security: Staff Reductions and Service Quality (GAO/HRD-87-66, Mar. 10, 1987).

Social Security: Improved Telephone Accessibility Would Better Serve the Public (GAO/HRD-86-85, Aug. 29, 1986).

HHS14: AMEND THE HEALTH CARE FINANCING ADMINISTRATION'S (HCFA) CONTRACTING AUTHORITY TO ALLOW FOR COMPETITIVE CONTRACTING

---------- Chapter 10:2.14

HCFA should be authorized to fully and openly compete Medicare claims processing contracts to reduce costs and eliminate inefficiencies and conflicts of interest.

ACTION ITEMS

---------- Chapter 10:2.14.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 10:2.14.2

Generally Agree. We have reported that HCFA's current contracting authority, if properly used, allows for effective program management and provides sufficient opportunities to achieve administrative efficiencies. For a variety of reasons over the past decade, HCFA has made many changes to its contractor network. However, its experience with these changes has been mixed. The changes have frequently led to disruptions in service to beneficiaries and providers, as well as increases in payment error rates that exceeded administrative savings. We have consistently pointed out the importance of effective claims payment and safeguard activities because benefit payments represent 98 percent of Medicare expenditures. On the other hand, payments to contractors represent only a little more than 1 percent of Medicare costs. Thus, it is important to consider the effects a change in contracting methods

would have on benefit costs, not just on administrative costs.

IMPLEMENTATION
---------- Chapter 10:2.14.3

Not Implemented--Action Taken. HCFA has developed a long-standing practice of contracting with the same entities--typically insurance companies. While HCFA officials are working to improve their contracting practices, they perceive many obstacles to changing this practice. It may be necessary for Congress to authorize HCFA to evaluate new approaches for a more competitive environment for Medicare contractors who process Medicare claims. H.R. 3400 required that HHS study the issue of flexibility in contracting for Medicare claims processing; H.R. 3400 passed the House in November 1993. The provision was deleted from the bill in the Senate (S. 2170). Subsequently, S. 2170 was enacted as Public Law 103-356 on October 13, 1994, and did not contain the provision in question.

RELATED GAO PRODUCTS
---------- Chapter 10:2.14.4

Medicare: HCFA's Contracting Authority For Processing Medicare Claims (GAO/HEHS-94-171, Aug. 2, 1994).

Medicare: Inadequate Review of Claims Payments Limits Ability to Control Spending (GAO/HEHS-94-42, Apr. 28, 1994).

Medicare: Greater Investment in Claims Review Would Save Millions (GAO/HEHS-94-35, Mar. 2, 1994).

Medicare: New Claims Processing System Benefits and Acquisition Risks (GAO/HEHS/AIMD-94-79, Jan. 25, 1994.)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)
========== Chapter 11

OVERALL SUMMARY
---------- Chapter 11:1

HUD has taken various degrees of action on all 10 of its recommendations. Five recommendations have been partially implemented, and five recommendations have not been implemented but actions have been taken. The five partially implemented recommendations include improving multifamily asset management and disposition (HUD02), establishing a new housing production program (HUD05), streamlining HUD field operations (HUD06), creating incentives for refinancing certain subsidized home mortgages (HUD07), and reducing operating subsidies for vacancies (HUD10). Activity, including the introduction of legislation, has been initiated to implement the other five recommendations. Legislation pending before Congress would, for example, devolve the control of public housing to local public housing authorities (HUD01), authorize demonstration

programs to promote mixed-income housing (HUD04), and consolidate the Section 8 certificate and voucher programs (HUD09). In addition, HUD has taken steps to improve single-family asset management and disposition (HUD03) and to modify its process for computing annual adjustments to rents for Section 8 projects (HUD08).

HUD has taken many of its actions in conjunction with its reinvention efforts. Reinvention is HUD's approach for changing the way it does business, both at headquarters and in the field, in order to become more results-driven and customer-oriented. As recommended by the NPR, HUD has begun to (1) undertake a major reorganization, (2) eliminate layers and bureaucracies, and (3) increase the authority and responsibility of its offices that work closely with states and communities. However, reinvention goes beyond the scope of the NPR's recommendations and includes goals such as reducing homelessness and reinvigorating economically distressed communities.

GAO CONTACT

---------- Chapter 11:1.1

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RECOMMENDATION INFORMATION

---------- Chapter 11:2

HUD01: REINVENT PUBLIC HOUSING

---------- Chapter 11:2.1

HUD should create pilot programs to devolve greater authority over housing funds to sound local agencies. It should create demonstrations of mixed-income public housing with portable subsidies. HUD should also streamline public housing rules and take other steps to improve public housing management.

ACTION ITEMS

---------- Chapter 11:2.1.1

1. HUD should establish demonstration projects that dramatically devolve control of public housing to local public housing authorities (PHA) with histories of sound management, and provide the required ongoing operating subsidies subject only to the local PHA's meeting a series of performance targets.

2. HUD should work closely with local PHAs, their national organizations, public housing tenant representatives, and state and local government officials to eliminate unnecessary HUD requirements and procedures.

3. HUD should be authorized to target new construction and modernization funds to both HUD and locally developed demonstration

models that seek to provide choices to public housing tenants, including the option to use their housing subsidies to move to units outside of public housing.

4. HUD should make a hard-hitting, targeted effort to resolve the severe difficulties of those few public housing agencies identified as problem PHAs.

5. HUD should be permitted to authorize sale of public housing units with flexible requirements for replacement housing.

GAO COMMENTS

---------- Chapter 11:2.1.2

Generally Agree. We support the creation of pilot programs to allow sound housing agencies greater authority over their operations. Similarly, mixed-income demonstrations would be a first step toward returning the public housing program to its original concept of serving mixed-income populations. Finally, streamlining public housing rules should benefit well-managed housing agencies. However, the details on how this initiative would be implemented are critical. For example, some of the best-run PHAs are also the largest; because they receive a high level of funding, HUD should not altogether cease to oversee their operations. Additionally, many PHAs still have high vacancy rates. Therefore, we have some concerns about how implementation would occur.

IMPLEMENTATION

---------- Chapter 11:2.1.3

Not Implemented--Action Taken. In its September 1993 report, NPR advocated a series of actions to help "reinvent" public housing. The House and Senate versions of the HUD reauthorization bills (H.R. 3838, Housing and Community Development Act of 1994, and S. 2281, Housing Choice and Community Investment Act of 1994) contained provisions that, if enacted, would have authorized the Secretary of HUD to conduct demonstration projects that would have tested the extent to which public housing may be exempt from certain statutory requirements (action item 1); eliminated unnecessary HUD requirements and procedures (action item 2); targeted new construction and modernization funds for public housing to give tenants greater market power, including the freedom to move outside of public housing with their subsidies (action item 3); provided for revitalizing severely distressed public housing that, in some cases, is managed by the most troubled housing authorities (action item 4); and authorized the sale of public housing with flexible requirements for replacement housing (action item 5). However, neither of these bills has been enacted.

RELATED GAO PRODUCTS

---------- Chapter 11:2.1.4

Public Housing: Information on Backlogged Modernization Funds (GAO/RCED-94-217FS, July 15, 1994).

Public Housing: Development of Performance Standards for the District of Columbia Department of Public and Assisted Housing (GAO/RCED-94-235R, June 3, 1994).

Public Housing: Housing Agency Officials Want More Flexibility in Replacing Deteriorated Housing (GAO/T-RCED-94-159, Mar. 22, 1994).

Public Housing: Housing Persons With Mental Disabilities With the Elderly (GAO/RCED-92-81, Aug. 12, 1992).

Assisted Housing: Utility Allowances Often Fall Short of Actual Utility Expenses,Volumes I and II (GAO/RCED-91-40A and GAO/RCED-91-40B, Mar. 26, 1991).

Public Housing: HUD's Approval for Country Creek Housing Project, Dallas, Texas (GAO/RCED-90-30, Oct. 20, 1989).

Public Housing: Chicago Housing Authority Taking Steps to Address Long-Standing Problems (GAO/RCED-89-100, June 8, 1989).

Public Housing: HUD Oversight of the Annapolis Housing Authority (GAO/RCED-89-145, June 5, 1989).

Public Housing: Problems Continue to Plague the Cuyahoga Metropolitan Housing Authority (GAO/RCED-88-122, Apr. 20, 1988).

HUD02: IMPROVE MULTIFAMILY ASSET MANAGEMENT AND DISPOSITION

---------- Chapter 11:2.2

HUD should use public-private partnerships to manage and sell HUD-held loans and real estate for nonsubsidized housing projects. Congress should reduce restrictions on HUD's sale of multifamily properties, including the use of portable subsidies for tenants when the Secretary determines that to be best for tenant needs.

ACTION ITEMS

---------- Chapter 11:2.2.1

1. HUD should identify those market-rate rental apartment buildings and HUD-held loans secured by such apartment buildings as primarily financial assets and should maximize the present value financial return in disposition.

2. For the identified financial assets, HUD should use the best practice models of public-private partnerships for management and disposition of problem loans and real estate, as opposed to working those assets with in-house staff.

3. Statutory restrictions on HUD disposition of multifamily properties held as a result of FHA insurance programs should be relaxed; HUD should be authorized to assist affected tenants with portable subsidies (as opposed to assistance tied to the project or unit) when appropriate.

GAO COMMENTS
---------- Chapter 11:2.2.2

Generally Agree. We continue to support increased flexibility in HUD's multifamily asset management and disposition programs, including the use of public-private partnerships to manage and sell HUD-held loans and real estate for nonsubsidized housing projects. We also support the reduction of restrictions on HUD's sale of multifamily housing projects and the use of portable subsidies when the use of such subsidies is consistent with the government's interests and tenants' needs. In our view, legislative changes that give HUD greater flexibility in disposing of properties, enacted as part of the Multifamily Housing Property Disposition Reform Act of 1994, are in line with this recommendation. These changes, when implemented, should help HUD improve its multifamily asset management and property disposition activities.

IMPLEMENTATION
---------- Chapter 11:2.2.3

Partially Implemented. The Multifamily Housing Property Disposition Reform Act of 1994 (P.L. 103-233) authorizes HUD to carry out a demonstration program to test the feasibility of restructuring and disposing of troubled HUD-held multifamily mortgages through the establishment of partnerships with public, private, and nonprofit entities. HUD is currently developing such a demonstration program and expects to implement it in October 1994 (action items 1 and 2). The act also contains provisions that give HUD greater flexibility in disposing of HUD-owned multifamily properties and allow HUD, in certain circumstances, to use portable tenant-based subsidies in place of project-based subsidies (action item 3). HUD is developing regulations to implement the act's provisions. HUD has also developed a plan for selling the bulk of HUD-held mortgages by the end of fiscal year 1996.

RELATED GAO PRODUCTS
---------- Chapter 11:2.2.4

Federally Assisted Housing: Condition of Some Properties Receiving Section 8 Project-Based Assistance is Below Housing Quality Standards (GAO/T-RCED-94-273, July 26, 1994).

Multifamily Housing: Status of HUD's Multifamily Loan Portfolios (GAO/RCED-94-173FS, Apr. 12, 1994).

Multifamily Housing: Information on Selected Properties Owned By HUD (GAO/RCED-94-163FS, Apr. 11, 1994).

Housing Issues: The Housing and Community Development Act of 1994 (GAO/T-RCED-94-148, Mar. 10, 1994).

Multifamily Housing: Impediments to Disposition of Properties Owned by HUD (GAO/T-RCED-93-37, May 12, 1993).

HUD Reforms: Progress Made Since the HUD Scandals but Much Work Remains (GAO/RCED-92-46, Jan. 31, 1992).

HUD Reforms: Limited Progress Made Since the HUD Scandals (GAO/T-RCED-91-62, June 12, 1991).

HUD03: IMPROVE SINGLE-FAMILY ASSET MANAGEMENT AND DISPOSITION

---------- Chapter 11:2.3

HUD should use a combination of early assistance to borrowers having financial difficulties, contract loan servicing, contract mortgage assistance programs, and public-private partnerships to streamline and improve management of HUD-assigned single-family mortgages.

ACTION ITEMS

---------- Chapter 11:2.3.1

1. HUD should be authorized to use the Mutual Insurance Fund for any cost-effective expenditure needed to maximize the value of the fund, including all expenditures recommended through the actions below.

2. HUD should undertake programs designed to mitigate losses.

3. HUD should contract out loan servicing for the single-family loans for which it accepts assignment.

4. HUD should dispose of assigned single-family mortgages.

5. HUD should contract with qualified nonprofit or other organizations to administer a financial assistance program for temporary help with mortgage payments for HUD-held mortgages and for such mortgages that have been transferred to the above-described partnerships.

GAO COMMENTS

---------- Chapter 11:2.3.2

Generally Agree. On the basis of our ongoing work in this area, we support efforts to streamline and improve the management of HUD's single-family asset management and property disposition activities. This area of HUD's operations has continually been a problem for the agency.

IMPLEMENTATION

---------- Chapter 11:2.3.3

Not Implemented--Action Taken. In December 1993, HUD contracted with the Unicorn Research Corporation to examine the Federal Housing Administration's (FHA) single-family assignment program. HUD needs the results of this examination, which it expects to receive in early

1995, before it can implement action items 1, 2, 3, and 5. In July 1994, HUD sold 357 loans to private industry (action item 4). Pleased with the outcome of this sale, HUD has indicated that it would like to dispose of additional mortgages by selling them to the private sector.

RELATED GAO PRODUCTS

---------- Chapter 11:2.3.4

HUD Reforms: Progress Made Since the HUD Scandals but Much Work Remains (GAO/RCED-92-46, Jan. 31, 1992).

HUD Reforms: Limited Progress Made Since the HUD Scandals (GAO/T-RCED-91-62, June 12, 1991).

Home Ownership: Loan Policy Changes Made to Strengthen FHA's Mortgage Insurance Program (GAO/RCED-91-61, Mar. 1, 1991).

Impact of FHA Loan Policy Changes on Financial Losses and Homebuyers (GAO/T-RCED-90-95, July 10, 1990).

Impact of FHA Loan Policy Changes on Its Cash Position (GAO/T-RCED-90-70, June 6, 1990).

HUD04: CREATE AN ASSISTED-HOUSING/RENT SUBSIDY DEMONSTRATION PROJECT

---------- Chapter 11:2.4

HUD should be authorized to experiment in negotiated restructuring of privately owned assisted-housing projects to improve management, promote mixed-income housing, and save taxpayer funds.

ACTION ITEMS

---------- Chapter 11:2.4.1

1. On a demonstration basis, HUD should be authorized to conduct negotiated restructuring of assisted-housing projects.

2. Demonstrations should include allowing project rents to float to market rates with tenants receiving their assistance in a portable format (like portable Section 8 certificates) to make up the difference between tenant contribution and the market rent.

3. If, over time, the market value and/or net operating income of the project improves because of better management or because of a better environment through improved income mix, the owner and manager should receive some of the benefit.

4. Each demonstration should be structured so that HUD payments for the project, the obligations of the owner, and assistance to tenants would continue for at least as long as under contracts outstanding at the start of the demonstration.

5. HUD should work with IRS to explore ways to deal with competing public objectives of the tax code and housing programs.

6. These demonstrations should be real experiments in modified approaches to assisted housing.

7. HUD should seek legislation to shift multifamily projects from above-market to market rents while protecting the existing tenants.

GAO COMMENTS
---------- Chapter 11:2.4.2

Generally Agree. We have not carried out any work that is specifically aimed at assessing the merits of the NPR recommendation. However, we would generally support actions that allow HUD to lower rents by restructuring the debt on assisted-housing projects, when such action is in the government's best interest and still promotes mixed-income housing.

IMPLEMENTATION
---------- Chapter 11:2.4.3

Not Implemented--Action Taken. Provisions designed to address this recommendation were included as part of the 1994 housing reauthorization legislation-- the Housing and Community Development Act of 1994 (H.R. 3838) and the Housing Choice and Community Investment Act (S. 2281)--that was before the 103rd Congress. Both of these bills would have, among other things, authorized HUD to restructure the underlying debt on projects receiving assistance under Section 8 contracts at the time of contract renewal. However, neither of these bills has been enacted.

RELATED GAO PRODUCTS
---------- Chapter 11:2.4.4

None.

HUD05: ESTABLISH A NEW
HOUSING PRODUCTION PROGRAM
---------- Chapter 11:2.5

HUD should stimulate housing production through Federal Housing Administration (FHA) risk-sharing arrangements with housing finance agencies, stimulate a secondary market for multifamily properties, improve access to FHA insurance for first-time homebuyers, provide special FHA programs to revitalize neighborhoods, and improve FHA management.

ACTION ITEMS
---------- Chapter 11:2.5.1

1. HUD should stimulate multifamily housing development through risk-sharing with housing finance agencies.

2. HUD should stimulate multifamily housing production by helping to develop a secondary market for loans on multifamily properties.

3. Legislation should be enacted to authorize FHA to improve access to capital and assist moderate-income, first-time homebuyers in high-cost areas.

4. Legislation should be enacted to authorize FHA to work in partnership with local governments and nonprofits striving to revitalize decaying neighborhoods by making special terms available for FHA-insured mortgages in those areas.

5. HUD should make cost-effective investments in professional financial management.

GAO COMMENTS

---------- Chapter 11:2.5.2

Generally Agree. We support the portion of this recommendation dealing with multifamily housing. Providing risk-sharing arrangements for multifamily housing through FHA (via federal credit enhancements) can increase the availability of capital by promoting an expanded secondary market for multifamily mortgages, particularly mortgages for affordable multifamily housing. However, we are concerned about the portion of the recommendation calling for improved access to FHA for first-time homebuyers. If the intent of this part of the recommendation is to let buyers who do not currently qualify into the program, the financial condition of the insurance fund supporting the program could be undermined.

IMPLEMENTATION

---------- Chapter 11:2.5.3

Partially Implemented. The portion of this recommendation affecting multifamily properties was authorized by the Housing and Community Development Act of 1992 (P.L. 102-550). FHA has entered into risk-sharing arrangements for multifamily properties with 19 housing finance agencies. HUD has also signed partnership arrangements to share risks with the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation. These actions should help stimulate multifamily housing development, in part through a broadened secondary market for loans on multifamily properties (action items 1 and 2).

Legislation has been introduced to establish a new FHA program to make FHA home mortgage insurance with special terms available to low- and moderate-income buyers of single-family homes in both high-cost and revitalization areas (action items 3 and 4). To make cost-effective investments in professional financial management, HUD has taken steps to obtain professional financial assistance (action item 5).

RELATED GAO PRODUCTS
---------- Chapter 11:2.5.4

Housing Finance: Expanding Capital for Affordable Multifamily Housing (GAO/RCED-94-3, Oct. 27, 1993).

Mortgage Credit Enhancements: Options for FHA in Meeting the Need for Affordable Multifamily Housing (GAO/T-RCED-92-52, Apr. 3, 1992).

Home Ownership: Loan Policy Changes Made to Strengthen FHA's Mortgage Insurance Program (GAO/RCED-91-61, Mar. 1, 1991).

Impact of FHA Loan Policy Changes on Financial Losses and Homebuyers (GAO/T-RCED-90-95, July 10, 1990).

Impact of FHA Loan Policy Changes on Its Cash Position (GAO/T-RCED-90-70, June 6, 1990).

HUD06: STREAMLINE HUD FIELD OPERATIONS
---------- Chapter 11:2.6

HUD should streamline its Washington, regional, and field office structure and consolidate and reduce its size over time.

ACTION ITEMS
---------- Chapter 11:2.6.1

1. HUD should participate in the multiple agency field office restructuring effort.

2. Program field staff should report more directly to responsible program assistant secretaries.

3. HUD should accelerate the privatization of single-family insurance application processing and asset management and centralize lender monitoring.

4. HUD should continue to delegate specific grant award decisionmaking to the states and localities, as is the case with the Community Development Block Grant Program and the new HOME Investment Partnerships program.

5. No one should be laid off as a result of this office consolidation. A full attrition program should apply in the field until an appropriate level of staffing is achieved.

GAO COMMENTS
---------- Chapter 11:2.6.2

Generally Agree. We continue to support the principle behind this recommendation. Previous GAO studies have reported on problems with HUD's organizational structure and resource deployment. In April

1994, the Secretary initiated a major reorganization as part of his effort to "reinvent" HUD. This reorganization includes eliminating the regional offices and most regional functions to help meet the goal of a more result-driven and customer-oriented HUD. The reorganization also gives program assistant secretaries direct line authority for program delivery in the new structure. However, it is premature to evaluate the success of the reorganization or even to determine whether HUD can be reinvented. HUD faces many challenges, the most basic of which is the need to change an organizational culture that has become reactive and defensive.

IMPLEMENTATION

---------- Chapter 11:2.6.3

Partially Implemented. In April 1994, the Department implemented a new reorganization plan, which restructured the field offices along single-family and multifamily lines of business, and made the field office staff directly accountable to the program office assistant secretaries. The reorganization also eliminated many traditional regional review and management oversight functions, and it shifted most field authority to state and area offices (action items 1 and 2). HUD has also consolidated its operations into 17 program areas and is working to meet the NPR employment reduction goals through attrition rather than layoffs (action item 5).

In reorganizing the Federal Housing Administration (FHA), HUD will consolidate centers for processing insurance applications. In addition, the Assistant Secretary for Housing is conducting a study of the future of FHA. He has held four of eight public forums to explore how best to reorganize FHA to remove bureaucratic barriers and transform it into a more entrepreneurial, mission-driven institution (action item 3). HUD is continuing to delegate specific grant award decisionmaking to the states and localities (action item 4).

RELATED GAO PRODUCTS

---------- Chapter 11:2.6.4

Housing and Urban Development: Management and Budget Issues in HUD's Fiscal Year 1995 Appropriation (GAO/T-RCED-94-206, May 12, 1994).

HUD Reforms: Progress Made Since the HUD Scandals but Much Work Remains (GAO/RCED-92-46, Jan. 31, 1992).

HUD Reforms: Limited Progress Made Since the HUD Scandals (GAO/T-RCED-91-62, June 12, 1991).

Increasing the Department of Housing and Urban Development's Effectiveness Through Improved Management (GAO/RCED-84-9, Jan. 10, 1984).

HUD07: REFINANCE SECTION 235 MORTGAGES

---------- Chapter 11:2.7

HUD should use incentive contracts to speed savings from refinancing expensive old mortgages subsidized by HUD.

ACTION ITEMS
---------- Chapter 11:2.7.1

1. HUD should be given flexibility to induce profitable refinancing of section 235 program loans by paying whatever contract costs and incentive payments to section 235 borrowers may be cost-effective.

2. HUD should issue one or more incentive contracts to private companies.

GAO COMMENTS
---------- Chapter 11:2.7.2

Generally Agree. We support efforts to reduce any unnecessary interest rate subsidies being paid under this program. It is not clear at this time whether the incentive contracts referred to in this recommendation are the best way to accomplish this.

IMPLEMENTATION
---------- Chapter 11:2.7.3

Partially Implemented. Arising out of the NPR's recommendations, the Government Reform and Savings Act of 1993 (H.R. 3400) was introduced in the House on October 28, 1993. Section 6002 of this bill would give HUD authority to provide incentives to mortgagors to refinance mortgages insured under section 235 of the National Housing Act and would make funds available for closing costs and other costs incurred in connection with such refinancings. This bill was passed by the House on November 23, 1993. Since then, section 6002 was introduced in the Senate as section 1019 of the Government Downsizing, Performance, and Accountability Act of 1994 (S. 1843), which was added as an amendment to the Community Development Banking and Financial Institutions Act of 1993 (S. 1275). It became Public Law 103-325 on September 23, 1994 (action item 1). HUD is also seeking funds to issue incentive contracts to private companies (action item 2).

RELATED GAO PRODUCTS
---------- Chapter 11:2.7.4

None.

HUD08: REDUCE SECTION 8
CONTRACT RENT PAYMENTS
---------- Chapter 11:2.8

HUD should modify its process to reduce unjustified increases in annual payments to Section 8 projects.

ACTION ITEMS
---------- Chapter 11:2.8.1

1. HUD should be given legislative authority to discontinue its use of comparability studies to determine annual contract payments.

2. HUD should be given legislative authority to base its annual contract rental rate increases on actual increases in costs to the owners, not on the more broadly based housing costs index and comparability methods.

3. HUD should be given legislative authority to require owners to document and justify all operating costs, so that requested increases to cover certain costs, e.g., taxes and fuel, can be offset, if appropriate, against known reductions in other costs, such as debt service or maintenance.

GAO COMMENTS
---------- Chapter 11:2.8.2

Generally Agree. We support eliminating unjustified increases in annual payments to Section 8 projects. However, we have no information on how pervasive this problem is. The difficulty will be in determining just what "unjustified" rental increases are.

IMPLEMENTATION
---------- Chapter 11:2.8.3

Not Implemented--Action Taken. In April 1994, HUD issued regulations that somewhat modify its process for computing annual adjustments to rents for Section 8 projects. This modification, while intended to better reflect rental costs, does not follow the changes prescribed by the NPR because the regulations are formula-based. No legislation has been enacted that would address the NPR action items on discontinuing the use of comparability studies (action item 1), basing rental rate increases on actual increases in costs to owners (action item 2), and requiring owners to document and justify all operating costs (action item 3). Legislation (H.R. 3838, entitled the Housing and Community Development Act of 1994, and H.R. 4310 and S. 2281, both entitled the Housing Choice and Community Investment Act of 1994) has been introduced that, if enacted, would limit adjustments in Section 8 contract rents.

RELATED GAO PRODUCTS
---------- Chapter 11:2.8.4

None.

HUD09: CONSOLIDATE SECTION
8 CERTIFICATES AND VOUCHERS
---------- Chapter 11:2.9

This recommendation would consolidate two overlapping projects to eliminate duplication.

ACTION ITEM

---------- Chapter 11:2.9.1

The voucher and certificate programs should be combined into one program with one set of rules.

GAO COMMENTS

---------- Chapter 11:2.9.2

Agree. We support the concept of merging these two similar rental housing subsidy programs that have similar income eligibility criteria, somewhat similar subsidy mechanisms, and similar reliance on privately owned housing.

IMPLEMENTATION

---------- Chapter 11:2.9.3

Not Implemented--Action Taken. In February 1993, HUD proposed rules that would provide for a common set of requirements for the two programs except when program requirements differed by statute. According to a HUD official, HUD published final rules on combined admissions procedures on July 18, 1994, and expects to issue the remaining rules in final form in early 1995. In addition, various bills were introduced to merge the certificate and voucher programs (S. 2281 and H.R. 4310, both entitled the Housing Choice and Community Investment Act of 1994, and H.R. 3838, entitled the Housing and Community Development Act of 1994). However, none of these bills was enacted.

RELATED GAO PRODUCTS

---------- Chapter 11:2.9.4

Section 8 Rental Housing: Merging Assistance Programs Has Benefits but Raises Implementation Issues (GAO/RCED-94-85, May 27, 1994).

Housing Issues: The Housing and Community Development Act of 1994 (GAO/T-RCED-94-198, Mar. 10, 1994).

Rental Housing: Housing Vouchers Cost More Than Certificates but Offer Added Benefits (GAO/RCED-89-20, Feb. 16, 1989).

HUD10: REDUCE OPERATING SUBSIDIES FOR VACANCIES

---------- Chapter 11:2.10

This recommendation would encourage public housing agencies to make better use of their assets by reducing subsidies paid for unjustifiably vacant units.

ACTION ITEMS
---------- Chapter 11:2.10.1

1. HUD should establish an Agency goal of achieving an average 97-percent occupancy rate in units owned and managed by public and Indian housing authorities, by the end of fiscal year 1999.

2. HUD should reduce annual operating subsidies to PHAs and Indian Housing Authorities (IHA) with consistently high vacancy rates possibly by reducing the per-unit subsidy for vacant units to 50 percent of the subsidy level for occupied units.

3. HUD should enter into contractual agreements with those PHAs receiving reduced subsidies, which should include proposed PHA action plans to reduce vacancy rates and measurable performance goals and milestones.

4. HUD should restructure its performance funding system formula to provide for increasing levels of operating subsidies tied to the achievement of occupancy level targets.

GAO COMMENTS
---------- Chapter 11:2.10.2

Generally Agree. We support the thrust of this recommendation. In fact, HUD currently allocates operating subsidies to public housing authorities on a formula basis and has a policy of reducing subsidies for public housing authorities with "excess" vacancies. However, we have no information on the extent to which this policy is encouraging public housing authorities to make better use of their assets.

IMPLEMENTATION
---------- Chapter 11:2.10.3

Partially Implemented. The NPR recommended a series of action items to encourage public housing authorities to reduce their vacancies through financial incentives and performance measures. The Housing and Community Development Act of 1992, which predates these recommendations, gave HUD authority and funding for the Vacancy Reduction Program. Under the regulations that define this program, some of the recommended action items have been or are being accomplished. For instance, HUD has established an agency goal of achieving an average 97-percent occupancy rate in units owned and managed by housing authorities by the end of fiscal year 1999 (action item 1). In addition, each housing authority participating in the Vacancy Reduction Program must develop a vacancy reduction plan. However, HUD's Vacancy Reduction Program does not provide for, and HUD has not addressed, other steps recommended by the NPR that would penalize housing authorities with consistently high vacancy rates by reducing their annual operating subsidies by lowering the per-unit subsidy for vacant units to as little as 50 percent of the subsidy for occupied units (action item 2) or reward housing authorities that achieve target-level occupancy rates by increasing their operating

subsidy levels (action item 4). A basis for taking these steps might be developed after the completion of an ongoing study requested by Congress and funded by HUD. HUD is implementing action item 3 with PHAs that have consistently high vacancy rates rather than with PHAs that receive reduced subsidies because the action to reduce subsidies has not yet been taken.

RELATED GAO PRODUCTS

---------- Chapter 11:2.10.4

Public Housing: Management Issues Pertaining to the Buffalo Municipal Housing Authority (GAO/RCED-91-70, Mar. 1, 1991).

INTELLIGENCE COMMUNITY (INTEL)

========== Chapter 12

OVERALL SUMMARY

---------- Chapter 12:1

The Director of Central Intelligence (DCI) is responsible for implementing the NPR recommendations directed to the intelligence community and providing substantive information on the implementation status of those recommendations. In a letter dated May 25, 1994, we formally notified the DCI that House and Senate Committees had requested information on the implementation of the NPR recommendations. We asked to meet with DCI staff to (1) be briefed on the current status of implementation of the recommendations and (2) examine the underlying documentation supporting the DCI's assessment of implementation progress. Since early June, we have contacted DCI congressional liaison staff each week in an attempt to determine the status of our request. When it became apparent that DCI staff were not being responsive to our request, we sought the assistance of NPR staff who were responsible for tracking the intelligence community recommendations. NPR staff contacted the DCI staff on our behalf.

However, despite our efforts and the efforts of NPR staff, the DCI has not responded, either formally or informally, to our request for information about the intelligence community recommendations. Therefore, we are unable to comment on the extent to which most of the recommendations have been implemented. One recommendation--to merge the President's Intelligence Oversight Board and the President's Foreign Intelligence Advisory Board--was implemented by Executive Order 12863.

GAO CONTACT

---------- Chapter 12:1.1

Richard Davis, Director, National Security Analysis Issues, National Security and International Affairs Division, (202) 512-3504.

RECOMMENDATION INFORMATION

---------- Chapter 12:2

INTEL01: ENHANCE INTELLIGENCE COMMUNITY INTEGRATION

---------- Chapter 12:2.1

The end of the Cold War and the constrained fiscal environment in the United States create an imperative for the 13 components of the Intelligence Community to act more effectively and more efficiently as a team.

ACTION ITEMS

---------- Chapter 12:2.1.1

1. The Director of Central Intelligence (DCI) and the Deputy Secretary of Defense should hold a visioning conference to determine the Intelligence Community's (IC) mission in the post-Cold War world.

2. The DCI and the Deputy Secretary of Defense should strengthen the IC Executive Committee by holding periodic principals-only meetings to address fundamental policy issues and strategic direction.

3. The DCI should review the contribution of Intelligence Centers to the goal of better Community integration and execution processes.

4. The DCI should direct the development of a public affairs strategy that includes educating the public on the intelligence profession.

GAO COMMENTS

---------- Chapter 12:2.1.2

Insufficient Information. While we are not in a position to comment on this recommendation, we have begun a review of DOD's reorganization of military intelligence which will assess DOD's progress in having the several defense intelligence agencies work more closely together.

IMPLEMENTATION

---------- Chapter 12:2.1.3

Insufficient Information. As noted in the overall summary, the Director of Central Intelligence has not responded to our requests for information regarding the status of this recommendation. Therefore, we cannot independently determine whether any progress has been made toward its implementation.

RELATED GAO PRODUCTS

---------- Chapter 12:2.1.4

None.

INTEL02: ENHANCE COMMUNITY RESPONSIVENESS TO CUSTOMERS

---------- Chapter 12:2.2

A 40-year emphasis on the Soviet Union allowed the Intelligence Community to develop a repertoire which was not dependent on a close relationship with its customers. That is no longer the case today, and NPR makes recommendations for improvements in this area.

ACTION ITEMS

---------- Chapter 12:2.2.1

1. The DCI should appoint a customer advocate, or ombudsman.

2. The DCI should establish a process that continuously tracks the needs of the IC customer.

3. The Community Management Staff should explore the feasibility of IC integrated service teams for larger customers with growing intelligence needs and provide the teams with electronic connectivity to IC producers and their databases.

4. The Community Public Affairs Office should jointly develop programs to inform the general public about the value of the services provided by the IC.

5. The DCI should establish an integrated Community congressional liaison office. The newly established office should develop a Community-wide congressional strategy by January 1994.

6. The new Intelligence Community Intelligence Systems Board should create a multimedia information handling architecture for the IC and its customers.

7. The National Intelligence Producers Board should establish, by the end of fiscal year 1994, a single, unified, tailored IC series of products for high-level customers of national intelligence.

8. Production managers should encourage the use of the lowest practical level of classification for IC products.

GAO COMMENTS

---------- Chapter 12:2.2.2

Generally Agree. While we have not done work specific to the subject of this recommendation, the overall body of work we have done lends credence to the problem NPR described.

IMPLEMENTATION

---------- Chapter 12:2.2.3

Insufficient Information. As noted in the overall summary, the

Director of Central Intelligence has not responded to our requests for information regarding the status of this recommendation. Therefore, we cannot independently determine whether any progress has been made toward its implementation.

RELATED GAO PRODUCTS

---------- Chapter 12:2.2.4

None.

INTEL03: REASSESS INFORMATION COLLECTION TO MEET NEW ANALYTICAL CHALLENGES

---------- Chapter 12:2.3

The analytical issues the Intelligence Community faces are far more diverse and complex today, requiring new focus and new techniques to meet the intelligence needs of policymakers.

ACTION ITEMS

---------- Chapter 12:2.3.1

1. The Foreign Broadcast Information Service and the Open Source Coordination Office should reexamine the mission of the Foreign Broadcast Information Service.

2. The human intelligence program manager, in coordination with the National Intelligence Collection Board, should diversify human intelligence collection to cover new issues and areas where technical collection is becoming less productive.

3. The new Intelligence Community Systems Board should create a multimedia information handling architecture for the IC to facilitate real-time communications between analysts and collectors here and abroad in the interest of pinpointing collection gaps and weaknesses.

4. The IC Executive Committee should act on recommendations of ongoing reviews of classification policies and source identification.

5. The National Intelligence Council should take the lead to integrate political, economic, and military analysis. Cross-fertilization should be increased by bringing IC analysts together to work on a particular issue more frequently, as is done on National Intelligence Estimates.

6. The National Intelligence Council should strengthen its role in conceptualizing analytic issues facing the Community, encouraging the development of alternative analyses, and improving the perception of it as a Community body rather than CIA.

GAO COMMENTS

---------- Chapter 12:2.3.2

Agree. We have performed both classified and unclassified reviews of specific intelligence systems and portions of the intelligence force structure. Our work has shown that DOD has made mixed progress in adjusting its information collection systems, and opportunities exist for further adjustments.

IMPLEMENTATION
---------- Chapter 12:2.3.3

Insufficient Information. As noted in the overall summary, the Director of Central Intelligence has not responded to our requests for information regarding the status of this recommendation. Therefore, we cannot independently determine whether any progress has been made toward its implementation.

RELATED GAO PRODUCTS
---------- Chapter 12:2.3.4

We have produced several classified reports that address the issues raised by this recommendation.

INTEL04: INTEGRATE
INTELLIGENCE COMMUNITY
INFORMATION MANAGEMENT
SYSTEMS
---------- Chapter 12:2.4

The Intelligence Community lacks the connectivity and interoperability in its information systems to do its job efficiently and effectively.

ACTION ITEMS
---------- Chapter 12:2.4.1

1. The Director of Central Intelligence and the Secretary of Defense should replace the Department of Defense's Intelligence Systems Council with an IC organization chaired by the Executive Director for Intelligence Community Affairs and the Deputy Assistant Secretary of Defense.

2. The new Community Intelligence Systems Board (ISB) should impose an immediate moratorium on all new Community information management initiatives or upgrades to current systems until a transition plan is developed and basic standards agreed upon. Waivers may be granted by the DCI/Deputy Secretary of Defense based on valid justification.

3. The new Community ISB should establish a Dissemination Working Group to act as the focal point for the receipt, review, and validation of all Intelligence Community dissemination needs.

4. The new Community ISB should establish a way to identify, track, and evaluate management information within the National Foreign

Intelligence Program and Tactical Intelligence and Related Activities budget framework, so that appropriate Community and congressional oversight of these costs is easy to accomplish.

5. The new Community ISB also should continue significant emphasis on the development of multilevel security.

GAO COMMENTS
---------- Chapter 12:2.4.2

Generally Agree. While we have not done work specific to the subject of this recommendation, the overall body of work we have done lends credence to the described deficiencies.

IMPLEMENTATION
---------- Chapter 12:2.4.3

Insufficient Information. As noted in the overall summary, the Director of Central Intelligence has not responded to our requests for information regarding the status of this recommendation. Therefore, we cannot independently determine whether any progress has been made toward its implementation.

RELATED GAO PRODUCTS
---------- Chapter 12:2.4.4

None.

INTEL05: DEVELOP INTEGRATED PERSONNEL AND TRAINING SYSTEMS
---------- Chapter 12:2.5

This recommendation focuses on organizational development and training issues within the Intelligence Community.

ACTION ITEMS
---------- Chapter 12:2.5.1

1. The personnel directors of the Intelligence Community should review the personnel framework for all members of the Intelligence Community to facilitate establishment of a common set of personnel standards and practices.

2. The Community should adopt one set of security policies and standards.

3. The Community Foreign Language Committee should set Community-wide language proficiency standards, recognizing that individual agencies will continue to have unique operational requirements that mandate specialized training and testing.

4. The Community Personnel Coordinating Committee should establish a vigorous program of interagency rotational assignments beginning at the GS/GM-13 level.

5. The Training Directors Consortium, which is being reestablished, should consolidate training infrastructures and share training programs, facilities, techniques, and equipment.

6. The Community Personnel Coordinating Committee should construct a skills bank that contains information on the job every person is currently doing and what his/her skills are. A second phase might incorporate information on customers, enabling the Community to measure its performance against specific customer requirements.

GAO COMMENTS

---------- Chapter 12:2.5.2

Insufficient Information. A report we issued in July 1994 concluded that a significant number of linguists continue to graduate from the service-operated language school without having achieved the desired level of language proficiency. However, other than this study we have no basis to comment on this recommendation.

IMPLEMENTATION

---------- Chapter 12:2.5.3

Insufficient Information. As noted in the overall summary, the Director of Central Intelligence has not responded to our requests for information regarding the status of this recommendation. Therefore, we cannot independently determine whether any progress has been made toward its implementation.

RELATED GAO PRODUCTS

---------- Chapter 12:2.5.4

DOD Training: Many DOD Linguists Do Not Meet Minimum Proficiency Standards (GAO/NSIAD-94-191, July 12, 1994).

INTEL06: MERGE THE PRESIDENT'S INTELLIGENCE OVERSIGHT BOARD WITH THE PRESIDENT'S FOREIGN INTELLIGENCE ADVISORY BOARD

---------- Chapter 12:2.6

The roles of these two oversight bodies are sufficiently similar that small savings and some efficiencies can be achieved by combining them.

ACTION ITEM

---------- Chapter 12:2.6.1

The President should issue an Executive Order to terminate the President's Intelligence Oversight Board and assign its functions to a standing subcommittee of the President's Foreign Intelligence Advisory Board.

GAO COMMENTS
---------- Chapter 12:2.6.2

Insufficient Information. These two boards are part of the internal operations of the White House. We have not reviewed their activities and therefore cannot comment on the merits of this recommendation.

IMPLEMENTATION
---------- Chapter 12:2.6.3

Fully Implemented. On September 13, 1993, the President issued Executive Order 12863, which merged the President's Intelligence Oversight Board and the President's Foreign Intelligence Advisory Board into a newly established President's Foreign Intelligence Advisory Board.

RELATED GAO PRODUCTS
---------- Chapter 12:2.6.4

None.

INTEL07: IMPROVE SUPPORT TO GROUND TROOPS DURING COMBAT OPERATIONS
---------- Chapter 12:2.7

Numerous studies of intelligence support during the Gulf War focused on agency-or service-specific support issues. This issue outlines a reinvention lab effort that proposes an integrated approach to studying support to ground forces during combat operations.

ACTION ITEMS
---------- Chapter 12:2.7.1

1. The Secretary of Defense, the Chairman of the Joint Chiefs of Staff, and the Director of Central Intelligence should establish a reinvention lab to address these issues.

2. The Secretary of Defense and the DCI should appoint a small group of neutral monitors to coach the process.

3. The reinvention lab will report its findings to the Secretary of Defense, the Chairman of the Joint Chiefs of Staff, and the Director of Central Intelligence in September 1994.

GAO COMMENTS

---------- Chapter 12:2.7.2

Generally Agree. On the basis of several GAO reports on specific intelligence programs that improve support to ground troops during combat operations, and DOD's lessons learned from Operation Desert Storm, we agree with NPR's goal of improving intelligence support to combat operations. However, we have no knowledge of the particular "reinvention lab effort" proposed by NPR.

IMPLEMENTATION
---------- Chapter 12:2.7.3

Insufficient Information. As noted in the overall summary, the Director of Central Intelligence has not responded to our requests for information regarding the status of this recommendation. Therefore, we cannot independently determine whether any progress has been made toward its implementation.

RELATED GAO PRODUCTS
---------- Chapter 12:2.7.4

Army Force Structure: The Relocation of the 513th Military Intelligence Brigade (GAO/NSIAD-94-15, Oct. 7, 1993).

Intelligence Programs: New RC-135 Engines Can Reduce Cost and Improve Performance (GAO/NSIAD-92-305, Aug. 25, 1992).

Defense Management: Stronger Oversight of Joint Service Imagery Processing System Needed (GAO/NSIAD-91-164, July 26, 1991).

Tactical Intelligence: Army's Mohawk Surveillance Radar Program Restructure (GAO/NSIAD-90-156, May 11, 1990).

DEPARTMENT OF THE INTERIOR (DOI)
========== Chapter 13

OVERALL SUMMARY
---------- Chapter 13:1

Although none of the 14 NPR recommendations for which DOI is primarily responsible has been fully implemented, action has been taken toward implementing all of them. Five recommendations have been partially implemented--to establish a national spatial data infrastructure (DOI03), to rationalize federal land ownership (DOI06), to improve land acquisition policies (DOI07), to establish a system of personnel exchanges (DOI09),and to create a new mission for the Bureau of Reclamation (DOI12). Congressional action is required to implement all or part of other recommendations, including those to establish a hardrock mine reclamation fund (DOI01), to redefine federal oversight of coal mine regulation (DOI02), to promote entrepreneurial management of the National Park Service (DOI04), to obtain a fair return for federal resources (DOI05), to improve the Minerals Management Service's royalty collections (DOI08), and to

improve the federal helium program (DOI13). Remaining recommendations or action items that agency heads can implement themselves have simply taken more than a year to put into effect.

As implementation proceeds, it is becoming increasingly clear that many of the recommendations for which DOI is primarily responsible are interrelated and interdependent and are merely components of a much larger issue--how best to fulfill the federal government's stewardship responsibilities, including sustaining multiple uses of federal lands and protecting the environment. For example, 18 federal agencies--including 9 within DOI, 3 within the Department of Agriculture, and the Environmental Protection Agency--have identified activities related to a new, broader approach to managing the nation's lands and natural resources called "ecosystem management," and the administration's fiscal year 1995 budget proposes to implement the NPR's recommendation to develop cross-agency ecosystem planning and management (see ENV02). However, implementing ecosystem management will require collecting and linking large volumes of scientific and socioeconomic data (DOI03) and managing along ecological rather than political or administrative boundaries (DOI06). Implementing this approach could also affect such issues as land acquisition policies (DOI07), personnel exchanges (DOI09), and the priority given to cleaning up abandoned hardrock mining sites (DOI01). Therefore, it will become increasingly important for these agencies to have a shared vision of the future, good systems to collect and use data for gauging operational success and accountability, and staff with the skills needed to accomplish the federal government's stewardship mission.

GAO CONTACT

---------- Chapter 13:1.1

James Duffus III, Director, Natural Resources Management Issues, Resources, Community, and Economic Development Division, (202) 512-7756.

RECOMMENDATION INFORMATION

---------- Chapter 13:2

DOI01: ESTABLISH A HARDROCK MINE RECLAMATION FUND TO RESTORE THE ENVIRONMENT

---------- Chapter 13:2.1

To address health and safety threats and environmental damage caused by toxic metal and chemical leaching from abandoned mines, the federal government should establish a hardrock mine reclamation fund.

ACTION ITEMS

---------- Chapter 13:2.1.1

1. Legislation should be enacted to establish a new hardrock mine reclamation fund, with restrictions placed on the purposes for which

the fund can be spent, emphasizing its use for cleanup and research, prohibiting use for unrelated purposes, and limiting the administrative expenses of the program.

2. DOI should establish a nationwide priority system for cleanup of abandoned hardrock mines based on the risks involved and identified through an inventory of mine sites.

3. In the course of formulating the administration's position on hardrock mine reclamation, DOI should carefully review the strengths and weaknesses of the existing coal abandoned mine land (AML) program.

4. Using the Department of Agriculture's Forest Service and DOI's Bureau of Mines cooperative research project as a model, DOI should take the lead in developing an interagency program of research and development and implementation of mine cleanup on federal lands, beginning with a thorough inventory of mining sites.

GAO COMMENTS

---------- Chapter 13:2.1.2

Generally Agree. We endorse the concept of ensuring that threats to health and safety and environmental damage resulting from hardrock mining are remedied. However, we have not addressed the issue of establishing a federal program and a funding source to ensure that past hardrock mining problems on federal, state, and private lands are remedied.

IMPLEMENTATION

---------- Chapter 13:2.1.3

Not Implemented--Action Taken. DOI staff communicated their views on mining law reform and on various implementation issues to congressional staff (action item 1); these views were based, in part, on the DOI staffs' knowledge of and experiences with the existing AML program (action item 3). Two bills--H.R. 322 and S. 775--were introduced to amend the Mining Law of 1872 by, among other things, establishing an abandoned mine fund. Under H.R. 322, all receipts from royalties and holding fees would have gone into the fund; under S. 775, one-third of these receipts would have gone into the fund. However, the mining law was not amended because a conference committee was unable to resolve differences between the two bills. Efforts to amend the act during the 103rd Congress were abandoned on September 29, 1994.

The Bureau of Land Management (BLM) has also assembled an interagency task force within DOI to develop a departmentwide inventory of mine sites (action item 4) and a priority system for cleaning up abandoned mine sites (action item 2).

RELATED GAO PRODUCTS

---------- Chapter 13:2.1.4

Mineral Resources: Hardrock Mining Reclamation (GAO/T-RCED-93-67, Aug. 5, 1993).

Importance of Financial Guarantees for Ensuring Reclamation of Federal Lands (GAO/T-RCED-89-13, Mar. 7, 1989).

Federal Land Management: An Assessment of Hardrock Mining Damage (GAO/RCED-88-123BR, Apr. 19, 1988).

Public Lands: Interior Should Ensure Against Abuses From Hardrock Mining (GAO/RCED-86-48, Mar. 27, 1986).

DOI02: REDEFINE FEDERAL OVERSIGHT OF COAL MINE REGULATION

---------- Chapter 13:2.2

To overcome organizational problems that inhibit an effective state-federal relationship, federal oversight of coal mine regulations should be redefined.

ACTION ITEMS

---------- Chapter 13:2.2.1

1. DOI's Office of Surface Mining Reclamation and Enforcement (OSM), in consultation with state mining regulators, should develop national standards of excellence for regulatory and AML programs, establishing goals, performance measures, and a process for evaluation of effective performance.

2. Once this project is completed, DOI should propose legislation to revise the distribution formula for AML grants based on program goals and state performance.

3. By January 1995, OSM should review its organizational structure based on the review of its oversight role and submit a plan to close or downsize offices with declining workloads, eliminate unnecessary management levels, and adjust its field and Washington staffing ratio.

4. The Secretary of the Interior should persuade the state of Tennessee to submit its proposed regulatory programs to DOI, as a first step toward assuming primacy.

5. Future appropriation bills should remove language requiring "per state limits" on AML emergency funds. States should be required to assume responsibility for administering their AML emergency programs.

6. The Surface Mining Control and Reclamation Act should be amended so that the Rural Abandoned Mine Program is administered by the states.

7. Grant funding for reclamation should be in the form of consolidated grants, building on the existing simplified grant program, with states given the responsibility for establishing

reclamation priorities.

GAO COMMENTS
---------- Chapter 13:2.2.2

Agree. We endorse a reevaluation of the regulatory structure and the state-federal relationship. Because this area has largely been managed by the states with policy direction by the federal government, achieving a balanced approach that satisfies the divergent interests has been difficult.

IMPLEMENTATION
---------- Chapter 13:2.2.3

Not Implemented--Action Taken. OSM has established a task force to develop national standards of excellence for the AML program (action item 1) and is reviewing the need for legislation to revise the program (action item 2). OSM is deciding how to close or downsize offices with declining workloads, as recommended by the NPR (action item 3). OSM is also working with Tennessee to have the state take over its regulatory program (action item 4). OSM has sought to remove "per state limits" on AML emergency funds in its budget and appropriations bills (action item 5), has attempted to reduce its budget for the rural abandoned mine program to phase out federal funding (action item 6), and has simplified its AML grant process (action item 7).

RELATED GAO PRODUCTS
---------- Chapter 13:2.2.4

Abandoned Mine Reclamation: Interior May Have Approved State Shifts to Noncoal Projects Prematurely (GAO/RCED-91-162, June 7, 1991).

Surface Mining: Office of Surface Mining Response to Management Review Recommendations (GAO/RCED-89-82FS, Feb. 22, 1989).

Surface Mining: States Not Assessing and Collecting Monetary Penalties (GAO/RCED-87-129, June 5, 1987).

Surface Mining: Interior Department and States Could Improve Inspection Programs (GAO/RCED-87-40, Dec. 29, 1986).

DOI03: ESTABLISH A NATIONAL
SPATIAL DATA INFRASTRUCTURE
---------- Chapter 13:2.3

By supporting a cross-agency coordinating effort, the federal government can develop a coherent vision for the national spatial data infrastructure (NSDI). (Spatial or geographic data refer to information that can be placed on a map.) This will allow greatly improved information analysis in a wide range of areas, including the analysis of environmental information and the monitoring of endangered animals and sensitive land areas.

ACTION ITEMS
---------- Chapter 13:2.3.1

1. The leadership role of the Federal Geographic Data Committee (FGDC) should be strengthened beyond its original charter of OMB Circular A-16. Federal agencies should be instructed to participate fully in FGDC activities by providing adequate staff support and high-level committee representation.

2. The federal government should establish, through FGDC, a program by June 1994 to form partnerships with state and local governments and the private sector with the goal of having a 50-percent or higher nonfederal cost share for new or enhanced activities.

3. FGDC should submit a schedule and funding plan to OMB by September 1994 for completing the collection and production of national core geospatial data by January 2000.

4. FGDC should identify thematic data sets of critical national importance and establish priorities, standards, and a funding plan by September 1994, based on partnerships for collection of these data.

5. By June 1994, FGDC should create a geospatial data clearinghouse, which will use existing computer networks, to provide public access to spatial data.

GAO COMMENTS
---------- Chapter 13:2.3.2

Agree. We have reported that the use of geographic information systems by federal agencies is growing. However, (1) many agencies have neither official mechanisms nor programs in place to coordinate their projects or to cooperate with other federal, state, or local agencies and (2) most agencies have not developed written policies for using these systems or instructions for disposing of spatial data. Therefore, we support the development of a coherent vision for the NSDI.

We have also found that developing cross-agency ecosystem planning and management, as recommended by the NPR (see ENV02), will require collecting and linking large volumes of scientific data. In addition, large volumes of socioeconomic data must be collected, organized, and analyzed (1) to identify important relationships between human activities and ecological conditions and trends and (2) to make necessary or desired trade-offs among ecological and socioeconomic values and concerns. However, available data are often not comparable, and large gaps in information exist. Furthermore, there is still much uncertainty about how ecosystems function--uncertainty that contributes to strong differences in the interpretation of scientific evidence.

IMPLEMENTATION
---------- Chapter 13:2.3.3

Partially Implemented. Although target dates for implementing several of the action items under this recommendation have slipped by 3 to 6 months, FGDC has made significant progress in implementation. Specifically, FGDC has implemented the action item to strengthen its leadership role. FGDC has developed strategies for state, local, private, and academic partnerships and has collected and made available framework (core) and thematic data. (Framework data refer to information that nearly all users of spatial data require to accurately locate features on the earth's surface, including transportation and water networks, terrain (elevation), and administrative and sociopolitical boundaries, such as county lines. Thematic data are traditionally not used to develop other data sets, such as framework data, but are critical to answering questions of national significance. Thematic data include information about wetlands, soils, geology, land cover, endangered and threatened species, and socioeconomic elements.)

Executive Order 12906 (Coordinating Geographic Data Acquisition and Access: The National Spatial Data Infrastructure, Apr. 11, 1994) provided more specific guidance to federal agencies on the NSDI and changed certain actions and dates. FGDC is now chaired by the Secretary of the Interior, and most agencies have elevated their representation to the policy level (action item 1). Activities are under way to develop strategies for partnerships with state and local governments, the private sector, and academia. These strategies include a Competitive Cooperative Agreements Program to provide incentives to nonfederal parties to document and make available existing data (action item 2).

By January 1995, FGDC is to submit a plan to OMB for collecting and maintaining framework (core) data (action item 3). Furthermore, under OMB Circular A-16, various agencies have been assigned responsibilities for developing standards for different themes of data (action item 4). Finally, a prototype of a geospatial data clearinghouse has been established by about a dozen federal agencies. After January 1995, all federal agencies have been instructed to begin documenting all new data collected and to ensure that they are consistent with a geospatial metadata standard developed and approved by FGDC. Metadata are "data about data" that describe the content, quality, condition, and other characteristics of data. By April 1995, federal agencies are to (1) use the clearinghouse to find data before investing in any new data collection efforts and (2) develop a plan for making their geospatial data available to the public (action item 5).

RELATED GAO PRODUCTS

---------- Chapter 13:2.3.4

Ecosystem Management: Additional Actions Needed to Adequately Test a Promising Approach (GAO/T-RCED-94-308, Sept. 20, 1994).

Ecosystem Management: Additional Actions Needed to Adequately Test a Promising Approach (GAO/RCED-94-111, Aug. 16, 1994).

Geographic Information Systems: Information on Federal Use and

Coordination (GAO/IMTEC-91-72FS, Sept. 27, 1991).

DOI04: PROMOTE ENTREPRENEURIAL MANAGEMENT OF THE NATIONAL PARK SERVICE

---------- Chapter 13:2.4

The National Park Service (NPS) should be allowed to raise additional revenues from appropriate sources and to use a portion of the money for investment in park infrastructure. This proposal would increase selected park entry fees and would increase fees on park concessioners.

ACTION ITEMS

---------- Chapter 13:2.4.1

1. The Secretary of the Interior should submit legislation giving NPS the authority to set fees at all parks subject only to broad policy oversight.

2. NPS should explore barrier-free admissions based on automated entry equipment and off-site vending of tickets and permits.

3. NPS should accelerate its concession reform and renewal program.

4. Legislation should be enacted to enhance the legal and financial flexibility of NPS fund-raising.

5. NPS should continue its reform efforts to meet emerging, long-term needs of the national parks with a holistic, new vision.

GAO COMMENTS

---------- Chapter 13:2.4.2

Agree. We endorse the concept of park units' raising additional revenues that could be used to invest in park infrastructure. Over the past several years, we have identified an almost $2 billion cumulative shortfall in funds for park maintenance, as well as opportunities to (1) increase the fees that concessioners pay the government and (2) improve the pricing of user fees at recreational sites. However, the need to eliminate the backlog in deferred maintenance, as well as opportunities to obtain a better return for the sale or use of natural resources on federal lands, apply to all federal land-managing agencies. Therefore, this recommendation should not be limited to the National Park Service.

IMPLEMENTATION

---------- Chapter 13:2.4.3

Not Implemented--Action Taken. Action is proceeding at several levels. First, legislation to increase entrance fees and to give the Secretary of the Interior more discretion to set entrance, recreation, and special-use fees was introduced in both the House

(H.R. 4533) and the Senate (S. 2121). A subcommittee of the House Committee on Natural Resources approved an amended bill on July 21, 1994. The Senate Committee on Energy and Natural Resources approved an amended bill on September 21, 1994. However, neither of these bills was passed before the 103rd Congress adjourned (action items 1 and 4).

Second, on July 28, 1994, the House amended and approved S. 208, which the Senate had approved on March 22, 1994, to reform the Park Service's concessions policy. Neither piece of legislation was passed before the 103rd Congress adjourned (action item 3).

Third, a barrier-free admissions system was introduced this summer at the Carlsbad Caverns National Park in New Mexico, and other systems will be tested over the next year at three national parks--Mount Rainier in Washington; Yellowstone in Wyoming, Montana, and Idaho; and Olympic in Washington (action item 2).

Finally, although Congress has not continued to fund the office established to oversee and coordinate the Park Service's implementation of the Vail Agenda--a blueprint, or planning model, adopted by the Park Service in 1991 to guide its management strategies into the 21st century--the Park Service continues to study initiatives that it should pursue to meet the long-term needs of the parks. On September 8, 1994, it published a comprehensive Customer Service Plan (action item 5).

RELATED GAO PRODUCTS

---------- Chapter 13:2.4.4

Forest Service Management: Issues to Be Considered in Developing a New Stewardship Strategy (GAO/T-RCED-94-116, Feb. 1, 1994).

Federal Lands: Improvements Needed in Managing Short-Term Concessioners (GAO/RCED-93-177, Sept. 14, 1993).

Federal Land: Little Progress Made in Improving Oversight of Concessioners (GAO/T-RCED-93-42, May 27, 1993).

Forest Service: Little Assurance That Fair Market Value Fees Are Collected From Ski Areas (GAO/RCED-93-107, Apr. 16, 1993).

Natural Resources Management Issues (GAO/OCG-93-17TR, Dec. 1992).

National Parks: Issues Involved in the Sale of the Yosemite National Park Concessioner (GAO/RCED-92-232, Sept. 10, 1992).

Federal Lands: Improvements Needed in Managing Concessioners (GAO/RCED-91-163, June 11, 1991).

Forest Service: Difficult Choices Face the Future of the Recreation Program (GAO/RCED-91-115, Apr. 15, 1991).

Recreation Concessioners Operating on Federal Lands (GAO/T-RCED-91-16, Mar. 21, 1991).

Parks and Recreation: Park Service Managers Report Shortfalls in Maintenance Funding (GAO/RCED-88-91BR, Mar. 21, 1988).

DOI05: OBTAIN A FAIR RETURN FOR FEDERAL RESOURCES

---------- Chapter 13:2.5

The federal government should institute reforms to guarantee a fair return for federal resources such as livestock grazing and hardrock mining. Some of the programs regulating the commercial sale and use of natural resources on federal lands operate at a loss to the taxpayers and fail to provide incentives for good stewardship practices. The administration should also develop a new fee schedule for communications sites on DOI and Department of Agriculture lands.

ACTION ITEMS

---------- Chapter 13:2.5.1

1. The administration should establish a formula for grazing of federal land at a fee level that is fair to both the taxpayers and the livestock permittees.

2. The administration should support hardrock mining reform legislation.

3. The administration should develop regulations, which should be implemented by fiscal year 1995, establishing a new rental schedule for communications sites.

GAO COMMENTS

---------- Chapter 13:2.5.2

Agree. In our view, the federal government should (1) seek a better return for the sale or use of the mineral, renewable, and other natural resources on its lands; (2) cover the cost of programs to a reasonable extent and convert some programs into producers of revenue rather than contributors to the national debt, as they are now; and (3) provide a revenue base that can be used to better manage and improve federal lands so that they will remain a viable public resource in the future. In addition to addressing livestock grazing, hardrock mining, and the leasing of communications sites on federal lands, we have identified the need to reform federal policies and practices on water and timber and to change the basis on which federal land-managing agencies share revenues with states and counties.

IMPLEMENTATION

---------- Chapter 13:2.5.3

Not Implemented--Action Taken. On March 25, 1994, DOI proposed a rule in the Federal Register to improve the management of rangeland ecosystems and the administration of the livestock grazing program, as well as to change grazing fees. A final rule is anticipated for

early in 1995 (action item 1).

A bill (S. 775) passed by the Senate in May 1993 to amend the Mining Law of 1872 differed sharply from one (H.R. 322) that was passed overwhelmingly by the House in November 1993 and was supported by the administration. A conference committee could not resolve the differences between the bills, and efforts to amend the act during the 103rd Congress were abandoned on September 29, 1994 (action item 2).

DOI published proposed regulations in the Federal Register on July 12, 1994, that would establish new fees for leasing communications sites on its lands. The period for comment ended on October 12, 1994 (action item 3).

RELATED GAO PRODUCTS

---------- Chapter 13:2.5.4

Water Markets: Increasing Federal Revenues Through Water Transfers (GAO/RCED-94-164, Sept. 21, 1994).

Federal Lands: Communications Sites Are Below Fair Market Value (GAO/RCED-94-248, July 12, 1994).

Federal Lands: Communications Sites are Below Fair Market Value (GAO/T-RCED-94-262, July 12, 1994).

Water Transfers: More Efficient Water Use Possible, If Problems Are Addressed (GAO/RCED-94-35, May 23, 1994).

Water Subsidies: Impact of Higher Irrigation Rates on Central Valley Project Farmers (GAO/RCED-94-8, Apr. 19, 1994).

Forest Service Management: Issues to Be Considered in Developing a New Stewardship Strategy (GAO/T-RCED-94-116, Feb. 1, 1994).

Natural Resources Management Issues (GAO/OCG-93-17TR, Dec. 1992).

Mineral Resources: Value of Hardrock Minerals Extracted From and Remaining on Federal Lands (GAO/RCED-92-192, Aug. 24, 1992).

Reclamation Law: Changes Needed Before Water Service Contracts Are Renewed (GAO/RCED-91-175, Aug. 22, 1991).

Rangeland Management: Current Formula Keeps Grazing Fees Low (GAO/RCED-91-185BR, June 11, 1991).

Forest Service Needs to Improve Efforts to Reduce Below-Cost Timber Sales (GAO/T-RCED-91-43, Apr. 25, 1991).

Water Subsidies: Basic Changes Needed to Avoid Abuse of the 960-Acre Limit (GAO/RCED-90-6, Oct. 12, 1989).

Federal Land Management: The Mining Law of 1872 Needs Revision (GAO/RCED-89-72, Mar. 10, 1989).

DOI06: RATIONALIZE FEDERAL LAND OWNERSHIP

---------- Chapter 13:2.6

DOI needs to reinvent the way it manages and acquires federal lands. Due to historical patterns of settlement and development of this country, adjoining federal lands often fall under the jurisdiction of several federal agencies. To the degree possible, this should be corrected based on the principle of ecosystem management.

ACTION ITEMS

---------- Chapter 13:2.6.1

1. DOI should establish trial pilot coordinated management areas, preferably watershed based.

2. After the pilot projects have been operating for 18 to 24 months, DOI should evaluate their progress to determine if legislative proposals to transfer lands between the Department of Agriculture's Forest Service and DOI's Bureau of Land Management (BLM) on an agencywide or limited jurisdiction are required.

GAO COMMENTS

---------- Chapter 13:2.6.2

Agree. We agree with the thrust of this recommendation and note that management of federal lands has been handicapped by the number and diversity of agencies involved. DOI's nine highly decentralized and autonomous agencies and the Forest Service often have overlapping jurisdictions and different and conflicting missions. Moreover, there is currently no system for coordinating the management of federal lands, even when such lands are adjacent to each other and part of a single ecosystem. DOI and the Forest Service need to reassess the way they do business throughout their fragmented organizations and rethink the traditional functional and organizational alignment.

In February 1994 testimony, we concluded that federal land management agencies need to work together and with Congress to find ways to operate more efficiently and to manage activities and uses across existing federal land units so as to preserve the nation's natural resources and sustain their long-term economic productivity. We believe that to accomplish these objectives, a coordinated interagency strategy may be needed to link reforms being considered by the individual federal land management agencies. The ultimate goal of this strategy would be to coordinate and integrate the agencies' programs, activities, and functions so that they operate as a unit at the local level. Managing along ecological rather than political or administrative boundaries is discussed in our August 16, 1994, report on ecosystem management.

IMPLEMENTATION

---------- Chapter 13:2.6.3

Partially Implemented. Efforts by DOI and the Forest Service to reinvent the way they manage and acquire federal lands are linked to the agencies' efforts to implement ecosystem management (see ENV02). In August 1994, BLM selected the Mojave/California desert in the arid southeast corner of California as its first pilot coordinated management area. BLM plans to identify additional pilot areas by early 1995. The Mojave/California desert was also selected, together with the Great Plains grasslands (in Minnesota, North Dakota, South Dakota, and Nebraska) and Monterey Bay, as a "new initiative laboratory" by an interagency work group formed to examine major issues that influence the effectiveness of ecosystem management and to make recommendations for improvements (action item 1).

The laboratories will employ a collective process to document historical ecosystems, develop a vision of the range of desired future conditions, and consider how current stakeholders' actions will address key concerns. Recommendations for improvements may require legislation or other assistance from Congress to remove institutional and legal barriers to the use of an ecosystem approach to environmental management. Congress passed the California Desert Protection Act that, among other things, creates nearly 8 million acres of wilderness areas and transfers significant portions of BLM acreage to DOI's National Park Service (action item 2).

RELATED GAO PRODUCTS

---------- Chapter 13:2.6.4

Ecosystem Management: Additional Actions Needed to Adequately Test a Promising Approach (GAO/T-RCED-94-308, Sept. 20, 1994).

Ecosystem Management: Additional Actions Needed to Adequately Test a Promising Approach (GAO/RCED-94-111, Aug. 16, 1994).

Federal Lands: Land Acquisitions Involving Nonprofit Conservation Organizations (GAO/RCED-94-149, June 15, 1994).

Forestry Functions: Unresolved Issues Affect Forest Service and BLM Organizations in Western Oregon (GAO/RCED-94-124, May 17, 1994).

Forest Service Management: Issues to Be Considered in Developing a New Stewardship Strategy (GAO/T-RCED-94-116, Feb. 1, 1994).

Federal Land Acquisition: Land Exchange Process Working but Can Be Improved (GAO/RCED-87-9, Feb. 5, 1987).

Program to Transfer Land Between the Bureau of Land Management and the Forest Service Has Stalled (GAO/RCED-85-21, Dec. 27, 1984).

DOI07: IMPROVE THE LAND ACQUISITION POLICIES OF DOI

---------- Chapter 13:2.7

The Secretaries of the Interior and Agriculture and the Director of the OMB should modify the process for determining land acquisition

priorities and procedures. The new system should reflect major objectives of federal land acquisition, including outdoor recreation resources, resource protection, and resource and cultural heritage protection.

ACTION ITEMS

---------- Chapter 13:2.7.1

1. The Secretaries of the Interior and Agriculture and the Director of OMB should modify the process for determining land acquisition priorities and modify current procedures.

2. DOI should issue a series of policy directives for the National Park Service, BLM, and the Fish and Wildlife Service to address the issue outlined in DOI's 1992 Inspector General report and clarified in the Solicitor's opinion of July 30, 1992.

GAO COMMENTS

---------- Chapter 13:2.7.2

Generally Agree. In our opinion, the funds available each fiscal year for land acquisition should be allocated to the highest priorities. This approach would require not only the establishment of clear goals and objectives but also a consolidated ranking of proposals from all the federal land-managing agencies.

IMPLEMENTATION

---------- Chapter 13:2.7.3

Partially Implemented. DOI and Department of Agriculture officials have met to discuss alternatives to existing federal land acquisition procedures. Revised procedures were circulated for review and comment within DOI and Agriculture in late June and have been implemented (action item 1). In addition, on July 31, 1994, DOI, Agriculture, and OMB adopted new procedures to address the issues raised in a 1992 report by DOI's Inspector General, which the Department's Solicitor clarified in a subsequent opinion, on land acquisitions involving nonprofit conservation groups (action item 2).

On May 25, 1994, the House Committee on Natural Resources approved a bill (H.R. 4476) to standardize the procedure through which the National Park Service recommends to Congress that lands be designated as national parks. On September 21, 1994, the Senate Committee on Energy and Natural Resources approved a related bill (S. 471) designed to improve the way areas are studied for possible addition to the National Park System. Both bills lay out specific criteria to be considered in such studies. Neither of these bills was passed before the 103rd Congress adjourned.

RELATED GAO PRODUCTS

---------- Chapter 13:2.7.4

Federal Lands: Land Acquisitions Involving Nonprofit Conservation

Groups (GAO/RCED-94-149, June 15, 1994).

Federal Land Acquisition and Management Practices (GAO/RCED-81-135, Sept. 11, 1981).

The Federal Drive to Acquire Private Lands Should Be Reassessed (GAO/RCED-80-14, Dec. 14, 1979).

DOI08: IMPROVE MINERALS MANAGEMENT SERVICE'S ROYALTY COLLECTIONS

---------- Chapter 13:2.8

Better management of DOI's royalty collection program would increase revenues and improve efficiency.

ACTION ITEMS

---------- Chapter 13:2.8.1

1. By fiscal year 1995, the Royalty Management Program (RMP) should develop and implement additional computer programs to analyze and verify transactions across the lease population.

2. The RMP should redirect personnel whose functions are reduced by upfront compliance measures to compliance tasks with potential for additional financial gains.

3. DOI should submit legislation similar to IRS provisions to enable penalties to be assessed for substantial underpayments.

4. Current inconsistencies in liability issues should be resolved by DOI and a uniform policy developed in early 1994.

5. The reinvention laboratory, which has been established to study royalty reporting simplification, should evaluate the potential for greater efficiency, effectiveness, cost savings, and additional revenue from new reporting procedures.

GAO COMMENTS

---------- Chapter 13:2.8.2

Agree. We endorse better management of DOI's strategy for auditing royalty payors. Ideally, such a strategy would consist of systematic and field-based activities for monitoring and correcting the major components of the royalty equation. However, problems with DOI's automated systems have prevented the Department from ensuring correct reporting. Furthermore, its field-based royalty compliance audits do not provide reasonable assurance that royalty payors comply with applicable laws, rules, and regulations. DOI also needs to improve its verification program for both onshore and offshore oil and gas production.

IMPLEMENTATION

---------- Chapter 13:2.8.3

Not Implemented--Action Taken. DOI's Minerals Management Service (MMS) has identified several computer system enhancements to analyze and verify transactions across the lease population; these enhancements are being reviewed (action item 1). MMS has also reassigned 20 staff positions to audit/compliance functions (action item 2); submitted penalty legislation that passed the House in November 1993 (H.R. 3400) but did not pass the Senate (S. 1637); and received clearance from OMB for proposing language changes to the penalty legislation responding to the mining industry's concerns (action item 3). In addition, MMS and BLM have agreed on consistent liability policies for DOI and have drafted a proposed rule (action item 4).

In response to recommendations from a "multiconstituent laboratory," MMS has taken several additional steps to improve efficiency and effectiveness. A work group has submitted a proposed rule to streamline the allowance (royalty deduction) reporting process. A Customer Satisfaction Study Team is evaluating the feasibility of improving customer service through a team approach. Multiconstituent federal and Indian valuation work groups are developing streamlined gas valuation methodologies. MMS is also working with industry and other federal and state agencies to implement Electronic Data Interchange technology (action item 5).

RELATED GAO PRODUCTS

---------- Chapter 13:2.8.4

Royalty Compliance: Improvements Made in Interior's Audit Strategy, but More Are Needed (GAO/RCED-93-3, Oct. 29, 1992).

Mineral Revenues: Progress Has Been Slow in Verifying Offshore Oil and Gas Production (GAO/RCED-90-193, Aug. 31, 1990).

Mineral Revenues: Shortcomings in Onshore Federal Oil and Gas Production Verification (GAO/RCED-90-99, June 26, 1990).

DOI09: ESTABLISH A SYSTEM OF PERSONNEL EXCHANGES IN DOI

---------- Chapter 13:2.9

A change in management philosophy is needed to address bureaucratic barriers at DOI. This recommendation outlines various approaches to this problem.

ACTION ITEMS

---------- Chapter 13:2.9.1

1. DOI should implement a system of in-house contracts in early 1994. The in-house contracts should assign individuals with special skills to work as consultants to other bureaus.

2. DOI should implement a system of temporary inter-bureau details and personnel exchanges in early 1994.

3. DOI should facilitate personnel exchanges and inter-bureau cooperation through an improved internal communication system.

GAO COMMENTS
---------- Chapter 13:2.9.2

Generally Agree. We support efforts to address the structural barriers among DOI's autonomous bureaus and between these bureaus and the Department of Agriculture's Forest Service. We note that pending legislation to establish a National Biological Survey (NBS) within DOI as an independent, nonregulatory source of information on the nation's biological resources appears to be a step in this direction. In the interim, the Secretary of the Interior transferred biological research and monitoring programs from existing DOI agencies to NBS. NBS became operational on November 11, 1993. We believe that a similar approach could provide greater integration and increased efficiency in the management of federal lands as well.

IMPLEMENTATION
---------- Chapter 13:2.9.3

Partially Implemented. DOI has tested a system of in-house contracts/consultants and a system of personnel exchanges in three of its bureaus/offices (action items 1 and 2). It has drafted a Personnel Management Bulletin that lays out the methodology and approach for implementing an in-house contract program and interbureau temporary details and personnel exchanges. DOI's bureaus have reviewed and commented on the draft. The Secretary of the Interior is expected to issue a statement supporting the program's efforts; however, the issuance date has not been established. To improve communication and interbureau cooperation, DOI plans to periodically issue a newsletter, the first issue of which was published in October 1994 (action item 3). Furthermore, over 49,000 DOI employees now have access to electronic mail.

RELATED GAO PRODUCTS
---------- Chapter 13:2.9.4

Ecosystem Management: Additional Actions Needed to Adequately Test a Promising Approach (GAO/T-RCED-94-308, Sept. 20, 1994).

Ecosystem Management: Additional Actions Needed to Adequately Test a Promising Approach (GAO/RCED-94-111, Aug. 16, 1994).

Forestry Functions: Unresolved Issues Affect Forest Service and BLM Organizations in Western Oregon (GAO/RCED-94-124, May 17, 1994).

Forest Service Management: Issues to Be Considered in Developing a New Stewardship Strategy (GAO/T-RCED-94-116, Feb. 1, 1994).

DOI10: CONSOLIDATE ADMINISTRATIVE AND PROGRAMMATIC FUNCTIONS IN DOI

---------- Chapter 13:2.10

To manage its bureaus effectively, DOI needs to reduce duplicative services. By consolidating administrative and programmatic functions, DOI can improve customer service, promote efficiency, and reduce costs.

ACTION ITEMS

---------- Chapter 13:2.10.1

1. Within 6 months, all DOI bureaus and offices should identify parallel administrative, programmatic, and public outreach functions in areas where offices are collocated.

2. Over the next 3 fiscal years, DOI should use the information identified by the bureaus to consolidate offices, increase the use of Consolidated Administrative Support Units (CASU) and Departmental Administrative Service Centers (DASC), and designate lead bureaus to provide commonly needed services wherever feasible.

GAO COMMENTS

---------- Chapter 13:2.10.2

Agree. Our work has shown that budgetary constraints and scientific findings will challenge federal agencies as never before to find new and different ways to achieve their programs' goals with fewer resources and to realize their visions for the future in an affordable manner. For example, we believe that federal land management agencies in DOI and the Department of Agriculture need to work with Congress to find ways to operate more efficiently and to manage activities and uses across existing federal land units so as to preserve the nation's natural resources and sustain their long-term economic productivity. We believe that to accomplish these objectives, a coordinated interagency strategy may be needed to link reforms being considered by federal land management agencies. The ultimate goal of this strategy would be to coordinate and integrate the programs, activities, and functions of federal land management agencies so that they operate as a unit at the local level.

We also support efforts to consolidate administrative functions. For example, in a 1988 report we noted that duplication of administrative functions reduced program efficiency for environmental studies of the outer continental shelf in Alaska. We recommended, and DOI implemented, an alternative that consolidated these functions, saving about $800,000 in fiscal years 1991 and 1992.

IMPLEMENTATION

---------- Chapter 13:2.10.3

Not Implemented--Action Taken. DOI submitted its initial

Streamlining Plan to OMB in January 1994. This plan discussed DOI's streamlining objectives, principles, strategy, implementation steps, concerns, time line, and reduction targets. Next, in April 1994, DOI developed a consolidated approach for streamlining personnel resources in the Department. After requesting and receiving detailed streamlining plans from its bureaus (action item 1), DOI revised and, on June 30, 1994, submitted to OMB a more detailed and comprehensive streamlining plan that focuses on implementation through fiscal year 1996 (action item 2). A plan detailing DOI's strategy for streamlining in fiscal years 1997 through 1999 was submitted to OMB in October 1994.

RELATED GAO PRODUCTS

---------- Chapter 13:2.10.4

Ecosystem Management: Additional Actions Needed to Adequately Test a Promising Approach (GAO/T-RCED-94-308, Sept. 20, 1994).

Ecosystem Management: Additional Actions Needed to Adequately Test a Promising Approach (GAO/RCED-94-111, Aug. 16, 1994).

Forestry Functions: Unresolved Issues Affect Forest Service and BLM Organizations in Western Oregon (GAO/RCED-94-124, May 17, 1994).

Forest Service Management: Issues to Be Considered in Developing a New Stewardship Strategy (GAO/T-RCED-94-116, Feb. 1, 1994).

Offshore Oil and Gas: Environmental Studies Program Meets Most User Needs but Changes Needed (GAO/RCED-88-104, June 29, 1988).

DOI11: STREAMLINE
MANAGEMENT SUPPORT SYSTEMS
IN DOI

---------- Chapter 13:2.11

To create a quality management culture, DOI should streamline its management support systems, including telecommunications, procurement, financial management, and paperwork control.

ACTION ITEMS

---------- Chapter 13:2.11.1

1. DOI should implement standard practices for electronic communications and an agencywide data network strategy with the following steps:

-- agree upon a conceptual framework identifying networks, common databases (e.g., payroll), and a network architecture;

-- establish ways to share data across bureaus;

-- require data centers to use compatible communications software;

-- require bureaus to optimize communications capacity (e.g., T-1

circuit bandwidth and video-conferencing room time);

-- shift to Government Open Systems' Interconnection Profiles;

-- standardize imaging systems across the Department for transmission of financial data, land records, rules and regulations, library material, and basic review documents to reduce paperwork in the workplace; and

-- standardize telephone system capability across bureaus to provide timesaving components and to improve quality of direct communication.

2. DOI should ensure that its data network initiatives all tie into a departmental data network.

3. DOI should establish a council to review all internal, self-imposed procurement regulations, eliminate as many of them as possible, evaluate any requests by individual departmental agencies/bureaus to retain specific rules, and determine the advisability of rescinding the authority of agencies/bureaus to issue restrictive supplements to federal acquisition guidelines.

4. To guarantee the compatibility of its financial and acquisition systems, DOI should make the Federal Financial System (FFS) interface capacity a top priority in the development of DOI's Electronic Acquisition System.

5. DOI should develop and implement a strategic plan for making the FFS readily available to field users through alternative system environments such as mini-computers and local area networks.

6. DOI should expand the remote access and data entry capabilities of FFS users to certify payments and streamline payment processing by implementing Treasury's Vendor Express Program (Electronic Payment System) and Electronic Certification System.

7. DOI should streamline the processing of bills by establishing a separate appropriation account within the Department to pay common costs rather than issuing separate billings to each bureau.

8. DOI should take measures to revise existing correspondence guidelines and reduce excessive and unnecessary review of correspondence.

9. DOI should use its semiannual regulatory agenda to establish dates for formulation and publication of rules that can be achieved within agency resource constraints.

10. DOI should identify all parties that may be interested in a rulemaking and involve them early in the process.

GAO COMMENTS

---------- Chapter 13:2.11.2

Generally Agree. We support efforts to improve DOI's management

support systems. Our previous work has identified instances of long-standing internal control weaknesses within DOI, and DOI's Inspector General has found inadequate accountability for the Bureau of Land Management's personal property.

IMPLEMENTATION

---------- Chapter 13:2.11.3

Not Implemented--Action Taken. To implement this recommendation, DOI has taken or initiated several actions. In June 1994, it completed a networking concept paper that lays out a data network strategy for all organizational components, and in August 1994 it completed a communications guide to assist in evaluating and acquiring hardware and software applications at administrative service centers (action item 1). A basic data network is now available for use by the bureaus, and an enhanced data network will be available as certain planned steps for action item 1 are completed (action item 2).

To implement Executive Order 12861, which directs all federal agencies to reduce the number of civilian internal management regulations that are not required by law, DOI established two groups to oversee the Department's effort. These groups drafted an initial plan for reducing the number of regulations. The first cycle of regulatory reduction occurred in May 1994, and further reductions are planned (action item 3).

In June 1994, DOI drafted and distributed a concept paper to its bureaus for comment; this paper specifies the framework for an interface of financial and procurement data (action item 4). DOI is making the FFS available to field users and expanding the system's capabilities (action items 5 and 6) through a broader DOI initiative to improve the effectiveness of its financial management. A final report for the first phase of its initiative, called the Financial Management Best Practices Project, was distributed to DOI financial managers on September 16, 1994. DOI studied establishing a separate appropriation account to pay common costs (action item 7) but decided in July 1994 not to do so. It will, however, make billing improvements, such as billing costs quarterly instead of monthly, to address some concerns.

DOI's Office of Executive Secretariat has purchased personal computers and plans to purchase software to track and control the review of correspondence (action item 8). In response to Executive Order 12866 on regulatory planning and review, in March 1994, DOI submitted a report to OMB on streamlining the regulatory process in DOI. Furthermore, DOI drafted a regulatory plan for submission to OMB that describes DOI's most significant regulatory initiatives for 1995 (action item 9). Finally, the Office of Regulatory Affairs developed an alert system that informs potentially interested DOI parties of upcoming rulemakings, thereby providing them with an opportunity to participate at the beginning of the process (action item 10).

RELATED GAO PRODUCTS

---------- Chapter 13:2.11.4

Ecosystem Management: Additional Actions Needed to Adequately Test a Promising Approach (GAO/T-RCED-94-308, Sept. 20, 1994).

Ecosystem Management: Additional Actions Needed to Adequately Test a Promising Approach (GAO/RCED-94-111, Aug. 16, 1994).

Forestry Functions: Unresolved Issues Affect Forest Service and BLM Organizations in Western Oregon (GAO/RCED-94-124, May 17, 1994).

Forest Service Management: Issues to Be Considered in Developing a New Stewardship Strategy (GAO/T-RCED-94-116, Feb. 1, 1994).

Bureau of Indian Affairs: Long-Standing Internal Control Weaknesses Warrant Congressional Attention (GAO/RCED-92-118, May 8, 1992).

Management of Artwork: Steps Taken to Preserve and Protect Bureau of Reclamation's Collection (GAO/RCED-92-92, Feb. 28, 1992).

DOI12: CREATE A NEW MISSION FOR THE BUREAU OF RECLAMATION

---------- Chapter 13:2.12

The Bureau of Reclamation (BOR) needs to redefine its mission toward new environmental priorities and clarify its role in water management. The original mission to develop water resources and provide for economic development of the West is almost complete.

ACTION ITEMS

---------- Chapter 13:2.12.1

1. By the beginning of fiscal year 1995, BOR should develop a new mission which assumes a leadership role in western water policy and focuses on water management functions.

2. BOR should complete construction of approved projects, review personnel needs, and reduce full-time equivalents and/or redirect skilled personnel to other DOI priorities.

3. BOR should develop legislation to sell or transfer title of all distribution and drainage facilities to state or local water user organizational entities (such as irrigation districts).

4. The existing Rehabilitation and Betterment Act and Distribution System Loan Act should be repealed and the Small Reclamation Projects Act amended to eliminate the provision making irrigation a required project component.

5. BOR should implement internal controls to ensure the federal government recovers an equitable share of its financing cost for water use transferred from irrigation to municipal and industrial purposes.

GAO COMMENTS
---------- Chapter 13:2.12.2

Agree. We agree that Reclamation's era of dam building is over and support efforts to downsize the agency or change its mission. However, previous proposals to cut Reclamation's workforce have not been successful, and history has shown that any change must take place with the full involvement of Congress. In addition, the development of a long-term framework for water resources management, development, and protection must be consistent with DOI's efforts to implement other NPR recommendations, such as rationalizing federal land ownership (DOI06) and consolidating administrative and programmatic functions (DOI10).

Although we have not thoroughly reviewed Reclamation's efforts to develop a strategic plan and long-term framework for water resources management, development, and protection, we have examined several of the issues cited in the action items for implementing this recommendation. For example, we have issued products on the need to improve water management, reduce subsidies, and use market-based incentives to increase federal revenues and protect natural resources.

IMPLEMENTATION
---------- Chapter 13:2.12.3

Partially Implemented. Reclamation has developed a new mission statement focusing on western water policy and water management functions (action item 1). In accordance with its new mission, Reclamation was reorganized (Secretary of the Interior Order 3179, Apr. 13, 1994) and its staffing was realigned, downgraded, or reduced (action item 2).

Reclamation is drafting legislation to sell or transfer certain facilities to users (action item 3) and is evaluating legislative proposals for eliminating irrigation as a required project component (action item 4). Finally, Reclamation has prepared draft policy memorandums and sent draft regulations to the Federal Register for comment. These regulations would ensure the recovery of federal financing costs for water use (action item 5).

RELATED GAO PRODUCTS
---------- Chapter 13:2.12.4

Water Markets: Increasing Federal Revenues Through Water Transfers (GAO/RCED-94-164, Sept. 21, 1994).

Water Transfers: More Efficient Water Use Possible, If Problems Are Addressed (GAO/RCED-94-35, May 23, 1994).

Water Subsidies: Impact of Higher Irrigation Rates on Central Valley Project Farmers (GAO/RCED-94-8, Apr. 19, 1994).

Bureau of Reclamation: Information on the Federal Financial Commitment and Repayment Status of the Central Arizona Project

(GAO/T-RCED-94-92, Dec. 10, 1993).

Natural Resources Management: Issues to Be Considered by the Congress and Administration (GAO/T-RCED-93-5, Feb. 2, 1993).

Natural Resources Management Issues (GAO/OCG-93-17TR, Dec. 1992).

Bureau of Reclamation: Central Valley Project Cost Allocation Overdue and New Method Needed (GAO/RCED-92-74, Mar. 31, 1992).

Reclamation Law: Changes Needed Before Water Service Contracts Are Renewed (GAO/T-RCED-92-13, Oct. 29, 1991).

Water Subsidies: Views on Proposed Reclamation Reform Legislation (GAO/T-RCED-91-90, Sept. 12, 1991).

Reclamation Law: Changes Needed Before Water Service Contracts Are Renewed (GAO/RCED-91-175, Aug. 22, 1991).

Basic Changes Needed to Avoid Abuse of the 960-Acre Limit (GAO/T-RCED-90-100, July 31, 1990).

Water Subsidies: The Westhaven Trust Reinforces the Need to Change Reclamation Law (GAO/RCED-90-198, June 5, 1990).

Water Resources: Basic Changes Needed to Avoid Abuse of the 960-Acre Limit (GAO/RCED-90-6, Oct. 12, 1989).

DOI13: IMPROVE THE FEDERAL HELIUM PROGRAM

---------- Chapter 13:2.13

The federal government needs to reexamine its role in the federal helium program. The program can be run more efficiently, reducing outlays by federal helium customers and increasing revenue. To obtain maximum benefit from helium operations, the government should cancel the helium debt, reduce costs, increase efficiencies in helium operations, and increase sales of crude helium as market conditions permit.

ACTION ITEMS

---------- Chapter 13:2.13.1

1. The Helium Act of 1960 should be amended to cancel the outstanding principal and interest of the helium debt.

2. Coincident with debt elimination, the Bureau of Mines (BOM) should reduce prices.

3. BOM should reduce costs and increase efficiencies by discontinuing operations such as small cylinder filling, maintenance, and testing, and other nonrevenue producing operations.

4. BOM should increase fees charged to private industry for storage, transmission, and withdrawal of privately owned helium stored in the

government reservoir, increasing revenues by $1 million.

5. BOM should increase sales of crude helium from the reserve to private businesses as market conditions permit.

GAO COMMENTS
---------- Chapter 13:2.13.2

Generally Agree. We agree that because conditions have changed since the Helium Act of 1960 was passed, the act's objectives should be reassessed. We have recommended canceling the helium debt because doing so would not adversely affect the federal budget and would allow for a more realistic assessment of what the federal government's role should be in meeting federal helium needs. In addition, we think that before the act is altered to address the changes that have occurred, consideration must be given to the interrelationship of the act's objectives. For example, a decision to sell the federal helium inventory would probably put an end to the private crude helium industry. We have not examined the efficiency of federal helium operations.

IMPLEMENTATION
---------- Chapter 13:2.13.3

Not Implemented--Action Taken. Legislation proposed by BOM to cancel the helium debt and reduce helium prices was not enacted during the 103rd Congress (action items 1 and 2). BOM notified its customers that it would no longer be filling small cylinders as of July 1, 1994 (action item 3); is reviewing existing storage contracts (about half of which expired at the end of fiscal year 1994) to determine whether, and if so, how, storage fees can be increased (action item 4); and has drafted a Federal Register notice of intent to increase federal helium sales (action item 5).

RELATED GAO PRODUCTS
---------- Chapter 13:2.13.4

Mineral Resources: H.R. 3967--A Bill to Change How Federal Needs for Helium Are Met (GAO/T-RCED-94-183, Apr. 19, 1994).

Mineral Resources: Meeting Federal Needs for Helium (GAO/T-RCED-93-44, May 20, 1993).

Mineral Resources: Meeting Federal Needs for Helium (GAO/RCED-93-1, Oct. 29, 1992).

Mineral Resources: Federal Helium Purity Should Be Maintained (GAO/RCED-92-44, Nov. 8, 1991).

DOI14: ENHANCE
ENVIRONMENTAL MANAGEMENT BY
REMEDIATING HAZARDOUS
MATERIAL SITES

---------- Chapter 13:2.14

The time is right to integrate skills across bureau boundaries in the remediation of DOI's hazardous materials sites. The high cost of remediation requires DOI to make maximum use of existing resources.

ACTION ITEMS
---------- Chapter 13:2.14.1

1. DOI should integrate managerial and scientific expertise in cooperative, cross-bureau approaches to hazardous materials site assessment and remediation.

2. DOI should designate several hazardous materials sites as pilot projects for cooperative, multibureau assessments to develop remediation plans.

3. DOI should establish a legal strike force by the end of 1994 to address barriers to cleanup.

GAO COMMENTS
---------- Chapter 13:2.14.2

Agree. The pace of assessing and evaluating federal hazardous waste sites has been slow. We think that DOI and EPA should work together to identify and take action to remediate sites. The high cost of remediation makes it imperative that DOI make the best use of its resources across bureau boundaries.

IMPLEMENTATION
---------- Chapter 13:2.14.3

Not Implemented--Action Taken. At its second annual conference on hazardous materials management, DOI held a plenary session to solicit a multibureau and interdisciplinary approach to site identification, assessment, and remediation (action item 1). It also established a task force that developed an action plan to identify, assess, and recommend sites for remediation (action item 2) and has begun (with on-board legal staff) to clarify liability questions and to seek delegation of enforcement authority against potentially responsible parties (action item 3).

RELATED GAO PRODUCTS
---------- Chapter 13:2.14.4

Superfund: Backlog of Unevaluated Federal Facilities Slows Cleanup Efforts (GAO/RCED-93-119, July 20, 1993).

DEPARTMENT OF JUSTICE (DOJ)
========== Chapter 14

OVERALL SUMMARY

---------- Chapter 14:1

The Department of Justice has fully implemented one NPR recommendation and either partially implemented or taken action on the other NPR recommendations for which it is responsible. Justice has fully implemented the recommendation to make civil fraud recovery a priority and to take steps to improve its white collar fraud enforcement. For many of the recommendations, Justice's actions have included such efforts as issuing resolutions, enhancing communication and coordination, awarding contracts, drafting new agency policies, developing proposals and pilot testing implementation plans. Several recommendations on which Justice has taken action are expected to be implemented within the next year or two.

To improve the coordination and structure of federal law enforcement agencies, the Attorney General established the Office of Investigative Agency Policies (OIAP). OIAP is responsible for resolving operational issues among the Justice's investigative agencies where there is overlapping jurisdiction and for advising the Attorney General regarding administrative, budgetary, and personnel matters involving these agencies. While the creation of the OIAP within Justice appears to be a positive step toward improving coordination of law enforcement activities within the Department, it does not affect Department of the Treasury investigative agencies or other federal investigative agencies outside of Justice.

Several recommendations were not within Justice's authority to implement, so the Department drafted legislation. Implementation of these recommendations will be determined through the legislative process.

GAO CONTACT

---------- Chapter 14:1.1

Norman J. Rabkin, Director, Administration of Justice Issues, General Government Division, (202) 512-5156.

RECOMMENDATION INFORMATION

---------- Chapter 14:2

DOJ01: IMPROVE THE COORDINATION AND STRUCTURE OF FEDERAL LAW ENFORCEMENT AGENCIES

---------- Chapter 14:2.1

NPR recommends the designation of the Attorney General as the Director of Law Enforcement to coordinate federal law enforcement efforts. It also recommends changes in the alignment of federal law enforcement responsibilities.

ACTION ITEMS

---------- Chapter 14:2.1.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 14:2.1.2

Generally Agree. We support the need for greater coordination of the numerous agencies involved in federal law enforcement. The decentralized operations, including the 94 U.S. Attorneys and the various investigative agencies within Justice and Treasury, complicate efforts by the Department of Justice to coordinate and direct a wide variety of initiatives and programs to fight crime. We have not taken a position as to whether the various law enforcement agencies should be consolidated into one or more agencies.

IMPLEMENTATION
---------- Chapter 14:2.1.3

Other. In November 1993, the Attorney General established the Office of Investigative Agency Policies (OIAP) to improve coordination among its law enforcement agencies, reduce duplication, and better utilize investigative resources. OIAP is headed by a Director--currently the Director of the Federal Bureau of Investigation (FBI)--appointed by the Attorney General from among the heads of the affected investigative agencies--FBI, Drug Enforcement Administration (DEA), U.S. Marshals Service, and Immigration and Naturalization Service (INS)--and Justice's Criminal Division. OIAP is responsible for resolving operational issues among the Justice's investigative agencies where there is overlapping jurisdiction and for advising the Attorney General regarding administrative, budgetary, and personnel matters involving these agencies. Among other things, OIAP has issued resolutions and begun taking actions to improve within Justice the (1) use and sharing of federal drug intelligence, (2) coordination of violent crime activities, (3) coordination of the budget requests of the various investigative agencies, and (4) location and use of Justice field offices and resources.

According to information obtained from Treasury officials, the Department also has begun taking several related actions to improve coordination among its investigative agencies as well as with Justice agencies. Specifically, Treasury (1) recently established an under secretary position to coordinate its law enforcement activities, (2) is reorganizing its enforcement bureaus to be more mission specific, (3) has developed some interagency memoranda of understanding, and (4) is participating in task forces with FBI.

While the creation of OIAP within Justice appears to be consistent with the underlying intent of the recommendation and a positive step toward improving coordination of law enforcement activities within the Department, OIAP does not have authority over and generally does not affect Treasury investigative agencies or other non-Justice federal investigative agencies. Moreover, according to Justice, there have been no further actions on this recommendation pending NPR's issuance of the accompanying report. Also, although Treasury

apparently has taken some actions intended to improve coordination among its investigative agencies and with Justice agencies, we were unable to obtain sufficiently detailed information to assess those actions.

RELATED GAO PRODUCTS

---------- Chapter 14:2.1.4

Bank and Thrift Failures: The Government Could Do More to Pursue Fraud and Wrongdoing (GAO/T-GGD-93-1, Jan. 28, 1993).

Bank and Thrift Criminal Fraud: The Federal Commitment Could Be Broadened (GAO/GGD-93-48, Jan. 8, 1993).

Justice Issues (GAO/OCG-93-23TR, Dec. 1992).

Bank and Thrift Fraud: Overview of the Federal Government's Response (GAO/T-GGD-92-12, Feb. 6, 1992).

War on Drugs: Information Management Poses Formidable Challenges (GAO//IMTEC-91-40, May 31, 1991).

Justice Department: Coordination Between DEA and the FBI (GAO/GGD-90-59, Mar. 21, 1990).

DOJ02: IMPROVE BORDER MANAGEMENT

---------- Chapter 14:2.2

Federal border management should be significantly improved. NPR recommends a series of actions to be taken by Customs and INS to make these improvements.

ACTION ITEMS

---------- Chapter 14:2.2.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 14:2.2.2

Agree. Customs and INS have a long history of interagency rivalry, poor coordination, and ineffective cooperation, despite sharing responsibility for primary inspections at land border ports of entry. We have recommended that OMB, working with the Treasury, Justice, and State Departments, develop a proposal for ending the dual management of border inspections.

IMPLEMENTATION

---------- Chapter 14:2.2.3

Not Implemented--Action Taken. INS and Customs are working on five

cooperative areas: coordinated shift scheduling; special operations; cross training; joint performance standards; and development of port quality improvement committees. However, at this time there is no indication from INS or Customs that they are working on a strategic improvement plan or that the actions they are taking will comprehensively address previously identified problems.

RELATED GAO PRODUCTS
---------- Chapter 14:2.2.4

Customs Service and INS: Dual Management Structure for Border Inspections Should Be Ended (GAO/GGD-93-111, June 30, 1993).

DOJ03: REDIRECT AND BETTER COORDINATE RESOURCES DEDICATED TO INTERDICTION OF DRUGS
---------- Chapter 14:2.3

This recommendation outlines changes that can be made to better coordinate federal programs directed at the air interdiction of drugs.

ACTION ITEMS
---------- Chapter 14:2.3.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 14:2.3.2

Agree. Given worldwide drug production capacity, domestic demand, and the resourcefulness of drug smugglers to adapt to U.S. enforcement initiatives, the overall availability of drugs in this country has not been diminished despite substantial increases in air interdiction efforts and related drug seizures. The commitment of resources should not be made without considering the potential effectiveness of alternative efforts, both supply and demand, and should be based on achieving measurable goals. Also, to better coordinate agency efforts, improvements in information system interoperability, data integrity, security, and overall intelligence information management are needed.

IMPLEMENTATION
---------- Chapter 14:2.3.3

Not Implemented--Action Taken. The recommended changes have not been implemented, but several agency actions have been taken. Treasury and Justice have enhanced their communication and coordination on interdiction matters. An example of the enhanced cooperation is the regular communication on interdiction matters between the Treasury's Under Secretary for Enforcement and the Deputy Attorney General.

Justice has created the OIAP to strengthen coordination among FBI, DEA, INS, and the Marshals Service. Also, the FBI and DEA have developed a common drug database to facilitate sharing of information.

RELATED GAO PRODUCTS

---------- Chapter 14:2.3.4

Drug Control: Reauthorization of the Office of National Drug Control Policy (GAO/GGD-93-144, September 29, 1993).

Drug Control: Heavy Investment in Military Surveillance Is Not Paying Off (GAO/NSIAD-93-220, Sept. 1, 1993).

War on Drugs: Information Management Poses Formidable Challenges (GAO/IMTEC-91-40, May 31, 1991).

Drug Interdiction: Funding Continues to Increase but Program Effectiveness Is Unknown (GAO/GGD-91-10, Dec. 11, 1990).

Drug Control: Anti-Drug Efforts in the Bahamas (GAO/GGD-90-42, Mar. 8, 1990).

Drug Smuggling: Capabilities for Interdicting Private Aircraft Are Limited and Costly (GAO/GGD-89-93, June 9, 1989).

DOJ04: IMPROVE DEPARTMENT OF JUSTICE DEBT COLLECTION EFFORTS

---------- Chapter 14:2.4

This recommendation would make improvements in the Justice debt collection effort, including giving the Department the ability to retain a small percentage of debts collected and allowing Justice to credit its working capital fund with a percentage of debt collections to be used for the creation of a centralized debt tracking and information system.

ACTION ITEMS

---------- Chapter 14:2.4.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 14:2.4.2

Agree. We agree with the recommendation's objectives of enhancing Justice's ability to make improvements in its debt collection effort. In October 1993, Congress enacted legislation allowing Justice to credit to its working capital fund up to 3 percent of all amounts collected pursuant to its civil debt collection activity. Justice can use these funds to pay for costs of processing and tracking debt collection litigation.

IMPLEMENTATION
---------- Chapter 14:2.4.3

Partially Implemented. In November 1993, Justice awarded a contract to Data Transformation Corporation to develop and implement a financial litigation and collection management information system. The system will be similar to the COLLECTOR system which is presently used to track litigation and debt collection activities in 7 of the 94 U.S. Attorney Offices. Justice, using another private contractor, Ogden Government Services, is testing the system to identify system strengths and weaknesses. Justice has selected the U.S. Attorneys Office in the District of Columbia as the first site for the new system and plans to implement the system nationally on a incremental basis during 1994. In addition, Justice has expanded its pilot test of using private attorneys to collect civil debts from 10 to 15 district offices.

RELATED GAO PRODUCTS
---------- Chapter 14:2.4.4

Bank and Thrift Criminal Fraud: The Federal Commitment Could Be Broadened (GAO/GGD-93-48, Jan. 8, 1993).

Bank and Thrift Fraud: Overview of the Federal Government's Response (GAO/T-GGD-92-12, Feb. 6, 1992).

Financial Management: INS Lacks Accountability and Controls Over Its Resources (GAO/AFMD-91-20, Jan. 24, 1991).

U.S. Department of Justice: Overview of Civil and Criminal Debt Collection Efforts (GAO/T-GGD-90-62, July 31, 1990).

DOJ05: IMPROVE THE BUREAU OF PRISONS EDUCATION, JOB TRAINING, AND FINANCIAL RESPONSIBILITIES PROGRAMS
---------- Chapter 14:2.5

NPR makes a series of recommendations for improving prison education, training, and inmate financial responsibility policies.

ACTION ITEMS
---------- Chapter 14:2.5.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 14:2.5.2

Generally Agree. We agree that the Bureau of Prisons (BOP) should strengthen its inmate education and training programs. Many inmates

leave prison without marketable job skills, English language proficiency, or completing a secondary education, yet are expected to become assimilated into society, i.e., become law-abiding productive citizens. We have not examined inmate financial responsibility policies and have no comment on those recommendations.

IMPLEMENTATION

---------- Chapter 14:2.5.3

Partially Implemented. To further the education of inmates working in BOP labor programs (e.g., help inmates complete a GED diploma), BOP has drafted a program statement instructing institutions to increase the number of half-day work and education programs. The program statement is to be implemented by December 1995.

To provide increased work opportunities through job training, BOP has set up a recycling factory and increased the number of inmates participating in public works programs. Other planned changes are dependent on legislative action. For example, to expand work opportunities, BOP has sought legislation authorizing it to develop additional markets for its prison industry program. Such statutory language was introduced and subsequently dropped from H.R. 3400. Also, legislative action is required to expand community service initiatives beyond federal projects.

Similarly, expansion of inmate financial responsibilities requires legislative action. Statutory language to charge a nominal user fee for prison health care (one aspect of the financial responsibility programs) was prepared by DOJ but was dropped from H.R. 3400.

RELATED GAO PRODUCTS

---------- Chapter 14:2.5.4

BOP Trust Funds (GAO/GGD-94-149R, June 27, 1994).

Federal Prisons: Inmate and Staff Views on Education and Work Training Programs (GAO/GGD-93-33, Jan. 19, 1993).

DOJ06: IMPROVE THE MANAGEMENT OF FEDERAL ASSETS TARGETED FOR DISPOSITION

---------- Chapter 14:2.6

Improvements are needed in the methods by which the federal government disposes of various assets.

ACTION ITEMS

---------- Chapter 14:2.6.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 14:2.6.2

Generally Agree. We have identified the need for improvements in asset management and disposition activities by several agencies. We are continuing to assess asset management and disposition activities of selected agencies. We have work in progress to address possible duplication of resources within the Department of Justice and Treasury asset forfeiture programs. Also, we are studying the feasibility of a single federal agency for disposing real property from four agencies: Housing and Urban Development, Farmers Home Administration, Federal Deposit Insurance Corporation, and Resolution Trust Corporation (RTC). We will also identify recent federal government efforts to improve coordination among asset disposition entities.

IMPLEMENTATION
---------- Chapter 14:2.6.3

Partially Implemented. Some actions have been taken to implement the NPR recommendation. For example, the Departments of Justice and Treasury have agreed to jointly develop and implement a seized property tracking system to be used by all Justice and Treasury agencies as well as several other agencies.

RTC has taken actions to improve asset disposition by acting on the 21 management reforms mandated by the RTC Completion Act of December 1993. Three of these reforms specifically address asset disposition. Another significant action to improve asset disposition is being taken by the Department of Treasury and the General Services Administration. They are leading a pilot project designed to improve coordination between 11 federal agencies responsible for disposing of real property. The project has included multi-agency sales and marketing events, and development of standards for program performance.

RELATED GAO PRODUCTS
---------- Chapter 14:2.6.4

RTC: Interim Report on the Management Reforms in the RTC Completion Act (GAO/GGD-94-114, June 30, 1994).

Asset Forfeiture Programs (GAO/HR-93-17, Dec. 1992).

Resolution Trust Corporation (GAO/HR-93-4, Dec. 1992).

Tax Administration: IRS' Management of Seized Assets (GAO/T-GGD-92-65, Sept. 24, 1992).

Real Property Dispositions: Flexibility Afforded Agencies to Meet Disposition Objectives Varies (GAO/GGD-92-144FS, Sept. 18, 1992).

Asset Management: Governmentwide Asset Disposition Activities (GAO/GGD-91-139FS, Sept. 27, 1991).

DOJ07: REDUCE THE DUPLICATION OF DRUG INTELLIGENCE SYSTEMS AND IMPROVE COMPUTER SECURITY

---------- Chapter 14:2.7

NPR recommends several changes to eliminate duplication in the federal drug intelligence system.

ACTION ITEMS

---------- Chapter 14:2.7.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 14:2.7.2

Generally Agree. We generally agree with the recommendation's objectives of eliminating duplication and improving coordination in federal drug intelligence. While NPR has recommended the position of Director of Law Enforcement to manage the national counternarcotics program, such a position has not yet been established. Therefore, there is little detail provided on the roles and responsibilities of the office and how it will manage such an effort. Overlapping responsibilities among the numerous law enforcement and defense agencies result in fragmentation and duplication. NPR may want to further describe how the Director of Law Enforcement will improve coordination among such agencies as Justice, Treasury, and Defense.

IMPLEMENTATION

---------- Chapter 14:2.7.3

Not Implemented--Action Taken. The Attorney General has created the OIAP within the Department of Justice (28 C.F.R. O.17). This office was created to increase efficiency within the Department by coordinating specified activities of Justice's criminal investigative components. The Director of the FBI serves as the Director of OIAP.

OIAP, in a February 1994 resolution, acknowledged that law enforcement agencies have not maximized the sharing of information and coordination of activities in the drug intelligence arena. To address this concern, three actions were recommended. First, the FBI and DEA are to create a common drug database to consist of information contained in those agencies' existing databases. Second, the DEA/Customs El Paso Intelligence Center (EPIC) Advisory Board is to consider the FBI's request for appointment of an FBI representative as a Deputy Director of EPIC. Third, the National Drug Intelligence Center (NDIC) Director is to coordinate strategic drug intelligence initiatives with all appropriate Justice law enforcement agencies. None of these recommended actions has taken place.

Treasury officials said they have been cooperating with Justice in these efforts. In addition, Treasury has enhanced the capabilities

of the Financial Crimes Enforcement Network (FINCEN) by bringing more Treasury and non-Treasury agencies to participate in its financial information and anti-money laundering services. They have also been "selling" the advantages of the Treasury Enforcement Communications (TEC) system to other law enforcement agencies. FINCEN and the TEC system can provide substantial support to law enforcement agencies and thereby reduce duplication by eliminating the need for agencies to independently develop such services/information. In addition, Treasury has consolidated drug intelligence personnnel from two of its centers to one center. The Treasury operations center is being consolidated with an FBI center. Treasury is phasing in its planned computer security controls for safeguarding the integrity and privacy of information. These changes are covered by a December 1993 manual directive, Automated Information Systems and Network Security.

RELATED GAO PRODUCTS

---------- Chapter 14:2.7.4

Drug Control: Reauthorization of the Office of National Drug Control Policy (GAO/T-GGD-94-7, Oct. 5, 1993).

Drug Control: Reauthorization of the Office of National Drug Control Policy (GAO/GGD-93-144, Sept. 29, 1993).

Drug Control: Coordination of Intelligence Activities (GAO/GGD-93-83BR, Apr. 2, 1993).

Computer Security: DEA's Handling of Sensitive Drug Enforcement and National Security Information Is Inadequate (GAO/T-IMTEC-92-24, Sept. 30, 1992).

Drug Control: Inadequate Guidance Results in Duplicate Intelligence Production Efforts (GAO/NSIAD-92-153, Apr. 14, 1992).

War on Drugs: Information Management Poses Formidable Challenges (GAO/IMTEC-91-40, May 31, 1991).

DOJ08: REINVENT THE IMMIGRATION AND NATURALIZATION SERVICE'S ORGANIZATION AND MANAGEMENT

---------- Chapter 14:2.8

NPR recommends a number of changes in INS organization and management processes to provide an improved management structure and a strategic vision for the agency.

ACTION ITEMS

---------- Chapter 14:2.8.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 14:2.8.2

Agree. Over the past decade, weak management systems and inconsistent leadership at INS led to segmented autonomous programs, each attempting to deal with its own set of problems without much attention to the impact on other INS programs. Without coherent overall direction and basic management reforms, the organization has been unable to effectively address changing enforcement responsibilities and long-standing service delivery problems. Further, we have recommended the appointment of an Associate Commissioner for Financial Management as the focal point for developing an overall financial management plan.

IMPLEMENTATION
---------- Chapter 14:2.8.3

Not Implemented--Action Taken. The INS Commissioner developed a reorganization proposal that was submitted to and approved by Congress. INS expects to complete the reorganization soon. However, it is too early to determine if the reorganization will fully address the concerns that we expressed in our previous reports or the concerns that prompted the NPR recommendation.

RELATED GAO PRODUCTS
---------- Chapter 14:2.8.4

Financial Management: INS Lacks Accountability and Controls Over Its Resources (GAO/AFMD-91-20, Jan. 24, 1991).

Immigration Management: Strong Leadership and Management Reforms Needed to Address Serious Problems (GAO/GGD-91-28, Jan. 23, 1991).

Information Management: Immigration and Naturalization Service Lacks Ready Access to Essential Data (GAO/IMTEC-90-75, Sept. 27, 1990).

DOJ09: MAKE THE DEPARTMENT
OF JUSTICE OPERATE MORE
EFFECTIVELY AS THE U.S.
GOVERNMENT LAW FIRM
---------- Chapter 14:2.9

Justice should undertake several improvements in the way it manages its litigation functions to improve service to its customers and better manage its case load.

ACTION ITEMS
---------- Chapter 14:2.9.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 14:2.9.2

Insufficient Information. We believe that improving litigation service to customers is a goal that should be pursued by the Department. We have reported on the need for uniform and accurate litigative case management data and on weaknesses in ADP management and operations, most notably in the area of ADP security. We have not made an in-depth evaluation of other alternatives to existing litigation practices.

IMPLEMENTATION
---------- Chapter 14:2.9.3

Partially Implemented. Justice is in the process of implementing but has not completed various actions to improve its effectiveness as the federal government's law firm. For example, it has instituted a single identifier numbering system for tracking its caseloads and is developing a departmentwide case management system which should improve its ability to track cases now contained in separate agency systems. Also, it has made some progress in exchanging attorneys among some of its various components to enhance training and cooperation within the Department and with other client agencies. In addition, it has pilot tested a customer satisfaction survey which it hopes to complete and fine tune in October 1994 for full use.

RELATED GAO PRODUCTS
---------- Chapter 14:2.9.4

Justice: IRM and Project Eagle (GAO/IMTEC-93-7R, Dec. 9, 1992).

DOJ10: IMPROVE WHITE COLLAR
FRAUD CIVIL ENFORCEMENT
---------- Chapter 14:2.10

Civil fraud recovery should be established as a priority and the department should take steps to improve its white collar fraud enforcement.

ACTION ITEMS
---------- Chapter 14:2.10.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 14:2.10.2

Insufficient Information. We recognize that civil fraud recoveries are an important aspect of white collar fraud enforcement. (See our comments on related recommendation DOJ04.) We do not have sufficient information to determine whether this area should be established as a priority within Justice.

IMPLEMENTATION
---------- Chapter 14:2.10.3

Fully Implemented. The Department of Justice has completed its planned actions to implement the NPR recommendation. First, to emphasize white collar crime, the Attorney General announced at a U.S. Attorney National Conference in January 1994 that white collar crime, especially health care fraud, was among the nation's top law enforcement priorities. In March 1994, at House Appropriation hearings, the Attorney General described health care fraud as the Justice Department's second enforcement priority, with violent crime being the highest priority. Second, to attack health care fraud in a coordinated fashion, the Department of Justice has developed an executive level health care fraud group. Third, in October 1993 Congress enacted legislation allowing Justice to credit to its working captial fund up to 3 percent of all amounts collected from its civil debt collection activity to pay for the costs of processing and tracking debt collection litigation. Lastly, the Departmentof Justice has included at least one senior attorney from its Civil Division in the white collar fraud civil enforcement working group.

RELATED GAO PRODUCTS
---------- Chapter 14:2.10.4

U.S. Department of Justice: Overview of Civil and Criminal Debt Collection Efforts (GAO/T-GGD-90-62, July 31, 1990).

DOJ11: REDUCE THE DUPLICATION OF LAW ENFORCEMENT TRAINING FACILITIES
---------- Chapter 14:2.11

Overlap and duplication in the provision of federal law enforcement training facilities should be examined. Multi-agency training needs should be accommodated through existing facilities in lieu of the construction of new facilities by individual agencies.

ACTION ITEMS
---------- Chapter 14:2.11.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 14:2.11.2

Insufficient Information. Although we have not studied this issue, this is an area where we would agree that further examination could prove worthwhile. Law enforcement agencies, while having unique missions that require individualized training, frequently have overlapping jurisdictions and perform functions that require similar or identical knowledge and skills.

IMPLEMENTATION
---------- Chapter 14:2.11.3

Other. The Department of Justice has not as yet addressed this issue. However, Treasury officials believe a mechanism is already in place which is dedicated to accomplishing this recommendation. The Federal Law Enforcement Training Center, or FLETC, was established in 1970 to accomplish common training of law enforcement investigators while allowing individual participating agencies to do specialized training. Although Treasury supervises administrative and financial activities, FLETC is governed by an eight-member Board of Directors representing participating agencies, including the Departments of Justice, Treasury, and Interior and the General Services Administration (GSA). In all, over 70 law enforcement agencies participate in FLETC. However, several agencies are not participants, including U.S. Postal Inspection Service, Drug Enforcement Administration, and the Army Criminal Investigation Division; in addition, the FBI maintains its own training facilities.

RELATED GAO PRODUCTS
---------- Chapter 14:2.11.4

None.

DOJ12: STREAMLINE
BACKGROUND INVESTIGATIONS
FOR FEDERAL EMPLOYEES
---------- Chapter 14:2.12

The current method of completing background examinations on federal employees is time-consuming and inefficient. This recommendation outlines improvements to streamline the process without sacrificing thoroughness.

ACTION ITEMS
---------- Chapter 14:2.12.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 14:2.12.2

Generally Agree. We have not specifically reviewed this issue with respect to Justice employees. But, given our past work at other agencies, we endorse the concept of streamlining background investigations provided that thoroughness is not jeopardized, particularly with respect to the investigation of employees for sensitive positions such as those in law enforcement.

IMPLEMENTATION
---------- Chapter 14:2.12.3

Partially Implemented. The Department of Justice has not as yet addressed this issue. However, Treasury is in the process of implementing or evaluating actions it can take in response to the NPR recommendation. Specifically, the implementation of a Treasury Security Manual will replace OPM's Federal Personnel Manual and will address both personnel security and security investigation matters. It is anticipated that the manual will be released in early fiscal year 1995. The manual will specify minimum requirements for employment at Treasury but will allow stricter ones for bureaus that request them. Moreover, the manual will allow the bureaus to investigate applicants or secure investigation by other means.

In the area of periodic reinvestigations, Treasury is pilot testing a streamlined investigation procedure focusing on criminal background and credit checks. Treasury is also discussing with intelligence agencies ways to modify or reduce requirements for obtaining Top Secret/Sensitive Compartmentalized Information clearance. Finally, Treasury is in the process of implementing an on-line system for tracking employees' clearance status and need for periodic reinvestigation. For certain Treasury components this system went on-line May 23, 1994 and the remaining components are expected on-line by the end of 1994.

RELATED GAO PRODUCTS

---------- Chapter 14:2.12.4

Employee Background Checks (GAO/GGD-93-62R, Sept. 2, 1993).

Nuclear Security: DOE's Progress on Reducing Its Security Clearance Work Load (GAO/RCED-93-183, Aug. 12, 1993).

Personnel Security: Efforts by DOD and DOE to Eliminate Duplicate Background Investigations (GAO/RCED-93-23, May 10, 1993).

OPM Revolving Fund: Benchmarking Could Aid OPM's Efforts to Improve Customer Service (GAO/GGD-92-18, Jan. 21, 1992).

DOJ13: ADJUST CIVIL MONETARY PENALTIES TO THE INFLATION INDEX

---------- Chapter 14:2.13

Civil monetary penalties have not been adjusted to keep up with inflation. Under this recommendation, a "catch-up" adjustment would be made and the need for additional inflation adjustments would be automatically reassessed every four years.

ACTION ITEMS

---------- Chapter 14:2.13.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 14:2.13.2

Generally Agree. In principle, we agree that civil penalties should be periodically adjusted so that they do not lose relevancy. Although we have not made a detailed examination of the specifics of this recommendation (the final NPR accompanying report has not been issued), we recognize that such adjustments could be based on inflation as well as other factors such as deterrence. Our prior work on civil debt and criminal fines has shown that many of the currently imposed criminal and civil fines and penalties remain uncollected. As of the end of fiscal year 1993, the Department of Justice estimated the total amount of unpaid criminal debt exceeded $3.5 billion, and civil debt exceeded $1.9 billion; the balances owed continue to grow.

IMPLEMENTATION
---------- Chapter 14:2.13.3

Not Implemented--Action Taken. Statutory authority is required to implement an inflation adjustment for civil monetary penalties. H.R. 3400, as passed by the House of Representatives in November 1993, included provisions to use an inflation index to revise all monetary penalties every 4 years, and to provide for an immediate one-time catch-up adjustment. The provision was deleted from the bill in the Senate (S. 2170). Subsequently, S. 2170 was enacted as Public Law 103-356 on October 13, 1994, and did not contain the provision in question.

RELATED GAO PRODUCTS
---------- Chapter 14:2.13.4

Restitution, Fines, and Forfeiture: Issues for Further Review and Oversight (GAO/T-GGD-94-178, June 28, 1994).

National Fine Center: Expectations High, but Development Behind Schedule (GAO/GGD-93-95, Aug. 10, 1993).

Program Fraud: Implementation of the Program Fraud Civil Remedies Act of 1986 (GAO/AFMD-91-73, Sept. 16, 1991).

U.S. Department of Justice: Overview of Civil and Criminal Debt Collection Efforts (GAO/T-GGD-90-62, July 31, 1990).

DOJ14: IMPROVE FEDERAL
COURTHOUSE SECURITY
---------- Chapter 14:2.14

This recommendation is intended to address concerns of the U.S. Marshals Service concerning security at federal courthouses.

ACTION ITEMS
---------- Chapter 14:2.14.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 14:2.14.2

Insufficient Information. We have not taken a position on this recommendation because it is not sufficiently specific as to what concerns it is intended to address. Nonetheless, we recognize that federal courthouses need to be secure and Marshals Service resources need to be targeted at the greatest security needs based on systematic assessments of potential risk. In this regard, we issued a report on federal judicial security in July 1994 that contained numerous recommendations aimed at ensuring that a comprehensive risk-based security program is fully and consistently implemented in all judicial districts; that the program include assessments of off-site security risks and needs; and that the Marshals Service, Administrative Office of the U.S. Courts (AOUSC), and GSA clarify their roles and responsibilities for judicial security and effectively coordinate and carry them out. Justice, as well as the Judiciary and GSA, generally agreed with our findings and conclusions and indicated they were taking or planning to take action on most of our recommendations. However, Justice did not refer to the NPR recommendation in its comments or indicate how its actions would address that recommendation.

IMPLEMENTATION
---------- Chapter 14:2.14.3

Insufficient Information. The recommendation did not sufficiently identify the concerns to be addressed and no accompanying report has been issued. Thus, we could not determine the specific actions needed. However, a security working group involving Justice, GSA, and the Judiciary has been formed and meets regularly.

RELATED GAO PRODUCTS
---------- Chapter 14:2.14.4

Federal Judicial Security: Comprehensive Risk-Based Program Should Be Fully Implemented (GAO/GGD-94-112, July 14, 1994).

DOJ15: IMPROVE THE
PROFESSIONALISM OF THE U.S.
MARSHALS SERVICE
---------- Chapter 14:2.15

U.S. Marshals should be selected based on merit by the Director of the U.S. Marshals Service and reduce some positions.

ACTION ITEMS
---------- Chapter 14:2.15.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 14:2.15.2

Insufficient Information. While we endorse the concept of improving the professionalism of the Marshals Service and reducing unnecessary positions where feasible, we have not studied this issue and thus do not have sufficient information on which to take a position.

IMPLEMENTATION
---------- Chapter 14:2.15.3

Not Implemented--Action Taken. Justice has drafted legislation, which if referred to and enacted by Congress, should, according to Justice, enhance the professionalism of the Marshals Service by enabling it to select senior field managers based on demonstrated law enforcement, management, and leadership skills. Also, according to Justice, establishing an all career service Marshals Service should facilitate streamlining operations and reducing positions.

RELATED GAO PRODUCTS
---------- Chapter 14:2.15.4

None.

DOJ16: DEVELOP LOWER COST
SOLUTIONS TO FEDERAL PRISON
SPACE PROBLEMS
---------- Chapter 14:2.16

This recommendation describes approaches to solving existing prison space problems.

ACTION ITEMS
---------- Chapter 14:2.16.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 14:2.16.2

Generally Agree. We agree that lower-cost solutions need to be pursued, and implemented where feasible, but it is not yet clear whether NPR's recommendation will be limited to lowering the cost of prison design and construction or encompass options for reducing the number of persons sent to prison. Between fiscal years 1986 and 1992, the federal inmate population grew from 41,500 to more than 89,000, in part reflecting changes in sentencing policies. Absent a change in those policies, the rapid growth in the federal prison population can be expected to continue, requiring additional prison

capacity.

IMPLEMENTATION
---------- Chapter 14:2.16.3

Partially Implemented. BOP is making a number of programmatic changes in an attempt to develop lower-cost solutions to federal prison space problems. By October 1995, BOP expects to activate a third boot camp (Lompoc Boot Camp) and is in the process of requesting funding for four additional camps so that each region will have one boot camp. Also, as part of a pilot test, BOP has expanded its comprehensive sanction centers by adding 350 inmate beds.

Justice has also been exploring sentencing options. Given that drug offenders comprise a substantial proportion of the inmate population, Justice has analyzed the impact of changes to the mandatory minimum sentencing of certain drug offenders, e.g., those with minimal criminal histories. Administration officials are also meeting to consider legislative proposals related to community corrections and the resultant potential for freeing up prison bed space. No consensus has yet been reached on what should be done. Regarding home confinement, BOP officials do not envision a substantial increase unless legislation is enacted that would change the eligibility standards.

RELATED GAO PRODUCTS
---------- Chapter 14:2.16.4

Sentencing: Intermediate Sanctions in the Federal Criminal Justice System (GAO/GGD-94-63BR, January 14, 1994).

Federal Prison Expansion: Overcrowding Reduced but Inmate Population Growth May Raise Issue Again (GAO/GGD-94-48, December 14, 1993).

Intensive Probation Supervision: Crime-Control and Cost-Saving Effectiveness (GAO/PEMD-93-23, June 4, 1993).

Prison Boot Camps: Short-Term Prison Costs Reduced, but Long-Term Impact Uncertain (GAO/GGD-93-69, Apr. 29, 1993).

Prison Alternatives: Crowded Federal Prisons Can Transfer More Inmates to Halfway Houses (GAO/GGD-92-5, Nov. 14, 1991).

Prison Costs: Opportunities Exist to Lower the Cost of Building Federal Prisons (GAO/GGD-92-3, Oct. 25, 1991).

Federal Prisons: Revised Design Standards Could Save Expansion Funds (GAO/GGD-91-54, Mar. 14, 1991).

Intermediate Sanctions: Their Impacts on Prison Crowding, Costs, and Recidivism Are Still Unclear (GAO/PEMD-90-21, Sept. 7, 1990).

DEPARTMENT OF LABOR (DOL)
========== Chapter 15

OVERALL SUMMARY

---------- Chapter 15:1

Some type of action has been initiated on 19 of the 21 recommendations involving Department of Labor (DOL) programs and operations. The recommendation to reduce Federal Employees' Compensation Act fraud has been fully implemented. Also, legislation has been enacted or proposed to assist in implementing 8 of the 21 recommendations. However, much remains to be done before the other recommendations can be fully implemented. This is primarily because DOL either is conducting pilot tests concerning the proposed changes or written policies and/or regulations will need to be developed and issued. Furthermore, of the 21 recommendations, 12 will require legislative action before part or all of the recommendations can be implemented.

GAO CONTACT

---------- Chapter 15:1.1

Linda Morra, Director, Education and Employment Issues, Health, Education, and Human Services Division, (202) 512-7014.

RECOMMENDATION INFORMATION

---------- Chapter 15:2

DOL01: ENHANCE REEMPLOYMENT PROGRAMS FOR OCCUPATIONALLY DISABLED FEDERAL EMPLOYEES

---------- Chapter 15:2.1

These recommendations would help occupationally disabled federal employees return to productive careers by expanding DOL's return-to-work program. This saves money by reducing long-term benefit costs to the government.

ACTION ITEM

---------- Chapter 15:2.1.1

Authorization for the Periodic Roll Management Project should be expanded for all 12 Federal Employee Corporation Act field offices in fiscal year 1994 and the 4-year Assisted Reemployment Demonstration Project should be extended.

GAO COMMENTS

---------- Chapter 15:2.1.2

Agree. We agree that considerable improvement is possible in returning workers' compensation beneficiaries to work by increasing reemployment assistance to injured federal workers. However, we have not evaluated the potential savings.

IMPLEMENTATION
---------- Chapter 15:2.1.3

Partially Implemented. The Periodic Roll Management Project to review disability cases was started in 1992 in four DOL field offices. Funds to expand the project to the remaining eight Labor district offices that process workers' compensation claims were included in Labor's fiscal year 1995 budget request. The 1995 Departments of Labor, Health and Human Services, and Education and Related Agencies Appropriations Act (P.L. 103-333) includes $4 million to expand the Periodic Roll Management Project. According to a Labor official, the $4 million would fund about half of the positions that Labor requested. Labor has not yet decided how to allocate these positions among the district offices that still need to implement this project.

The assisted reemployment program is a demonstration program authorized in the Department of Labor's fiscal years 1992, 1993, 1994, and 1995 appropriations acts.

RELATED GAO PRODUCTS
---------- Chapter 15:2.1.4

Federal Employees' Compensation Act: Need to Increase Rehabilitation and Reemployment of Injured Workers (GAO/GGD-92-30, Feb. 2, 1992).

Federal Work Force: Federal Employees' Compensation Act Cost Growth and Workplace Safety (GAO/GGD-89-4, Oct. 20, 1988).

DOL02: DEVELOP A SINGLE COMPREHENSIVE WORKER ADJUSTMENT STRATEGY
---------- Chapter 15:2.2

Improve services to the unemployed--and those at risk of dislocation--and make better use of resources available for assistance by developing a new worker adjustment strategy.

ACTION ITEM
---------- Chapter 15:2.2.1

DOL should develop a single, integrated worker adjustment assistance program for those workers who are jobless or are expected to permanently lose their jobs.

GAO COMMENTS
---------- Chapter 15:2.2.2

Agree. We believe that a new worker adjustment strategy is needed to help dislocated workers. The current categorical approach is inequitable, slow, limited in the mix of services provided, and

unaccountable for results. We have suggested consideration of a simplified approach that helps dislocated workers regardless of the reason for the dislocation.

IMPLEMENTATION

---------- Chapter 15:2.2.3

Not Implemented--Action Taken. The Reemployment Act of 1994 was introduced in both houses of Congress. The purpose of this act was to establish a comprehensive system of reemployment services, training, and income support for permanently laid off workers. The act proposed replacing specified existing dislocated worker programs and offering a wide range of employment services to dislocated workers. However, this legislation has not been enacted.

RELATED GAO PRODUCTS

---------- Chapter 15:2.2.4

Dislocated Workers: Trade Adjustment Assistance Program Flawed (GAO/T-HRD-94-4, Oct. 19, 1993).

Dislocated Workers: Comparison of Assistance Programs (GAO/HRD-92-153BR, Sept. 10, 1992).

Dislocated Workers: Comparison of Programs (GAO/T-HRD-92-57, Sept. 10, 1992).

DOL03: EXPAND NEGOTIATED RULEMAKING AND IMPROVE UP-FRONT TEAMWORK ON REGULATIONS

---------- Chapter 15:2.3

DOL should provide administrative guidance more quickly and cheaply through negotiated rulemaking and a streamlined team approach to the rules development process.

ACTION ITEMS

---------- Chapter 15:2.3.1

1. DOL should expand the use of negotiated rulemaking.

2. DOL should employ a team concept in the development of rules.

GAO COMMENTS

---------- Chapter 15:2.3.2

Insufficient Information. Our work on Occupational Safety and Health Administration (OSHA) indicates that an improvement in the rulemaking process is needed. Negotiated rulemaking would be one option to consider. However, we have not studied whether negotiated rulemaking would expedite OSHA's rulemaking process.

IMPLEMENTATION
---------- Chapter 15:2.3.3

Not Implemented--Action Taken. DOL has established a negotiated rulemaking committee to develop a steel erection standard. The committee will use a team approach, including consensus, to develop the standard. However, results from this preliminary action are not yet available. DOL has not taken action beyond this effort to implement the recommendation.

RELATED GAO PRODUCTS
---------- Chapter 15:2.3.4

Occupational Safety and Health: Options for Improving Safety and Health in the Workplace (GAO/HRD-90-66BR, Aug. 24, 1990).

DOL04: EXPAND THE USE OF ALTERNATIVE DISPUTE RESOLUTION BY THE DEPARTMENT OF LABOR
---------- Chapter 15:2.4

The increased use of alternative dispute resolution could reduce litigation and produce significant long-term savings.

ACTION ITEM
---------- Chapter 15:2.4.1

DOL should expand the use of Alternative Dispute Resolution

GAO COMMENTS
---------- Chapter 15:2.4.2

Generally Agree. Our work at Equal Employment Opportunity Commission has shown that alternative dispute resolution could streamline the handling of cases, but we have not studied this issue in the context of DOL cases.

IMPLEMENTATION
---------- Chapter 15:2.4.3

Not Implemented--Action Taken. DOL has conducted a pilot of alternate dispute resolution (ADR) in its Philadelphia Region, and is now encouraging ADR expansion throughout the agency. However, we are not aware of any broad-scale expansion of ADR at DOL.

RELATED GAO PRODUCTS
---------- Chapter 15:2.4.4

EEOC's Expanding Workload: Increases in Age Discrimination and Other Charges Call for New Approaches (GAO/HEHS-94-32, Feb. 9, 1994).

DOL05: AUTOMATE THE PROCESSING OF ERISA ANNUAL FINANCIAL REPORTS (FORM 5500) TO CUT COSTS AND DELAYS IN OBTAINING EMPLOYEE BENEFIT PLAN DATA

---------- Chapter 15:2.5

Automating the filing and processing of annual financial reports required of pension and benefit plan administrators (Employee Retirement Income Security Act of 1974 Forms 5500) would reduce costs and delays.

ACTION ITEMS

---------- Chapter 15:2.5.1

1. ERISA should be amended to change the employer's filing deadline from 210 days after the close of a reporting period to 90 days.

2. DOL and the IRS should work to develop an automated processing system for Form 5500-series data and incentives to file data electronically.

3. IRS should revise its regulations to facilitate electronic filing of Form 5500-series data.

GAO COMMENTS

---------- Chapter 15:2.5.2

Generally Agree. We view electronic filing of the Form 5500 as a desirable method of reducing the cost of processing (shared by DOL and IRS) and reducing the nearly 3 years it takes to obtain usable data from an annual filing. However, we are reviewing the Form 5500 processing system and expect to issue a report early next year related to this issue.

IMPLEMENTATION

---------- Chapter 15:2.5.3

Partially Implemented. IRS has established the capability to electronically receive Form 5500 filings. Other than developing this system, we are not aware of other actions taken to address this recommendation.

RELATED GAO PRODUCTS

---------- Chapter 15:2.5.4

None.

DOL06: AMEND THE ERISA REQUIREMENT FOR SUMMARY PLAN DESCRIPTIONS

---------- Chapter 15:2.6

The filing of Summary Plan Descriptions (SPD) by employee benefit plan administrators with DOL is intended to make the plans more readily available for participants and beneficiaries. Since requests for copies are received on only about 1 percent, the cost to maintain the system and the administrative burden on employers far outweighs the public benefit.

ACTION ITEMS

---------- Chapter 15:2.6.1

1. ERISA should be amended to eliminate the requirement for filing all SPDs with DOL.

2. ERISA should be amended to authorize the Pension and Welfare Benefits Administration to notify plan administrators to send SPDs directly to requesters, and to obtain documents from plan administrators and forward them to requesters.

GAO COMMENTS

---------- Chapter 15:2.6.2

Generally Agree. DOL could reduce costs by reducing or eliminating storage of SPD hard copies while continuing to provide electronic access to SPDs. The SPD is a very important and valuable document for beneficiaries of pension and welfare benefit plans which DOL will obtain copies of for any requester. It is supposed to explain, in plain English, the provisions of the plan and is to be made available to each participant.

IMPLEMENTATION

---------- Chapter 15:2.6.3

Not Implemented--Action Taken. H.R. 3400, the Government Reform and Savings Act of 1993, would have amended ERISA to eliminate the requirement for filing all Summary Plan Descriptions with DOL and authorize DOL to obtain copies of SPDs from plan administrators and provide them to requesters. H.R. 3400 was passed by the House in November 1993, but this provision has not been acted upon by the Senate.

RELATED GAO PRODUCTS

---------- Chapter 15:2.6.4

None.

DOL07: REDIRECT THE MINE

SAFETY AND HEALTH ADMINISTRATION'S ROLE IN MINE EQUIPMENT REGULATION

---------- Chapter 15:2.7

Shifting the Mine Safety and Health Administration's (MSHA) regulatory role from one of in-house testing to one of on-site quality assurance would provide increased economic benefits to the mining industry and would allow DOL to redirect resources.

ACTION ITEMS

---------- Chapter 15:2.7.1

1. MSHA should shift its regulatory role from in-house prototype testing to on-site quality assurance.

2. MSHA's regulatory standards should be revised to harmonize with industry and international standards.

GAO COMMENTS

---------- Chapter 15:2.7.2

Insufficient Information. We have insufficient information to assess this recommendation because we have done no work in this area.

IMPLEMENTATION

---------- Chapter 15:2.7.3

Partially Implemented. MSHA reported that the number of field product audits had increased from 456 in fiscal year 1992 to 857 in fiscal year 1994--an 88 percent increase. Also, a pilot program for field audits of heavy equipment with the Commonwealth of Pennsylvania had started; this is an initial attempt to address the second action item in the recommendation.

RELATED GAO PRODUCTS

---------- Chapter 15:2.7.4

None.

DOL08: CREATE ONE-STOP CENTERS FOR CAREER MANAGEMENT

---------- Chapter 15:2.8

Establishing one-stop centers for career management would create a customer-driven workforce system, empowering Americans to make informed career choices and providing the means to achieve those goals.

ACTION ITEM

---------- Chapter 15:2.8.1

The DOL should lead the establishment of a comprehensive, integrated program of one-stop shopping centers for career management.

GAO COMMENTS

---------- Chapter 15:2.8.2

Generally Agree. We generally agree with the need to streamline the employment training system, and one-stop centers could be a step in that direction. However, we do not believe that one-stop centers should be the ultimate goal. We believe the consolidation of similar programs serving the same general target populations would go further to simplify the system.

IMPLEMENTATION

---------- Chapter 15:2.8.3

Not Implemented--Action Taken. The Reemployment Act of 1994 was introduced in both houses of Congress. One purpose of this act is to create one-stop career centers. However, the proposed legislation has not been enacted.

RELATED GAO PRODUCTS

---------- Chapter 15:2.8.4

Multiple Employment Training Programs: Overlap Among Programs Raises Questions About Efficiency (GAO/HEHS-94-193, July 11, 1994).

Multiple Employment Training Programs: Conflicting Requirements Underscore Need For Change (GAO/HEHS-94-120, Mar. 10, 1994).

Multiple Employment Training Programs: Major Overhaul Is Needed (GAO/T-HEHS-94-109, Mar. 3, 1994).

Multiple Employment Training Programs: Most Federal Agencies Do Not Know If Their Programs Are Working Effectively (GAO/HEHS-94-88, Mar. 2, 1994).

Multiple Employment Training Programs: Overlapping Programs Can Add Unnecessary Administrative Costs (GAO/HEHS-94-80, Jan. 28, 1994).

Multiple Employment Training Programs: Conflicting Requirements Hamper Delivery of Services (GAO/HEHS-94-78, Jan. 28, 1994).

Multiple Employment Programs: National Employment Strategy Needed (GAO/T-HRD-93-27, June 18, 1993).

Multiple Employment Programs (GAO/HRD-93-26R, June 15, 1993).

Multiple Employment Programs (GAO/HRD-93-39R, July 24, 1992).

DOL09: CREATE A

BOUNDARY-SPANNING WORKFORCE DEVELOPMENT COUNCIL

---------- Chapter 15:2.9

Because the greatest barriers to creating an integrated workforce development system are the categorical nature of federal funds and structural fragmentation of various federal programs, this issue proposes to coordinate workforce development efforts by convening a multi-agency Work Force Development Council and implementing "bottom-up grant consolidation" for states and localities.

ACTION ITEM

---------- Chapter 15:2.9.1

Create a Workforce Development Council for strategic planning on workforce development.

GAO COMMENTS

---------- Chapter 15:2.9.2

Disagree. We do not believe the establishment of coordinating councils will help improve the delivery of employment training services to those who need them. Instead, we believe the large number of federal employment training programs should be consolidated to eliminate the costly duplication of services and the special arrangements to coordinate services that also add to the administrative burden of the programs.

IMPLEMENTATION

---------- Chapter 15:2.9.3

Not Implemented--Action Taken. The Department is attempting to respond to this recommendation both administratively and legislatively. An executive order has been drafted to address this recommendation and is under review. The Department is also working with Congress and other federal agencies to develop legislation which may propose a boundary-spanning workforce development council.

RELATED GAO PRODUCTS

---------- Chapter 15:2.9.4

Multiple Employment Training Programs: Overlap Among Programs Raises Questions About Efficiency (GAO/HEHS-94-193, July 11, 1994).

Multiple Employment Training Programs: Conflicting Requirements Underscore Need For Change (GAO/HEHS-94-120, Mar. 10, 1994).

Multiple Employment Training Programs: Major Overhaul Is Needed (GAO/T-HEHS-94-109, Mar. 3, 1994).

Multiple Employment Training Programs: Most Federal Agencies Do Not Know If Their Programs Are Working Effectively (GAO/HEHS-94-88, Mar. 2, 1994).

Multiple Employment Training Programs: Overlapping Programs Can Add Unnecessary Administrative Costs (GAO/HEHS-94-80, Jan. 28, 1994).

Multiple Employment Training Programs: Conflicting Requirements Hamper Delivery of Services (GAO/HEHS-94-78, Jan. 28, 1994).

Multiple Employment Programs: National Employment Strategy Needed (GAO/T-HRD-93-27, June 18, 1993).

Multiple Employment Programs (GAO/HRD-93-26R, June 15, 1993).

Multiple Employment Programs (GAO/HRD-93-39R, July 24, 1992).

DOL10: REFOCUS THE RESPONSIBILITY FOR ENSURING WORKPLACE SAFETY AND HEALTH

---------- Chapter 15:2.10

This recommendation proposes to shift responsibility for workplace safety and health to employers by issuing regulations requiring self-inspections and implementing a sliding scale of incentives and penalties to ensure safety standards are met.

ACTION ITEMS

---------- Chapter 15:2.10.1

1. The Secretary of Labor should issue regulations requiring employers to develop worksite safety and health programs and to conduct inspections for safety and health.

2. Establish a sliding scale of incentives and penalties for ensuring workplace safety and health.

GAO COMMENTS

---------- Chapter 15:2.10.2

Insufficient Information. We have recommended that OSHA require employers in certain industries to institute worksite safety and health programs. We have also explored the advantages and disadvantages of permitting private sector consultations to substitute for certain programmed OSHA inspections. However, we have not examined explicit proposals mandating employer self-inspections and modifying existing OSHA penalty schedules.

IMPLEMENTATION

---------- Chapter 15:2.10.3

Not Implemented--Action Taken. Proposed legislation introduced in both the House and the Senate, known as the Comprehensive Occupational Safety and Health Reform Act (COSHRA) included provisions on worksite safety and health programs as well as conducting inspections for worksite safety and health. DOL is

drafting standards on worksite safety and health programs in anticipation of the enactment of COSHRA. The draft standards are currently in-house documents and are not available to GAO.

DOL is studying the establishment of a sliding scale of incentives and penalties for ensuring workplace safety and health. OSHA officials have discussed this issue with representatives from the business community, labor unions, and several professional organizations and will include their ideas and opinions as OSHA proceeds to implement this recommendation.

RELATED GAO PRODUCTS

---------- Chapter 15:2.10.4

Occupational Safety and Health: Changes Needed in the Combined Federal-State Approach (GAO/HEHS-94-10, Feb. 28, 1994).

Occupational Safety and Health: Worksite Safety and Health Programs Show Promise (GAO/HRD-92-68, May 19, 1992).

Occupational Safety and Health: Option for Improving Safety and Health in the Workplace (GAO/HRD-90-66BR, Aug. 24, 1990).

DOL11: OPEN THE CIVILIAN CONSERVATION CENTERS TO PRIVATE AND PUBLIC COMPETITION

---------- Chapter 15:2.11

A long-term reduction in costs is possible through expanded competition for contracts to operate Job Corps Civilian Conservation Centers.

ACTION ITEM

---------- Chapter 15:2.11.1

Title IV of the Job Training Partnership Act (JTPA) should be amended to authorize public and private competition for operation of the Job Corps Civilian Conservation Centers.

GAO COMMENTS

---------- Chapter 15:2.11.2

Insufficient Information. Our work has shown that public centers incur higher costs because they generally provide higher skill training. However, the public centers have higher placement rates and wages. We have no basis to judge whether open competition for contracts to operate those centers at specified training levels would result in savings.

IMPLEMENTATION

---------- Chapter 15:2.11.3

Not Implemented--No Action Taken. Section 427(c) of Public Law 102-367, "The Job Training Reform Amendments of 1992," specifically forbids the use of any appropriated nongovernmental entity to administer or manage a Civilian Conservation Center of the Job Corps. No legislation has been introduced to amend this provision.

RELATED GAO PRODUCTS
---------- Chapter 15:2.11.4

Job Corps Costs and Outcomes (GAO/HRD-93-16R, Feb. 19, 1993).

Job Corps: Its Costs, Employment Outcomes, and Service to the Public (GAO/HRD-86-112BR, July 30, 1986).

DOL12: PARTIALLY FUND MINE SAFETY AND HEALTH ENFORCEMENT THROUGH SERVICE FEES
---------- Chapter 15:2.12

Charge for services to put the mining industry on a comparable footing with other industries which bear the cost of their regulation. This proposes to partially fund enforcement of mine safety regulations through service fees.

ACTION ITEMS
---------- Chapter 15:2.12.1

1. DOL should develop a legislative proposal for partial self-funding of MSHA.

2. DOL should develop a legislative proposal that would increase other MSHA-related revenues to the Treasury.

3. DOL should develop a strategic plan to identify additional activities that would be appropriate for the collection of service fees as a continuing effort to make MSHA self-funding.

GAO COMMENTS
---------- Chapter 15:2.12.2

Insufficient Information. We have insufficient information to assess this recommendation because we have not done any work in the area.

IMPLEMENTATION
---------- Chapter 15:2.12.3

Not Implemented--No Action Taken. Legislation is needed to implement this recommendation, but none has been developed.

RELATED GAO PRODUCTS
---------- Chapter 15:2.12.4

None.

DOL13: INTEGRATE
ENFORCEMENT ACTIVITIES
WITHIN THE DEPARTMENT OF
LABOR
---------- Chapter 15:2.13

Introduce greater coordination and flexibility in the DOL enforcement agencies to project a consistent message to customers and integrate approaches to common issues.

ACTION ITEMS
---------- Chapter 15:2.13.1

1. DOL should ensure that its enforcement agencies operate as a flexible organizational network.

2. DOL should strengthen the effectiveness of communications with enforcement customers by ensuring that DOL officers consistently represent DOL's overall enforcement mission, particularly during site inspections.

3. DOL should prepare a legislative proposal to address the anomalies in the labor law penalty structure.

4. DOL should assess the feasibility of issuance by labor inspectors of warning notices when they encounter violations of other agencies' laws.

5. DOL should ensure policy coordination of agencies' goals and missions.

6. DOL enforcement agencies should collaborate in developing targeting methods.

7. DOL should select one or two priority areas to receive a full court press.

8. DOL enforcement agencies should collaborate to develop meaningful performance measures that reward quality and cooperation.

GAO COMMENTS
---------- Chapter 15:2.13.2

Insufficient Information. We have insufficient information to assess this recommendation because we have done no work in the area.

IMPLEMENTATION
---------- Chapter 15:2.13.3

Insufficient Information. None of the actions in this recommendation has been implemented. However, we understand that DOL has established an Enforcement Council, which is made up of the leaders of all the enforcement agencies in DOL. The Council seeks to improve the effectiveness and coherence of the Department's enforcement activities and, in May 1994, adopted several proposals for action that it believes should achieve a coordinated departmental enforcement strategy. The Council's proposals included: (1) creating a forum to assist the enforcement agencies in developing performance measures and exchanging information; (2) considering the possibility of proposing legislation to give the Secretary broader authority over federal contractors, and (3) considering opportunities for cross-training its investigators.

RELATED GAO PRODUCTS
---------- Chapter 15:2.13.4

None.

DOL14: APPLY INFORMATION TECHNOLOGY TO EXPEDITE WAGE DETERMINATIONS FOR FEDERAL CONTRACTS
---------- Chapter 15:2.14

Developing an electronic data interchange/data mapping system which is integrated into the Service Contract Act process should eliminate delays both in the delivery of wage determinations and in procurement when caused by determination delays.

ACTION ITEM
---------- Chapter 15:2.14.1

DOL should develop an electronic data interchange mapping system and integrate it into the Service Contract Act wage determinations process.

GAO COMMENTS
---------- Chapter 15:2.14.2

Insufficient Information. Major technological changes have facilitated Labor's administration of the Davis-Bacon wage determination process. For example, the mailing of surveys and the analysis of survey data are now largely automated. Through the expanded use of technology, it is possible that the entire wage determination process for both Davis-Bacon and the Service Contract Act could be automated, with instant communication and rapid analysis of all wages paid in the construction industry. However, the additional cost of the automation to both the federal government and contractors is unknown.

IMPLEMENTATION
---------- Chapter 15:2.14.3

Not Implemented--Action Taken. Although DOL has made use of its electronic data interchange/data mapping system for wage determination, more analysis and time are needed to determine whether other applications are possible. A pilot test of the new system is expected to begin in April 1995. The planned pilot has been discussed during several meetings, but no documentation has been prepared to date regarding how the test will be implemented.

RELATED GAO PRODUCTS
---------- Chapter 15:2.14.4

Davis-Bacon Act (GAO/HEHS-94-95R, Feb. 7, 1994).

DOL15: PROVIDE RESEARCH AND DEVELOPMENT AUTHORITY FOR THE DOL'S MINE SAFETY AND HEALTH PROGRAM
---------- Chapter 15:2.15

Granting the Mine Safety and Health Administration authority to procure services and goods directly would improve the mine safety program by expediting the acquisition process for new and improved technology.

ACTION ITEM
---------- Chapter 15:2.15.1

The Mine Safety and Health Act should be amended to grant MSHA the authority and funding to procure the services and products needed to maintain a state-of-the-art mine safety program.

GAO COMMENTS
---------- Chapter 15:2.15.2

Insufficient Information. We have insufficient information to assess this recommendation because we have not done any work in the area.

IMPLEMENTATION
---------- Chapter 15:2.15.3

Other. No legislation has been introduced to provide MSHA independent procurement authority. However, MSHA entered into a memorandum of understanding with the Department of Interior's Bureau of Mines to allow joint research and development projects, and five such joint ventures have been initiated.

RELATED GAO PRODUCTS
---------- Chapter 15:2.15.4

None.

DOL16: INCREASE ASSISTANCE TO STATES IN COLLECTING DELINQUENT UNEMPLOYMENT INSURANCE TRUST FUND CONTRIBUTIONS

---------- Chapter 15:2.16

This recommendation outlines ways of improving state collections of delinquent unemployment insurance (UI) contributions.

ACTION ITEM

---------- Chapter 15:2.16.1

The Department of Labor should work with state agencies to develop more effective programs for collecting delinquent unemployment insurance contributions.

GAO COMMENTS

---------- Chapter 15:2.16.2

Agree. We have recommended a number of federal actions that could be taken to improve states' unemployment insurance tax collection systems, including providing guidance to states in establishing judicial and administrative procedures to minimize delinquent contributions and identify nonfilers.

IMPLEMENTATION

---------- Chapter 15:2.16.3

Not Implemented--Action Taken. DOL has redefined various definitions on its main UI tax operations report--the Employment and Training Administration (ETA) 581 report. These definitions have been approved by OMB and will be implemented on January 1, 1995. However, DOL has taken no other actions to implement this recommendation.

RELATED GAO PRODUCTS

---------- Chapter 15:2.16.4

Unemployment Insurance: Opportunities to Strengthen the Tax Collection Process (GAO/HRD-89-5, June 8, 1989).

DOL17: REVISE AND UPDATE THE CONSUMER PRICE INDEX

---------- Chapter 15:2.17

The consumer price index (CPI) has important consequences for both public and private decisions. This important measure should be updated to reflect recent inflation trends.

ACTION ITEMS
---------- Chapter 15:2.17.1

1. DOL should introduce a new geographic sample and new market baskets for the CPI.

2. DOL should redesign the processing system for the Consumer Expenditure Survey.

3. DOL should revise the housing sample for the CPI. 4. DOL should redesign the computer system for processing housing data.

5. DOL should introduce computer-assisted data collection technology.

6. DOL should convert the Point of Purchase Survey from personal visit to telephone interview.

GAO COMMENTS
---------- Chapter 15:2.17.2

Insufficient Information. We have work under way as part of our review of the "Economic Statistics Initiative" that will look at the need to revise and update economic statistics, including the CPI. We have no basis to comment on this recommendation until that work is complete.

IMPLEMENTATION
---------- Chapter 15:2.17.3

Not Implemented--Action Taken. A number of actions have been taken to revise and update the CPI, but the recommendation has not been implemented. As part of DOL's appropriation, Congress approved funding for the revision and update of the CPI, but the new geographic sample and market baskets have not been introduced. Bureau of Labor Statistics officials said that the geographic area design for the CPI surveys, which is based on the 1990 Census, has been completed. BLS began reviews of a classification system which organizes products that consumers purchase, and of alternative estimation techniques. Also, BLS began developing requirements for new technology in BLS' data collection and transmission activities so it will be able to begin computer system development with forthcoming funding.

RELATED GAO PRODUCTS
---------- Chapter 15:2.17.4

None.

DOL18: IMPROVE THE DELIVERY
OF LEGAL SERVICES BY THE

OFFICE OF THE SOLICITOR IN THE DEPARTMENT OF LABOR

---------- Chapter 15:2.18

The delivery of legal services by the Office of the Solicitor can be improved by using cooperative agreements, coordinated budgeting, and better use of resources.

ACTION ITEMS

---------- Chapter 15:2.18.1

1. The Office of the Solicitor (SOL) should reexamine and possibly expand the scope of existing cooperative arrangements with client agencies.

2. SOL should expand efforts at coordinated budgeting.

3. SOL should ensure that its pilot time distribution project determines the computer hardware, software, personnel, and other requirements of an SOL-wide system.

4. SOL should provide more employee training opportunities.

5. SOL should upgrade its equipment through replacement of obsolete computer equipment, and make wider use of more advanced communications technology and information sharing capabilities.

6. SOL should look toward making wider use of paralegals and interns.

GAO COMMENTS

---------- Chapter 15:2.18.2

Insufficient Information. We have insufficient information to assess this recommendation because we have not completed any related work..

IMPLEMENTATION

---------- Chapter 15:2.18.3

Not Implemented--Action Taken. SOL has taken a number of actions to implement this recommendation, but none of the action items has been completed. SOL and OSHA have established an enforcement litigation strategy committee. SOL is also working with MSHA to implement revised case procedures and implement Alternate Case Resolution procedures. Additionally, SOL has completed three time distribution pilot projects and is currently working to complete the implementation of the system; current plans call for software installation and staff training to begin in March of 1995. SOL has also developed a strategy to upgrade its computer equipment to support SOL-wide networking plans; it requested fiscal year 1995 funds to do so. Finally, an SOL Restructuring Committee has made recommendations about how SOL can make wider use of paralegals. In its fiscal year 1996 budget request, SOL requested 10 additional FTEs for paralegals.

RELATED GAO PRODUCTS
---------- Chapter 15:2.18.4

None.

DOL19: TRANSFER THE VETERANS' EMPLOYMENT AND TRAINING SERVICE TO THE EMPLOYMENT AND TRAINING ADMINISTRATION
---------- Chapter 15:2.19

The DOL can improve service delivery to veterans and save money by consolidating administration of this function.

ACTION ITEMS
---------- Chapter 15:2.19.1

1. Contingent upon DOL's review of all employment and training programs and contingent upon implementation of a successful, comprehensive, integrated program of one-stop shopping centers for career management, the Secretary of Labor should consider reforms to the administration of VETS that would preserve and improve veterans' training.

2. DOL should explore possibilities for improving employment delivery and customer choice of service provider by requiring states to make delivery of veterans' employment and training service competitive.

GAO COMMENTS
---------- Chapter 15:2.19.2

Insufficient Information. We have not evaluated delivery of employment training programs for veterans and consequently we do not have sufficient information to comment on this recommendation. However, we have evaluated other employment training programs and have supported consolidation of some of these programs.

IMPLEMENTATION
---------- Chapter 15:2.19.3

Not Implemented--Action Taken. DOL has taken steps in response to the second action item by competitively awarding two of its three grant programs under the Job Training Partnership Act (title IV, part C). NPR has deferred indefinitely its recommendation to transfer the Veterans' Employment and Training Service to the Employment Training Administration.

RELATED GAO PRODUCTS

---------- Chapter 15:2.19.4

Multiple Employment Training Programs: Overlap Among Programs Raises Questions About Efficiency (GAO/HEHS-94-193, July 11, 1994).

Multiple Employment Training Programs: Conflicting Requirements Underscore Need For Change (GAO/HEHS-94-120, Mar. 10, 1994).

Multiple Employment Training Programs: Major Overhaul Is Needed (GAO/T-HEHS-94-109, Mar. 3, 1994).

Multiple Employment Training Programs: Most Federal Agencies Do Not Know If Their Programs Are Working Effectively (GAO/HEHS-94-88, Mar. 2, 1994).

Multiple Employment Training Programs: Overlapping Programs Can Add Unnecessary Administrative Costs (GAO/HEHS-94-80, Jan. 28, 1994).

Multiple Employment Training Programs: Conflicting Requirements Hamper Delivery of Services (GAO/HEHS-94-78, Jan. 28, 1994).

Multiple Employment Programs: National Employment Strategy Needed (GAO/T-HRD-93-27, June 18, 1993).

Multiple Employment Programs (GAO/HRD-93-26R, June 15, 1993).

Multiple Employment Programs (GAO/HRD-93-39R, July 24, 1992).

DOL20: REDUCE FEDERAL EMPLOYEES' COMPENSATION ACT FRAUD

---------- Chapter 15:2.20

Congress needs to amend several sections of the United States Code to enable DOL to eliminate benefits to persons who have been convicted of defrauding the program.

ACTION ITEMS

---------- Chapter 15:2.20.1

1. The FECA and section 1920 of title 18, United States Code, should be amended to make it a felony to knowingly and willfully make a false or misleading statement or representation in connection with the application for or receipt of FECA benefits.

2. Section 8102(a) of title 5, United States Code, should be amended to provide that an individual convicted of a violation under the amended statute, or other fraud related to FECA, forfeits all entitlement to any benefits as of the date of conviction.

3. Section 8116 of title 5, United States Code, should be amended to provide no benefits to an individual confined in a jail, prison, or other penal institution or correctional facility if that individual's conviction constituted a felony under applicable law.

GAO COMMENTS
---------- Chapter 15:2.20.2

Generally Agree. We support efforts to reduce Federal Employees' Compensation Act (FECA) fraud. However, we have not done work to determine whether the population of convicted fraud perpetrators is relatively small or large.

IMPLEMENTATION
---------- Chapter 15:2.20.3

Fully Implemented. All actions on this recommendation have been completed. The 1995 Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act (P.L. 103-333) amended Chapter 81 of title 5, United States Code to (1) terminate FECA benefits to anyone convicted of defrauding the FECA program, (2) suspend FECA benefits to anyone incarcerated for any felony, and (3) make FECA fraud a felony where the amount in question exceeds $1,000.

RELATED GAO PRODUCTS
---------- Chapter 15:2.20.4

None.

DOL21: CHANGE THE FOCUS OF
THE UNEMPLOYMENT INSURANCE
BENEFITS QUALITY CONTROL
PROGRAM TO IMPROVE
PERFORMANCE
---------- Chapter 15:2.21

Reexamining the present mix of systems to shift the focus of this program from error measurement to a constructive use of the results would allow DOL to improve benefit payment quality and more effectively achieve the program's goals.

ACTION ITEM
---------- Chapter 15:2.21.1

The DOL should reexamine the present mix of systems for improving the performance of the unemployment insurance program and devise a unified strategy that improves its effectiveness.

GAO COMMENTS
---------- Chapter 15:2.21.2

Generally Agree. In May 1989, we found that Labor's unemployment insurance performance indicators were weak and did not constitute an effective quality monitoring system. Therefore, we believe this recommendation is a step in the direction of improving unemployment insurance performance.

IMPLEMENTATION
---------- Chapter 15:2.21.3

Not Implemented--Action Taken. A DOL workgroup is in the process of developing recommendations to improve the performance of the unemployment insurance program. These principles will be applied to the Benefits Quality Control Program in early 1996.

RELATED GAO PRODUCTS
---------- Chapter 15:2.21.4

Unemployment Insurance: Administrative Funding Is a Growing Problem for State Programs (GAO/HRD-89-72BR, May 24, 1989).

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA)
========== Chapter 16

OVERALL SUMMARY
---------- Chapter 16:1

NPR recommended that NASA make more than 50 improvements in five areas: contracting, technology development and transfer, coordination and cooperation with industry, management of programs and projects, and the Mission to Planet Earth (MTPE) program. NASA has made, or is currently making, almost all of the improvements in each of these areas. Progress has been most apparent in the contracting area, where a number of improvement initiatives were already under way before the NPR recommendations were made. NASA has also taken several steps to facilitate technology development and transfer and to improve coordination and cooperation with industry. For example, NASA is encouraging increased industry participation in aeronautical research and development and is working on a variety of ways to expand its technology transfer efforts through employee training, partnering relationships, and aggressive outreach.

NASA's efforts to improve its program and project management have primarily been through the establishment of a Program Management Council to oversee the planning, implementation, and management of all major programs and projects. In addition, NASA has reshaped the management of its space station program and is working to identify and eliminate duplication of effort, reduce contracting for support services, and shrink its workforce by at least 13 percent, or about 3,200 employees, by the end of this decade. Finally, NASA continues to refine its Earth Observing System--the principal component of the MTPE program--by coordinating its developmental requirements with the user community and other existing or planned remote sensing projects in order to maximize its usefulness while attempting to control its cost.

GAO CONTACT

---------- Chapter 16:1.1

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RECOMMENDATION INFORMATION
---------- Chapter 16:2

NASA01: IMPROVE NASA
CONTRACTING PRACTICES
---------- Chapter 16:2.1

This recommendation outlines several steps NASA can take to improve its contracting procedures, including greater use of performance standards, contracting out for data instead of hardware whenever appropriate, and using cooperative research agreements to more quickly exploit high performance computing techniques.

ACTION ITEMS
---------- Chapter 16:2.1.1

1. NASA regulations should be modified to provide for greater emphasis on the selection of appropriate contract type, to make better use of positive and negative incentives to contractors through award fee contracts, and to consider increasing contractor liability for correction of defects in materials and workmanship or other failures to conform to contract requirements.

2. NASA and other government agencies should consider contracting out for data instead of hardware.

3. NASA should extend the use of its Cooperative Research Agreement solicitation instrument to for-profit, as well as nonprofit and educational, organizations to exploit new high-performance computing technology more quickly.

GAO COMMENTS
---------- Chapter 16:2.1.2

Agree. As early as 1987, NASA acknowledged that its procurement and contract management were vulnerable to waste and mismanagement, based on its own internal management reviews and those of the NASA Inspector General. Since then, the results of additional reviews, including numerous GAO reports, as well as partial or total failure of expensive space hardware, have further evidenced the need for NASA to improve its contracting practices.

IMPLEMENTATION
---------- Chapter 16:2.1.3

Partially Implemented. NASA has made considerable progress in addressing this recommendation, primarily because a number of NASA's

procurement improvement efforts were already under way before the NPR recommendations were made.

In early 1992, NASA began formulating a new award fee policy, emphasizing the selection of contract type and the use of positive and negative performance incentives. This policy was implemented during fiscal year 1994. Also, by early 1993, NASA was formulating a policy to increase contractor liability for repairing or replacing space systems which do not meet requirements. This policy is under final review within NASA.

On June 30, 1994, NASA began requiring that statements of work in contracts describe the work in terms of required output, where feasible. The statements of work are to be broad in scope and general in nature to give contractors the freedom to innovate and economize while, at the same time, making them fully responsible for quality performance and more accountable for the end results.

In February 1994, NASA prepared a sample cooperative agreement for use with for-profit firms. NASA has previously had such agreements only with universities and nonprofit organizations. The new strategy is intended to increase technology transfer to industry. The new cooperative agreement policy is not yet officially approved but NASA organizations are already implementing it. For example, a cooperative agreement notice has been issued under the Aerospace Industry Technology Program for industry-led research and development efforts.

RELATED GAO PRODUCTS

---------- Chapter 16:2.1.4

NASA Procurement: Challenges Remain in Implementing Improvement Reforms (GAO/NSIAD-94-179, Aug. 18, 1994).

NASA Property: Poor Lending Practices and Controls at the Jet Propulsion Laboratory (GAO/NSIAD-94-116, Apr. 18, 1994).

NASA: Major Challenges for Management (GAO/T-NSIAD-94-18, Oct. 6, 1993).

NASA Property: Improving Management of Government Equipment Provided to Contractors (GAO/NSIAD-93-191, Sept. 9, 1993).

NASA Procurement: Proposed Changes to the Jet Propulsion Laboratory Contract (GAO/NSIAD-93-178, July 15, 1993).

NASA's FMFIA Assertions and CFO Plan (GAO/AFMD-93-65R, June 11, 1993).

High-Risk Series: NASA Contract Management (GAO/HR-93-11, Dec. 1992).

Financial Management: NASA's Financial Reports Are Based on Unreliable Data (GAO/AFMD-93-3, Oct. 29, 1992).

NASA Procurement: Opportunities to Improve Contract Management

(GAO/T-NSIAD-92-33, May 7, 1992).

NASA02: INCREASE NASA TECHNOLOGY TRANSFER EFFORTS AND ELIMINATE BARRIERS TO TECHNOLOGY DEVELOPMENT

---------- Chapter 16:2.2

NASA should expand its technology transfer efforts and promote the development of new technologies.

ACTION ITEMS

---------- Chapter 16:2.2.1

1. NASA should enhance its protection of commercially sensitive information on joint NASA-industry technology projects by allowing temporary protection from Freedom of Information Act disclosure.

2. The State Department should publish a notice in the Federal Register to establish its goals for expediting the processing of export license applications.

3. NASA's technology transfer activities should be expanded through implementation of a variety of measures, incliuding the following:

-- NASA's Research and Technology Objectives and Plans should be modified to include a statement requesting that NASA centers give strong consideration to partnership arrangements with the commercial sector in conducting the NASA R&D program.

-- NASA should grant its centers and center directors and/or project managers more flexibility in funding technology transfer opportunities.

-- All NASA contracts should require clearly defined technology transfer plans for the commercial application of technologies developed for NASA missions.

-- NASA programs offered through the Announcement of Opportunity process should state that mission objectives also include technology advancement and infusion into the private sector and that grant proposals should be evaluated on the basis of how such objectives would be achieved.

-- NASA should significantly increase its efforts to secure alliances with state and local governments and provide small businesses with opportunities to spur technology transfer.

-- NASA's Vision-Mission-Values document should be amended to state that technology transfer is a major mission objective of the agency.

4. NASA should implement its New Technology Investments Program through the use of industry-led efforts that will create and apply new technology to NASA programs as well as to the commercial

marketplace.

GAO COMMENTS
---------- Chapter 16:2.2.2

Generally Agree. The specific actions recommended by NPR include efforts across NASA to more directly support activities for identifying and transferring useful technology to the private sector in a timely manner. Such efforts would include employee training, partnering arrangements, and aggressive outreach to promote more effective technology transfer. In general, these are appropriate mechanisms for increasing the focus on identifying and implementing technology transfer opportunities.

IMPLEMENTATION
---------- Chapter 16:2.2.3

Partially Implemented. NASA's progress in addressing these action items ranges from no action to completed action. NASA has not acted on the first action item; however, the agency is planning to establish a working group to determine the kinds of information that can appropriately be temporarily exempted from FOIA disclosure. NASA has contacted State Department officials about the second action item, but no progress has been reported to NASA by the State Department.

Regarding the third action item, NASA has drafted a new "NASA Commercial Technology Policy" that provides, among other things, for (1) committing 10 to 20 percent of the NASA budget to research and development efforts with industry, (2) providing technology transfer training in all mid-level development programs, (3) requiring technology transfer plans in all appropriate contracts, (4) increasing alliances with state and local governments, (5) providing center directors with more flexibility to fund technology transfer, and (6) making technology transfer a major mission objective. In June 1994, NASA's Commercial Technology Team, which was created in late 1993 to develop and implement an agencywide plan for commercial technology activities, prepared an "Agenda for Change" to make commercial technology a primary NASA mission, comparable in importance to aeronautics and space.

On the last action item, NASA has held two forums to discuss with industry representatives the submission of proposals under the Aerospace Industry Technology Program, the core element of NASA's New Technology Investments Program. The evaluation of proposals and source selection are scheduled for early 1995.

RELATED GAO PRODUCTS
---------- Chapter 16:2.2.4

NASA: Major Challenges for Management (GAO/T-NSIAD-94-18, Oct. 6, 1993).

NASA Aeronautics: Protecting Sensitive Technology (GAO/NSIAD-93-201,

Aug. 12, 1993).

NASA Aeronautics: Impact of Technology Transfer Activities Is Uncertain (GAO/NSIAD-93-137, Mar. 16, 1993).

NASA Aeronautics: Efforts To Preserve U.S. Leadership in the Aeronautics Industry Are Limited (GAO/T-NSIAD-92-14, Mar. 18, 1992).

NASA03: INCREASE NASA COORDINATION OF PROGRAMS WITH THE U.S. CIVIL AVIATION INDUSTRY

---------- Chapter 16:2.3

NASA should develop a closer relationship with the U.S. civil aviation industry to ensure industry input is received early and throughout the technology development process.

ACTION ITEM

---------- Chapter 16:2.3.1

NASA should develop a closer relationship with the U.S. civil aviation industry and government partners to ensure that industry needs are addressed early and throughout the technology development process and to maximize investment through fast and efficient technology transfer activities. In pursuing this objective, NASA should:

-- ensure that promising technologies are fully developed, through validation where necessary, to reduce the risk to industry of commercialization efforts;

-- increase industry participation and involvement in all phases of the research and development process, from planning to implementation as well as in the evaluation of results; and

-- improve its responsiveness to specific industry needs through increased flexibility of services and resources (facilities and people) and programmatic objectives.

GAO COMMENTS

---------- Chapter 16:2.3.2

Agree. The specific areas of emphasis addressed under this recommendation are consistent with our concerns about providing better service and support to the aviation industry. In particular, they focus on the need for NASA to change the type of aeronautics research support it offers and to generally improve its coordination and communication with industry.

IMPLEMENTATION

---------- Chapter 16:2.3.3

Partially Implemented. NASA has initiated or completed action in each of the recommendation's three areas of emphasis. NASA is working with the Office of Science and Technology Policy/National Economic Council and other federal agencies to help develop a coordinated science and technology policy and federal research and development strategy before adapting them to agency-specific use. Meanwhile, NASA is concentrating its efforts on its top three technology priorities--high speed research, subsonic research, and aeronautics test facilities.

NASA is increasing industry participation in all phases of the research and development process in a variety of ways. For example, NASA held a workshop in April 1993 that solicited assistance from industry and academia in redefining the focus of parts of its High Performance Computing and Communications Program. NASA is also augmenting its Advanced Composites Technology program with a team of airframe manufacturers, materials suppliers, and university researchers and has established the Environmental Research and Sensor Technology program alliance with industry to accelerate the development of high altitude/long endurance automated vehicles.

In response to the last area of emphasis, NASA has established a link between its field centers and industry through Internet to enable industry to access NASA databases. In addition, NASA's aeronautics centers have instituted an exit survey of the users of their facilities to ascertain customer satisfaction. Finally, since the Technology Transfer Act of 1986 makes laboratory researchers responsible for technology transfer, NASA is amending the position descriptions of each laboratory science and engineering professional to hold them accountable for identifying and responding to technology transfer opportunities.

RELATED GAO PRODUCTS

---------- Chapter 16:2.3.4

NASA: Major Challenges for Management (GAO/T-NSIAD-94-18, Oct. 6, 1993).

NASA Aeronautics: Protecting Sensitive Technology (GAO/NSIAD-93-201, Aug. 12, 1993).

NASA Aeronautics: Impact of Technology Transfer Activities Is Uncertain (GAO/NSIAD-93-137, Mar. 16, 1993).

NASA Aeronautics: Efforts To Preserve U.S. Leadership in the Aeronautics Industry Are Limited (GAO/T-NSIAD-92-14, Mar. 18, 1992).

NASA04: STRENGTHEN AND RESTRUCTURE NASA MANAGEMENT

---------- Chapter 16:2.4

NASA program management should be aggressively overhauled. This recommendation outlines a number of steps the agency should take, both in overall management and in the management of the space station program.

ACTION ITEMS
---------- Chapter 16:2.4.1

1. NASA should aggressively complete its overhaul of the space station program management, reducing the number of total contractor and civil service staff by approximately 30 percent and reducing the number of government employees working on the space station program to approximately 1,000 (a reduction of 1,300 employees over the current program).

2. NASA should implement the management principles developed for the redesigned space station program across the agency in all areas of program and institutional management.

3. NASA should aggressively reposition its staff to meet the agency's new challenges.

4. NASA should restructure its internal management processes for program formulation and implementation by formally instituting its Program Management Council to be chaired by the deputy administrator.

5. NASA should work aggressively with its interagency counterparts to complete a summary report to the administration, by June 1994, identifying federal aerospace facility shortfalls, new facility requirements, consolidation opportunities, and recommendations for closing.

GAO COMMENTS
---------- Chapter 16:2.4.2

Generally Agree. Many of the specific actions recommended by NPR--such as efforts to better focus NASA's work, clearly assign accountability for that work, improve the efficiency of NASA's operations, and better control the management of major programs and projects--are clearly intended to improve NASA's performance. There are, however, also actions that generally or specifically call for reductions in both NASA and contractor personnel. For several years, we have expressed concern about NASA's ability to adequately oversee its contractors' technical and business operations. Whether NASA can achieve the level of operating economies and efficiencies it will need to enable the agency to recapture control while simultaneously reducing its size remains to be seen.

IMPLEMENTATION
---------- Chapter 16:2.4.3

Partially Implemented. NASA has completed the new program management structure for the space station. This involved consolidating the work formerly performed at four NASA sites under four different contracts into one contract at one location--Johnson Space Center. NASA cut its workforce in half and eliminated an entire layer of management. Through reassignments and the use of job fairs at headquarters and some centers, the reorganization was accomplished

with minor adverse effect on the workforce, according to NASA officials.

NASA is implementing a series of actions in response to the second action item. For example, NASA has developed and is implementing a new support service contract policy. A review panel is enforcing the new policy and identifying service contracts to be eliminated. Through June 1994, the panel reviewed over 60 service contracts at headquarters and determined that approximately 50 percent can be phased out. Similar reviews are to be performed at other NASA locations. Also, NASA is currently developing an organizational handbook that will reduce the volume of internal regulations by half and institute a new policy that, among other things, stresses fewer management layers and establishes clear lines of authority and responsibility.

Relating to both the second and the third action items, NASA has determined that significant reductions in headquarters staff, supervisory positions, and administrative functional specialists positions can be made, and the agency is making progress on downsizing its workforce by at least 13 percent, or about 3,200 full-time equivalent (FTE) positions, between fiscal years 1992 and 1999. The Federal Workforce Restructuring Act of 1994 allowed NASA to offer voluntary separation incentives to its employees. The incentives enabled NASA to reduce its workforce by over 1,200 FTEs and to achieve its fiscal year 1995 target employment level of just over 23,000 a year earlier than planned. The remaining 1,200 to 1,300 FTE reduction for fiscal years 1996 through 1999 will be achieved through attrition and by limiting new hires.

NASA also conducted a roles and missions review at headquarters to determine appropriate staffing levels for each organizational entity and to identify fragmentation or duplication of work. Similar reviews will be done at each field center.

Regarding the fourth action item, NASA established the Program Management Council to oversee the planning, implementation, and management of all major programs or projects. The Council is specifically responsible for ensuring the programs' and projects' appropriateness, reasonableness, readiness, and affordability when they are started and for performing a variety of progress reviews throughout their lives.

Lastly, NASA and the Departments of Commerce, Defense, Energy, and Transportation issued a summary report in April 1994 identifying federal aerospace facility shortfalls, new requirements, consolidation opportunities, and recommendations for closing.

RELATED GAO PRODUCTS

---------- Chapter 16:2.4.4

Space Station: Update on the Impact of the Expanded Russian Role (GAO/NSIAD-94-248, July 29, 1994).

Space Station: Impact of the Expanded Russian Role on Funding and Research (GAO/NSIAD-94-220, June 21, 1994).

Space Shuttle: Incomplete Data and Funding Approach Increase Cost Risk for Upgrade Program (GAO/NSIAD-94-23, May 26, 1994).

Space Projects: Astrophysics Facility Program Contains Cost and Schedule Risk (GAO/NSIAD-94-80, Jan. 28, 1994).

Space Science: Causes and Impacts of Cutbacks to NASA's Outer Solar System Exploration Missions (GAO/NSIAD-94-24, Dec. 29, 1993).

NASA: Major Challenges for Management (GAO/T-NSIAD-94-18, Oct. 6, 1993).

NASA's FMFIA Assertions and CFO Plan (GAO/AFMD-93-65R, June 11, 1993).

NASA Program Costs: Space Missions Require Substantially More Funding Than Initially Estimated (GAO/NSIAD-93-97, Dec. 31, 1992).

Space Programs: NASA's Independent Cost Estimating Capability Needs Improvement (GAO/NSIAD-93-73, Nov. 5, 1992).

Financial Management: NASA's Financial Reports Are Based on Unreliable Data (GAO/AFMD-93-3, Oct. 29, 1992).

NASA05: CLARIFY THE OBJECTIVES OF THE MISSION TO PLANET EARTH PROGRAM

---------- Chapter 16:2.5

This recommendation suggests a number of steps needed to improve the management and performance of the Mission to Planet Earth (MTPE) program.

ACTION ITEMS

---------- Chapter 16:2.5.1

1. NASA should use innovative management and streamlined procurement mechanisms to ensure that MTPE development costs are contained within existing estimates and that life-cycle costs are minimized.

2. NASA should ensure that the development of MTPE is consistent with high-priority national and international science objectives relating to global change research.

3. NASA should give emphasis to policymakers in the implementation of MTPE.

4. NASA should employ innovative development approaches to the Earth Observation System Data and Information System (EOSDIS) program which emphasize evolutionary growth, technology infusion, and direct customer participation.

5. NASA should encourage the educational benefits of the EOSDIS.

6. NASA should assist in ongoing efforts to converge U.S. operational weather satellites, given the benefits of streamlining the collection of weather data across the government.

GAO COMMENTS
---------- Chapter 16:2.5.2

Agree. The specific actions intended under this recommendation are principally focused on achieving the overall program's science objectives and meeting user requirements within cost parameters. The Earth Observing System (EOS) is the most critical component of the Mission to Planet Earth. Our work addressing the EOS structure and database development activities indicate the need for these types of actions to help ensure the operational effectiveness of the data collection and dissemination effort.

IMPLEMENTATION
---------- Chapter 16:2.5.3

Partially Implemented. NASA's new Program Management Council will help the agency comply with the first action item. The Council reviews, approves, and oversees the MTPE program, including its cost control. NASA responded to the second action item by coordinating with the U.S. Global Change Research Program officials and the Intergovernmental Panel on Climate Change to ensure that the development of the MTPE program is consistent with national and international science objectives relating to global change research.

On the third action item, NASA issued a cooperative agreement notice in January 1994 soliciting state-level participation in MTPE data applications. NASA has also made historic data sets related to EOS available to interested science and educational community users at several of NASA's eight distributed active archive centers and coordinated with the intelligence community to make certain nontraditional data sets available. To date, NASA reports strong interest in the data. NASA also encourages the educational benefits of EOSDIS by making data available at its archive centers, thus addressing the fifth action item.

On the fourth action item, NASA officials indicated that they are employing a variety of innovative development approaches for EOSDIS, including an open-system concept that is independent of any specific vendor and permits upgrading of components, thus enabling advanced technology integration.

Lastly, NASA is a member of a multiagency team studying the convergence of all U.S. polar-orbiting meteorological satellites. Under the convergence implementation plan developed by the team, an integrated program office would be responsible for acquiring, operating, and managing the converged system. The program office would prepare a single budget, but funding would actually be requested separately by each agency from several different authorizations and appropriations committees. The team is currently drafting an integrated requirements document to satisfy the needs of each agency.

RELATED GAO PRODUCTS
---------- Chapter 16:2.5.4

NASA: Changes to the Scope, Schedule, and Estimated Cost of the Earth Observing System (GAO/NSIAD-92-223, July 22, 1992).

EOS Data Policy: Questions Remain About U.S. Commercial Access (GAO/IMTEC-92-44, June 25, 1992).

Earth Observing System: Broader Involvement of the EOSDIS User Community Is Needed (GAO/IMTEC-92-40, May 11, 1992).

Earth Observing System: NASA's EOSDIS Development Approach Is Risky (GAO/IMTEC-92-24, Feb. 25, 1992).

NATIONAL SCIENCE FOUNDATION/OFFICE OF SCIENCE AND TECHNOLOGY POLICY (NSF)
========== Chapter 17

OVERALL SUMMARY
---------- Chapter 17:1

Action has been taken to implement each of NPR's three recommendations. The recommendation to strengthen the coordination of science policy has been fully implemented through the establishment of the new National Science and Technology Council (NSF01). The recommendation to continue automating NSF's research support functions has been partially implemented; this effort was initiated in 1994 and is scheduled for completion by the end of fiscal year 1996 (NSF03). Finally, the recommendation to use the Federal Demonstration Project to increase research productivity has not been implemented, but a draft plan for implementation is under review (NSF02).

GAO CONTACT
---------- Chapter 17:1.1

Victor S. Rezendes, Energy and Science Issues, Resources, Community, and Economic Development Division, (202) 512-3841.

RECOMMENDATION INFORMATION
---------- Chapter 17:2

NSF01: STRENGTHEN COORDINATION OF SCIENCE POLICY
---------- Chapter 17:2.1

NPR recommends modifying the current structure of the Federal

Coordinating Council for Science, Engineering, and Technology (FCCSET) to strengthen its role in science policy.

ACTION ITEMS

---------- Chapter 17:2.1.1

1. Modify the current FCCSET structure and reconstitute the organization as the National Science and Technology Council (NSTC) to coordinate the development and implementation of science and technology policy.

2. The proposed policy council should be created immediately by presidential directive.

GAO COMMENTS

---------- Chapter 17:2.1.2

Generally Agree. Although we have not done any work focused specifically on this issue, FCCSET has been generally viewed as lacking the authority and clout to play a significant role in directing science policy and in establishing priorities for science and technology within the federal government. With the growing link this administration envisions between initiatives in science and technology and the nation's economic well-being, a stronger process for formulating policy and setting priorities seems vital. In addition, we have reported on the need for better coordination of research activities among federal agencies.

IMPLEMENTATION

---------- Chapter 17:2.1.3

Fully Implemented. The issuance of two executive orders--the Establishment of the National Science and Technology Council (E.O. 12881) and the President's Committee of Advisors on Science and Technology (E.O. 12882)--on November 23, 1993, fully implemented both of the NPR's action items under this recommendation.

RELATED GAO PRODUCTS

---------- Chapter 17:2.1.4

Aviation Research: Issues Related to FAA's Research Activities (GAO/T-RCED-93-68, July 29, 1993).

High Performance Computing: Advanced Research Projects Agency Should Do More to Foster Program Goals (GAO/IMTEC-93-24, May 17, 1993).

NSF02: USE A FEDERAL DEMONSTRATION PROJECT TO INCREASE RESEARCH PRODUCTIVITY

---------- Chapter 17:2.2

NPR recommends using a demonstration project structured between several universities and five federal agencies as a model for a program to reduce administrative overhead on research grants.

ACTION ITEM

---------- Chapter 17:2.2.1

The Federal Demonstration Project, in cooperation with OMB, should define a systematic means to select participants and to introduce those procedures that are shown to be effective into federal regulations.

GAO COMMENTS

---------- Chapter 17:2.2.2

Agree. We support any effort to reduce unnecessary overhead costs. We have issued a number of reports on this issue. More specifically, regarding federally funded research at universities, we recommended in an August 1992 report entitled Federal Research: System for Reimbursing Universities' Indirect Costs Should Be Reevaluated that OMB consider involving a cross section of the university community in the work of the task force it formed to evaluate alternative methods for reimbursing universities for overhead costs related to federally sponsored research.

IMPLEMENTATION

---------- Chapter 17:2.2.3

Not Implemented--Action Taken. A subgroup of the Federal Demonstration Project's (FDP) steering committee has developed a draft implementation plan for this NPR recommendation. Entitled "The Federal Demonstration Project: A Proposal for Implementing Recommendations of the NPR," the plan was developed in consultation with the Chair, Interagency Assessment Committee, and with OMB. In July 1994, it was conveyed to OMB for review and is awaiting OMB's approval. This plan, which builds on previous FDP initiatives, would implement the NPR proposal to formalize a process and criteria for (1) selecting institutions to participate in the FDP and (2) introducing procedures that are shown to be effective into federal regulations. The plan establishes the terms and conditions for the administration of federal research grant awards to the institutions participating in the FDP.

RELATED GAO PRODUCTS

---------- Chapter 17:2.2.4

Federal Research: Advanced Technology Program's Indirect Cost Rates and Program Evaluation Status (GAO/RCED-93-221, Sept. 10, 1993).

Federal Research: Minor Changes Would Further Improve New NSF Indirect Cost Guidance (GAO/RCED-93-140, June 3, 1993).

Federal Research: System for Reimbursing Universities' Indirect

Costs Should Be Reevaluated (GAO/RCED-92-203, Aug. 26, 1992).

NSF03: CONTINUE AUTOMATION OF NSF RESEARCH SUPPORT FUNCTIONS

---------- Chapter 17:2.3

NSF should push forward with efforts to implement advanced information technology in the proposal submission, review, award, and information dissemination areas.

ACTION ITEMS

---------- Chapter 17:2.3.1

1. NSF should continue its efforts to implement advanced information technology in the proposal submission, review, award, and information dissemination process.

2. A formal means for NSF to share developments with other research agencies should be defined.

3. NSF should be able to compete for funds to accelerate automation of grants processing.

GAO COMMENTS

---------- Chapter 17:2.3.2

Generally Agree. While we have not examined the status of automation at NSF, we generally support efforts to use advanced information technologies effectively in carrying out agencies' missions.

IMPLEMENTATION

---------- Chapter 17:2.3.3

Partially Implemented. NSF has initiated Project Fastlane to implement advanced information technology. This project involves placing about 20 basic processes for managing proposals and other interactions with the research community in an information technology repository. Other agencies--including the Department of Defense, the Department of Energy, the National Institutes of Health, and the National Aeronautics and Space Administration (NASA)--are working with NSF on this initiative. As the lead agency, NSF has developed a detailed plan to implement this new technology. Contracts to develop 6 of the 20 basic processes in Project Fastlane were signed in August 1994; the other 14 projects will be implemented in fiscal years 1995 and 1996 (action item 1). As a step toward defining a formal means for NSF to share developments with other research agencies, NSF has selected a manager and is developing an approach. NSF has also conducted five formal meetings with other agencies to let them know what it is doing. Two other agencies, NASA and the Environmental Protection Agency, have expressed strong interest in participating in NSF's effort, and several other agencies are awaiting further developments (action item 2). NSF has taken no action on the

recommendation that it should be able to compete for funds to accelerate the automation of grants processing because it believes that the recommendation requires the creation of a governmentwide fund and action at a higher level than NSF (action item 3).

RELATED GAO PRODUCTS
---------- Chapter 17:2.3.4

None.

SMALL BUSINESS ADMINISTRATION
(SBA)
========== Chapter 18

OVERALL SUMMARY
---------- Chapter 18:1

Actions have been taken on all of the NPR recommendations on SBA, which should make SBA's programs significantly more responsive to the needs of small business. Although none of these recommendations has been fully implemented, three have been partially implemented, and varying degrees of action have been taken on the remaining five. Through several initiatives, SBA has partially implemented the recommendation that it reinvent its credit programs. SBA's new Low Documentation Loan Program simplifies the application process for loans under $100,000, and the GreenLine Program guarantees revolving lines of credit extended to small businesses (SBA03). Public Law 103-403, signed on October 22, 1994, authorized a pilot program that allows SBA to guarantee loans to nonprofit intermediaries that will, in turn, make small loans to small businesses (SBA05). To improve service and efficiency, SBA is also transferring staff from its headquarters and regional offices to its district offices, as recommended by NPR (SBA07).

Significant activity has occurred in response to two other recommendations. Proposed legislation that would allow judicial review of agencies' compliance with the Regulatory Flexibility Act, if enacted, is expected to reduce the regulatory burden on small business (SBA01). Actions taken by the Department of the Treasury's Office of the Comptroller of the Currency have relaxed some of the federal guidelines for lending to small businesses (SBA04).

Progress in other areas has been slower. SBA has proposed a new minority enterprise development program to improve its service to minority-owned small businesses, but legislation for implementing the program has not yet been introduced (SBA02). Although SBA developed a proposal to charge fees for services provided by its Small Business Development Centers, as NPR recommended, Congress enacted legislation prohibiting such charges (SBA06). Efforts to obtain better data on small businesses have been limited to meetings between SBA officials and officials from the Office of Management and Budget and the Council of Economic Advisers (SBA08).

GAO CONTACT
---------- Chapter 18:1.1

Judy A. England-Joseph, Director, Housing and Community Development Issues, Resources, Community, and Economic Development Division, (202) 512-7631.

RECOMMENDATION INFORMATION
---------- Chapter 18:2

SBA01: ALLOW JUDICIAL REVIEW OF THE REGULATORY FLEXIBILITY ACT
---------- Chapter 18:2.1

Allow access to the courts when federal agencies develop rules that fail to properly examine alternatives that will lessen the burden on small businesses.

ACTION ITEMS
---------- Chapter 18:2.1.1

1. The Regulatory Flexibility Act (RFA) of 1980 should be amended to allow for judicial review of agency determinations under the RFA.

2. An executive order should be issued requiring the SBA Office of Advocacy to issue governmentwide guidance on appropriate processes for complying with the analytical requirements of RFA.

GAO COMMENTS
---------- Chapter 18:2.1.2

Insufficient Information. We have not examined whether judicial review of the Regulatory Flexibility Act would or would not improve agencies' compliance with the act. However, other means may be available to improve compliance. In April 1994, we reported on federal agencies' implementation of the Regulatory Flexibility Act. Although this report did not examine the implications of implementing judicial review, it did identify significant variation in federal agencies' compliance with the act. To improve compliance, we suggested that Congress consider amending the act to give SBA clearer authority to interpret the act's provisions and require SBA to develop criteria on how federal agencies should conduct analyses.

IMPLEMENTATION
---------- Chapter 18:2.1.3

Not Implemented--Action Taken. H.R 820, the National Competitiveness Act of 1994 (as passed by the Senate on Mar. 16, 1994), and H.R. 830, the Regulatory Flexibility Amendments Act of 1993, provide for the judicial review of agencies' determinations under the RFA (action item 1). SBA believes an executive order providing RFA guidance

(action item 2) would be premature because no guidance can be properly issued until the underlying legislative issues have been addressed.

RELATED GAO PRODUCTS
---------- Chapter 18:2.1.4

Regulatory Flexibility Act: Status of Agencies' Compliance (GAO/GGD-94-105, Apr. 27, 1994).

Regulatory Flexibility Act: Inherent Weaknesses May Limit Its Usefulness for Small Governments (GAO/HRD-91-16, Jan. 11, 1991).

SBA02: IMPROVE ASSISTANCE
TO MINORITY SMALL BUSINESSES
---------- Chapter 18:2.2

This proposal recommends a complete review of all federal minority business assistance programs and the establishment of a Small Disadvantaged Business Set-Aside program for civilian agencies to provide increased opportunities for minority small business.

ACTION ITEMS
---------- Chapter 18:2.2.1

1. By December 1, 1994, the Administrator of SBA and the Secretary of Commerce, on completion of their review of federal minority business assistance programs, should recommend improvements in federal assistance to minority small businesses to the President.

2. The SBA Administrator should streamline the 8(a) application process to reduce the amount of time involved.

3. The Small Business Act should be amended to allow the Associate Administrator for Minority Small Business and Capital Ownership Development to delegate authority for final determinations of Section 8(a) program eligibility.

4. The Small Business Act should be amended to allow SBA to delegate contract award functions to federal procuring agencies, so long as they consistently abide by federal acquisition and SBA 8(a) program regulations, and to provide SBA with the authority to conduct reviews to verify compliance with 8(a) program regulations.

5. The Small Business Act should be amended to require federal procuring agencies to use their existing authority to provide advance payments on 8(a) contracts, when such funding is necessary to contract performance.

6. The Small Business Act should be amended to provide civilian agencies the same authority that DOD currently has for its own "Small Disadvantaged Business Set-Aside" program.

GAO COMMENTS

---------- Chapter 18:2.2.2

Generally Agree. Our work on SBA's minority business development program has shown a need to review the effectiveness of federal minority assistance programs. However, if a governmentwide set-aside program is established for small disadvantaged businesses, action should be taken to ensure that the program does not decrease the opportunities available to small businesses in the Section 8(a) minority business development program.

IMPLEMENTATION

---------- Chapter 18:2.2.3

Not Implemented--Action Taken. Although no review has been conducted of federal assistance to minority small businesses, SBA has proposed a new Minority Enterprise Development (MED) program to replace its current Section 8(a) minority development program (action item 1). As recommended by the NPR, the proposed MED program will streamline the application process to reduce the time required to process applications (action item 2), delegate authority for certifying programs to SBA district offices (action item 3), remove SBA as the prime contractor on program contracts (action item 4), and institute a governmentwide program to set aside contracts for small disadvantaged firms (action item 6). Rather than requiring federal procuring agencies to advance contract payments to assist firms in performing contracts, as recommended by the NPR, the MED program proposes to (1) prequalify firms for credit, thereby enabling them subsequently to demonstrate their financial capability to perform a contract, and (2) guarantee loans made to firms in the program at a higher rate than loans made to other businesses (action item 5). In August 1994, SBA presented its MED proposal in testimony before the Senate Small Business Committee. Legislation (S. 2478) passed by the Senate on October 7, 1994, would reform SBA's 8(a) minority business development program by, among other things, establishing a one-stop 8(a) application process, allowing federal agencies to award 8(a) program contracts directly to 8(a) firms, and instituting a governmentwide program to set aside contracts for small disadvantaged firms.

RELATED GAO PRODUCTS

---------- Chapter 18:2.2.4

Highway Contracting: Disadvantaged Business Program Meets Contract Goal, but Refinements Are Needed (GAO/RCED-94-168, Aug. 17, 1994).

Small Business: SBA Cannot Assess the Success of Its Minority Business Development Program (GAO/T-RCED-94-278, July 27, 1994).

Small Business: Information on Participation in SBA's Bonding Activities (GAO/RCED-94-134, Mar. 24, 1994).

Energy Management: DOE Can Improve Distribution of Dollars Awarded Under SBA's 8(a) Program (GAO/RCED-94-28, Feb. 23, 1994).

Small Business: The Small Business Administration's Progress in Restructuring Its Business Development Program (GAO/T-RCED-93-56, Sept. 22, 1993).

Small Business: Problems Continue With SBA's Minority Business Development Program (GAO/RCED-93-145, Sept. 17, 1993).

Small Business: Federal Agencies' Contracting Goals for Women-Owned Businesses (GAO/T-RCED-92-95, Sept. 17, 1992).

Small Business: Efforts to Provide Federal Procurement Dollars to Women-Owned Businesses (GAO/RCED-92-185, July 28, 1992).

Small Business: The Small Business Administration's Progress in Restructuring Its 8(a) Business Development Program (GAO/T-RCED-92-35, Mar. 4, 1992).

Small Business: Problems in Restructuring SBA's Minority Business Development Program (GAO/RCED-92-68, Jan. 31, 1992).

Small Business: Participation in SBA's 8(a) Business Development Program (GAO/RCED-91-173, June 11, 1991).

Small Business: Information on and Improvements Needed to Surety Bond Guarantee Program (GAO/RCED-91-99, Apr. 23, 1991).

Minority Business: Minority Business Development Agency Needs to Address Program Weaknesses (GAO/RCED-91-114, Apr. 16, 1991).

Minority Business: Management Improvements Needed at Minority Business Development Agency (GAO/RCED-90-69, Jan. 19, 1990).

SBA03: REINVENT THE U.S. SMALL BUSINESS ADMINISTRATION'S CREDIT PROGRAMS

---------- Chapter 18:2.3

Identify ways to improve SBA's credit programs to make SBA more responsive to those industries with the potential for creating a higher number of jobs, those involved in international trade, and those providing critical technologies. It will also enable the agency to operate more efficiently.

ACTION ITEM

---------- Chapter 18:2.3.1

The SBA Administrator, upon completion of his review of SBA's credit programs, should provide a report to the President that outlines specific recommendations, including necessary legislative changes, to improve, expand, and lower the costs of the SBA credit programs.

GAO COMMENTS

---------- Chapter 18:2.3.2

Generally Agree. A reassessment of SBA's credit programs is appropriate. Few changes have been made in SBA's credit programs over the last several years even though significant structural changes have occurred in the banking industry. Changes to make SBA's credit programs more user-friendly and more accessible, as discussed by the NPR, would benefit both small businesses and lenders.

IMPLEMENTATION
---------- Chapter 18:2.3.3

Partially Implemented. In a February 1994 report to the President, the SBA Administrator reported on small businesses' concerns and SBA's reaction to these concerns. Since that time, SBA has taken several steps to improve its credit programs. SBA's Low Documentation Loan Program, implemented in June 1994, is designed to encourage lenders to guarantee loans of $100,000 or less by requiring less paperwork for loan applications (a single loan application, in many cases) and allowing a lender to rely on an applicant's character rather than on credit factors to approve a loan. SBA's GreenLine Program, implemented in July 1994, provides guarantees of up to 5 years for lines of credit extended by lenders to small businesses. According to SBA, GreenLine is designed for small businesses whose capital needs are recurring and cyclical. SBA's Women's Prequalification Pilot Loan Program, under way in 11 cities, is designed to streamline the application process for loans of $250,000 or less to businesses owned by women and to respond quickly to nonprofit intermediaries packaging such loans. SBA's Small Loan Express Program, which SBA plans to have operating by the end of 1994, will allow selected lenders to approve, service, and liquidate SBA-guaranteed loans of up to $100,000. SBA also plans to develop a revised application package for section 7(a) small business loans.

RELATED GAO PRODUCTS
---------- Chapter 18:2.3.4

Interstate Banking: Benefits and Risks of Removing Regulatory Restrictions (GAO/GGD-94-26, Nov. 3, 1993).

Bank Regulation: Regulatory Impediments to Small Business Lending Should Be Removed (GAO/GGD-93-121, Sept. 7, 1993).

Small Business: Financial Condition of SBA's Business Loan Portfolio Is Improving (GAO/RCED-92-49, Dec. 3, 1991).

SBA04: EXAMINE FEDERAL GUIDELINES FOR SMALL BUSINESS LENDING REQUIREMENTS
---------- Chapter 18:2.4

The federal government should examine the guidelines bank regulators set for small business lending by financial institutions to ensure that capital is available without undue barriers while maintaining

the integrity of the financial institutions.

ACTION ITEMS
---------- Chapter 18:2.4.1

1. The Department of the Treasury, in conjunction with the bank and thrift institutions' regulators, should examine guidelines for depository institutions to determine whether all small business loans made by well-capitalized institutions should be examined solely on performance.

2. The Federal Financial Institutions Examination Council should develop an objective economic indicator of lending to small business.

GAO COMMENTS
---------- Chapter 18:2.4.2

Generally Agree. We support the need to examine federal guidelines for small business lending requirements in order to make capital available to small businesses. We have recommended changes in collateral requirements and in supervisory procedures that could facilitate traditional small business lending without compromising the safety and soundness of banks.

IMPLEMENTATION
---------- Chapter 18:2.4.3

Not Implemented--Action Taken. A 1993 directive from the Department of the Treasury's Office of the Comptroller of the Currency (OCC) provided that, for highly rated and adequately capitalized institutions, a portion of the loans to small and medium-sized businesses would be evaluated solely on performance. In July 1994, OCC also issued streamlined examination procedures that place greater emphasis on performance for community banks (action item 1). According to OCC, regulatory agencies have decided to defer action on collecting data on lending to small businesses until a revised Community Reinvestment Act regulation is adopted (action item 2).

RELATED GAO PRODUCTS
---------- Chapter 18:2.4.4

Bank Regulation: Regulatory Impediments to Small Business Lending Should Be Removed (GAO/GGD-93-121, Sept. 7, 1993).

Small Business: Analysis of SBA's Preferred Lenders Program (GAO/RCED-92-124, May 15, 1992).

SBA05: MANAGE THE MICROLOAN
PROGRAM TO INCREASE LOANS
FOR SMALL BUSINESSES
---------- Chapter 18:2.5

Allowing SBA to guarantee loans made by banks to nonprofit intermediaries, which could, in turn, make small loans to low-income individuals, women, minorities, and other small businesses unable to obtain credit through traditional lending sources, would increase private sector participation and lessen administrative burdens linked to direct government lending.

ACTION ITEM
---------- Chapter 18:2.5.1

Subsection (m), section 7 of the Small Business Act, 15 U.S.C. 636, should be amended to allow SBA to provide a 100-percent guarantee on loans made by approved lenders to intermediaries selected by SBA.

GAO COMMENTS
---------- Chapter 18:2.5.2

Disagree. We disagree with NPR's proposal to provide a 100-percent guarantee for loans made by banks to nonprofit intermediaries. The microloan program is currently a direct loan program: SBA lends funds directly to the nonprofit intermediaries. Shifting to a guarantee program would add complexity to the program by introducing an additional party--banks--to the transaction without requiring that party to contribute substantively to the program. Furthermore, shifting to a guarantee program would not significantly reduce SBA's administrative responsibilities. In addition to lending funds to these nonprofit intermediaries, SBA provides grants to support technical assistance activities. Hence, SBA will need to continue monitoring and overseeing the program's activities, making any substantial decrease in SBA's administrative responsibilities unlikely.

IMPLEMENTATION
---------- Chapter 18:2.5.3

Partially Implemented. The Small Business Administration Reauthorization and Amendment Act of 1994 (P.L. 103-403), signed on October 22, 1994, authorizes SBA, during fiscal years 1995 through 1997, to establish a pilot program under which SBA can guarantee loans made by private lenders for up to 20 intermediaries in the program. Loans guaranteed by SBA under the pilot program can have a term of 10 years and a guarantee rate of not less than 90 percent and not more than 100 percent.

RELATED GAO PRODUCTS
---------- Chapter 18:2.5.4

None.

SBA06: ESTABLISH USER FEES
FOR SMALL BUSINESS
DEVELOPMENT CENTER SERVICES

---------- Chapter 18:2.6

Authorize Small Business Development Centers (SBDC) to charge a nominal fee for their services to reduce federal outlays and require the direct beneficiaries of the assistance to pay a share of the cost.

ACTION ITEM

---------- Chapter 18:2.6.1

Title II of the Small Business Development Center Act of 1980, Public Law 96-302, should be amended to allow SBA to establish user fees for SBDC counseling services in the amount of $15 per hour.

GAO COMMENTS

---------- Chapter 18:2.6.2

Insufficient Information. Although establishing user fees for Small Business Development Centers' (SBDC) services might reduce federal outlays, we have not examined what impact charging clients would have on program participation and program effectiveness. Currently, SBDCs provide a variety of business-related services to their clients. The centers receive financial assistance from SBA in the form of annual grants, but to be eligible for a grant, the centers must provide an equal, matching amount of funds from nonfederal sources. However, most SBDCs put major emphasis on counseling, which is provided at no cost. Our past work has determined that most clients are satisfied with the counseling services they receive.

IMPLEMENTATION

---------- Chapter 18:2.6.3

Not Implemented--Action Taken. Although SBA took action to implement this recommendation, legislation was enacted prohibiting the recommended action. Specifically, SBA included in its fiscal year 1995 budget request a provision authorizing SBDCs to charge a $15-per-hour fee for counseling services. This provision was rejected by the House Committee on Appropriations, which inserted language into the fiscal year 1995 appropriations bill prohibiting SBA from charging user fees for SBDC services. This bill was signed into law on August 26, 1994 (P.L. 103-317).

RELATED GAO PRODUCTS

---------- Chapter 18:2.6.4

Small Business: Development Centers Meet Counseling Needs of Most Clients (GAO/T-RCED-90-65, Apr. 18, 1990).

Small Business: Development Centers Meet Counseling Needs of Most Clients (GAO/RCED-90-38BR, Nov. 22, 1989).

SBA07: DISTRIBUTE SBA STAFF

BASED ON WORKLOAD AND
ADMINISTRATIVE EFFICIENCY
---------- Chapter 18:2.7

Reallocate staff based on administrative efficiency and objective workload measures to allow the SBA to better serve its customers by shifting resources from its central and regional offices into its district offices.

ACTION ITEM
---------- Chapter 18:2.7.1

The SBA Administrator should reallocate SBA staff in line with basic principles of administrative efficiency and program workload.

GAO COMMENTS
---------- Chapter 18:2.7.2

Agree. We support allocating resources to where they can do the most good. Reallocating SBA personnel to the district offices would improve the effectiveness of SBA's program delivery by putting more resources where the small businesses are located.

This approach would also reduce the workload of the overburdened district office staff by providing additional resources without increasing SBA's overall budget.

IMPLEMENTATION
---------- Chapter 18:2.7.3

Partially Implemented. SBA has completed three rounds of requests for voluntary reassignment to its district offices. During these rounds, 157 headquarters and field office staff volunteered to relocate to the district offices with the greatest need for staff, as defined on the basis of workload. SBA expects its restructuring of regional offices to be completed soon. Through this restructuring, SBA has reduced the size of its regional offices, decentralized its field operations, and shifted employees into its district offices.

RELATED GAO PRODUCTS
---------- Chapter 18:2.7.4

Small Business: Problems Continue With SBA's Minority Business Development Program (GAO/RCED-93-145, Sept. 17, 1993).

SBA08: IMPROVE FEDERAL DATA
ON SMALL BUSINESSES
---------- Chapter 18:2.8

The quality of information made available to shape federal legislative and regulatory actions affecting small and large businesses will be increased if federal household and employer

surveys include a "size of firm" question.

ACTION ITEM
---------- Chapter 18:2.8.1

The SBA Administrator should work with OMB and the relevant statistical agencies to include a size-of-firm question in all future federal household and employer surveys that collect data on businesses.

GAO COMMENTS
---------- Chapter 18:2.8.2

Agree. Improving the federal government's data on small businesses is appropriate. Inadequate information on small business activities hinders congressional and executive branch decisionmaking. Such data would facilitate the evaluation of federal programs and the potential impact of regulatory actions.

IMPLEMENTATION
---------- Chapter 18:2.8.3

Not Implemented--Action Taken. To garner support for increasing the collection and sharing of information about small businesses, SBA's Chief Counsel for Advocacy has met with officials from (1) the Office of Management and Budget's Office of Information and Regulatory Affairs and (2) the Council of Economic Advisers.

RELATED GAO PRODUCTS
---------- Chapter 18:2.8.4

Small Business: Problems Continue With SBA's Minority Business Development Program (GAO/RCED-93-145, Sept. 17, 1993).

DEPARTMENT OF STATE/U.S.
INFORMATION AGENCY (DOS)
========== Chapter 19

OVERALL SUMMARY
---------- Chapter 19:1

The State Department and the U.S. Information Agency (USIA) have begun to adjust to a post-Cold War environment and to budgetary constraints. Both agencies are exploring ways to cut costs and are making some management improvements. Most of these changes were under way before the NPR report but the report added impetus to these efforts. Progress toward implementing the NPR recommendations is slow in those instances requiring legislation and interagency coordination. For example, the NPR recommends expanding the authority of Chiefs of Missions (COM) overseas as a cost reduction measure. Required legislation has not been introduced and some

affected agencies, such as USIA, do not agree with this recommendation.

State has made progress implementing recommendations on the promotion of U.S. business overseas and improving the collection of receivables. State faces a major challenge implementing recommendations on improving its financial and information management programs, and it will take many years of concerted action to achieve substantial improvements.

The NPR report included a recommendation to consolidate U.S. government international broadcasting operations. The consolidation legislation, proposed before the NPR report, passed on April 30, 1994. To implement the legislation, USIA has been working with the Board for International Broadcasting to develop a plan for consolidating the Voice of America and Radio Free Europe/Radio Liberty. Implementing the consolidation will not be easy because funding limits will require significant cuts in both staff and broadcasts. In addition, the costs to reduce the size of Radio Free Europe/Radio Liberty may exceed the administration's estimates.

GAO CONTACT

---------- Chapter 19:1.1

Joseph E. Kelley, Director-in-Charge, International Affairs Issues, National Security and International Affairs Division, (202) 512-4128.

RECOMMENDATION INFORMATION

---------- Chapter 19:2

DOS01: EXPAND THE AUTHORITY OF CHIEFS OF MISSION OVERSEAS

---------- Chapter 19:2.1

This recommendation proposes a pilot program to expand the management authority of Chiefs of Mission overseas in the allocation of fiscal and staffing resources.

ACTION ITEMS

---------- Chapter 19:2.1.1

1. The President should issue a directive establishing a pilot program to increase the management authority of Chiefs of Mission.

2. Pilot missions should achieve a 20 percent cumulative reduction in overall spending during the span of the project.

3. Pilot COMs should develop and submit recommendations for reapportioning resources within 120 days.

4. Pilot COMs should encourage the full participation of members of the country team in the development of resource reapportionment

recommendations.

5. Upon completion of the pilot test, the President's original directive detailing the test should become the basis for a revised NSDD-38.

GAO COMMENTS

---------- Chapter 19:2.1.2

Generally Agree. Although we have not yet taken a position on the level of authority that should be granted to the Chief of Mission, we support the recommendation for a pilot study. We are currently reviewing the size and costs of U.S. government overseas staffing and the processes and mechanisms used to determine staffing needs. As part of this work, we are examining the Chief of Mission's role in controlling the size and the composition of government staff at U.S. embassies and consulates. We believe that the expanded Chief of Mission authority recommended by NPR may help to achieve reductions in overall spending at embassies and ensure that resources are targeted on priority goals and objectives. However, there may also be some negative consequences. For example, the Chief of Mission could use the expanded authority to discontinue activities that a federal agency believes are essential or in a way not intended by Congress. In addition, jurisdictional issues within the executive and legislative branches may make it difficult to implement the recommendation.

To determine if expanded Chief of Mission authority is feasible and can achieve savings without significant negative consequences, we believe that conducting a study of the concept would be worthwhile. Careful evaluation of the study should be performed before expanded authority over all resources and staffing is granted to all Chiefs of Mission. In addition, we believe that missions of varying size should be considered as sites for the pilot program.

IMPLEMENTATION

---------- Chapter 19:2.1.3

Not Implemented--No Action Taken. The State Department agrees with this recommendation and believes expansion of the Chief of Mission authority would promote more efficient use of U.S. government resources allocated for foreign policy objectives. State is exploring how to implement a pilot project to test the expansion of the Chief of Mission authority but is awaiting White House action before proceeding further. State believes that initiation and successful implementation of the project will depend on strong support and commitment from the President and the Vice President and that legislative action is needed before proceeding to implement a pilot program.

The President has not issued a directive to establish the pilot program proposed by the NPR. State has not proposed legislative action because it believes the pilot program should be viewed as an administration initiative in order to gain the interagency support such a project would require. The U.S. Information Agency (USIA)

expressed concern that implementing this recommendation would impinge upon its legislative mandate. State recognizes that other agencies may also object to expanding the authority of the Chiefs of Mission. State officials told us the Department can move no further on this recommendation until the NPR/Vice President's staff propose the needed legislation to Congress. However, NPR staff advised us that legislative action is the agency's responsibility.

RELATED GAO PRODUCTS
---------- Chapter 19:2.1.4

State Department: Overseas Staffing Process Not Linked to Policy Priorities (GAO/NSIAD-94-228, Sept. 20, 1994).

DOS02: INTEGRATE THE FOREIGN AFFAIRS RESOURCE MANAGEMENT PROCESS
---------- Chapter 19:2.2

NPR recommends specific reforms of the interagency foreign policy resource management process to improve coordination. The recommendation also covers specific improvements within the Department of State.

ACTION ITEMS
---------- Chapter 19:2.2.1

1. The Secretary of State, in conjunction with the National Security Council and the Office of Management and Budget, should reform the interagency foreign policy resource management process for Budget Function 150.

2. The President should issue a directive to strengthen the authority of the Secretary of State in the Function 150 interagency resource management process.

3. The Secretary of State should extend the new integrated process to the field.

4. The Secretary of State should play a role in the resource allocation process for non-Function 150 international expenditures.

5. The Department of State should develop a more strategic approach to its internal management.

GAO COMMENTS
---------- Chapter 19:2.2.2

Generally Agree. We have not reviewed the government's processes for allocating resources to the various foreign affairs objectives. Neither have we reviewed the specific reforms that NPR recommends. However, we recognize that effective use of limited resources requires a strategic planning and budgeting process that allocates

resources to the most important priorities. For example, in March 1992, we recommended a strategic management approach to help the Agency for International Development face current and future challenges.

Current U.S. government processes for allocating resources to U.S. foreign affairs objectives are fragmented among many different agencies, budget functions, and congressional committees. Developing a more integrated approach will not be easy (DOS01 proposes one approach). However, we believe that implementation of NPR's recommendations could assist government decisionmakers to focus on the range of U.S. foreign affairs objectives, the agencies involved, and the costs of programs. This focus would help ensure that available resources are allocated in accordance with priorities.

Within the State Department, we agree with NPR that management can improve the way priorities are set and resources allocated through (1) a more strategic, mission-driven approach; (2) better integration of program planning with budget formulation and allocation of funds; and (3) refinements to the program planning process.

IMPLEMENTATION

---------- Chapter 19:2.2.3

Not Implemented--Action Taken. The President has not issued a directive to strengthen the authority of the Secretary of State in the Budget Function 150 interagency resource management process as recommended by the NPR. However, the Secretary of State established the Office of Resources, Plans, and Policy to assist the Department and other Function 150 agency heads in developing policies, plans, and programs to achieve foreign policy goals and enable the Secretary to present an integrated international affairs (Function 150) resource budget request to the Office of Management and Budget and other government agencies. The creation of this office appears to conform with the NPR recommendation. However, there are other agencies, including the Department of Commerce and the Department of Defense, whose budgets are not included in Function 150. This fact was recognized by the NPR, but was not addressed by its recommendations. State recognizes the need to coordinate these other activities for a fully integrated foreign affairs resource management process.

In mid-1994, the Under Secretary for Management began conducting periodic meetings with all the under secretaries, acting as a "corporate board," to develop a resource management strategy to meet the highest priority goals for State operations. According to State officials, these meetings are being held in an effort to better link resources to policy priorities. However, no time frames for implementing the strategy have been established. In addition, the Department's program planning process is an effort to link resources with foreign policy and management priorities. To increase the importance of the program planning process, we were told that the plans are to be tied to the posts' budget request.

RELATED GAO PRODUCTS

---------- Chapter 19:2.2.4

State Department: Overseas Staffing Process Not Linked to Policy Priorities (GAO/NSIAD-94-228, Sept. 20, 1994).

Foreign Affairs Issues (GAO/OCG-93-26TR, Dec. 1992).

Voice of America: Management Actions Needed to Adjust to a Changing Environment (GAO/NSIAD-92-150, July 24, 1992).

AID Management: Strategic Management Can Help AID Face Current and Future Challenges (GAO/NSIAD-92-100, Mar. 6, 1992).

DOS03: IMPROVE STATE DEPARTMENT EFFORTS TO PROMOTE U.S. BUSINESS OVERSEAS

---------- Chapter 19:2.3

International trade is an important responsibility of U.S. missions overseas in the post-Cold War world. This recommendation outlines several improvements that can be made in State Department efforts in this area.

ACTION ITEMS

---------- Chapter 19:2.3.1

1. The State Department should improve coordination with other agencies involved in international trade.

2. The State Department should define the scope of its business facilitation activities.

3. The State Department should rotate Foreign Service officers to the Department of Commerce headquarters and field offices, where possible.

4. The State Department should improve coordination between various internal bureaus to facilitate the exchange of vital trade information.

5. The State Department should provide greater authority and resources to ambassadors to improve the promotion of U.S. business interests.

GAO COMMENTS

---------- Chapter 19:2.3.2

Generally Agree. Although we have not examined the specific actions recommended by NPR, we agree that State can make a major contribution in promoting U.S. business interests abroad. However, State's efforts should conform to the requirements of the administration's National Export Strategy, and be coordinated with and complement the efforts of other federal agencies that are active in this area,

notably the Departments of Commerce and Agriculture.

IMPLEMENTATION

---------- Chapter 19:2.3.3

Partially Implemented. The State Department has taken several steps to improve its efforts to promote business overseas. The Secretary of State has identified two primary missions for the Department: (1) the reduction of foreign barriers to U.S. trade and investment and (2) aggressive advocacy on behalf of U.S. firms. State expects its Coordinator for Business Affairs to foster internal and external coordination and improve the effectiveness of both U.S. and overseas promotion efforts. For example, State's Coordinator for Business Affairs is an active participant in the Trade Promotion Coordinating Committee, which is working to develop a trade advocacy network. State worked with the committee to prepare a summary of export-related expenditures, which was included in the President's fiscal year 1995 budget submission. The Coordinator for Business Affairs wants to formalize the consideration of business interests in State's policymaking structure.

State and Commerce officials have discussed assigning State economic officers to the Commerce Department on a temporary basis. However, implementation plans have not been developed.

To foster internal coordination, State created the Commercial Coordinating Committee, comprised of representatives from all of the Department's regional bureaus and most of its functional bureaus. The Foreign Service Institute, which provides training to Department and other U.S. government employees involved in foreign affairs, has revised several training programs to include trade-related issues. Many U.S. embassies have prepared strategic commercial plans, and selected overseas posts were provided funding from a $250,000 business facilitation incentive fund.

RELATED GAO PRODUCTS

---------- Chapter 19:2.3.4

International Trade: Coordination of U.S. Export Promotion Activities in Pacific Rim Countries (GAO/GGD-94-192, Aug. 29, 1994).

Rice Program: Government Support Needs to be Reassessed (GAO/RCED-94-88, May 26, 1994).

Export Promotion: Governmentwide Plan Contributes to Improvements (GAO/T-GGD-94-35, Oct. 26, 1993).

U.S. Trade and Development Agency: Limitations Exist in its Ability to Help Generate U.S. Exports (GAO/GGD-94-9, Oct. 20, 1993).

Export Promotion: Initial Assessment of Governmentwide Strategic Plan (GAO/T-GGD-93-48, Sept. 29, 1993).

Export Promotion: Governmentwide Strategy Needed for Federal Programs (GAO/T-GGD-93-7, Mar. 15, 1993).

Foreign Affairs Issues (GAO/OCG-93-26TR, Dec. 1992).

International Trade Issues (GAO/OCG-93-11TR, Dec. 1992).

Overseas Staffing: Embassies in the Former Soviet Union (GAO/NSIAD-92-306, Aug. 31, 1992).

Overseas Staffing: U.S. Economic, Commercial, and Agricultural Staffing in Japan and Korea (GAO/NSIAD-92-162, Apr. 24, 1992).

Export Promotion: Federal Programs Lack Organizational and Funding Cohesiveness (GAO/NSIAD-92-49, Jan. 10, 1992).

DOS04: PROVIDE LEADERSHIP IN THE DEPARTMENT'S INFORMATION MANAGEMENT

---------- Chapter 19:2.4

The Department of State should make significant changes in the way it manages information technology policy. Several improvements are recommended.

ACTION ITEMS

---------- Chapter 19:2.4.1

1. The State Department should establish a position for development and oversight of departmentwide information management policy.

2. The State Department should use private and/or public sector expertise in developing a departmentwide strategic plan for migrating to open systems.

GAO COMMENTS

---------- Chapter 19:2.4.2

Agree. Our work strongly supports this recommendation. In our August 1994 report on State's efforts to improve its financial management systems, we noted that it has serious weaknesses in management and accountability of real and personal property, worldwide disbursing and cashiering, and payroll transactions.

Information system weaknesses contribute to State's financial management problems and, as a result, are reported as one of the Office of Management and Budget's high-risk categories. However, State needs a concerted effort, involving managers at all levels, to identify information requirements and focus on how long-standing problems can best be addressed. In particular, State needs to establish a leadership and oversight structure that can develop a departmentwide information management strategy plan and provide support, direction, and focus for information management initiatives.

IMPLEMENTATION

---------- Chapter 19:2.4.3

Not Implemented--Action Taken. State does not have the organizational management structure needed to help ensure the successful development of its information system initiatives. For example, State has not established a chief information management officer as a senior management partner to manage and control system improvements on an enterprisewide basis and to coordinate among top executives, line managers, and information management specialists.

State's project to develop an integrated financial management system is part of a departmentwide effort to redesign its current information systems and move them from proprietary computer equipment to an open system environment. State estimates that this effort will cost about $530 million from fiscal years 1994 through 1998. In our May 1994 report on best practices in information resource management, we provided summaries of 11 fundamental practices that can help agencies improve the management of their information resources and system development efforts.

RELATED GAO PRODUCTS

---------- Chapter 19:2.4.4

Financial Management: State's Systems Planning Needs to Focus on Correcting Long-Standing Problems (GAO/AIMD-94-141, Aug. 12, 1994).

Executive Guide: Improving Mission Performance Through Strategic Management and Technology--Learning From Leading Organizations (GAO/AIMD-94-115, May 1994).

State Department: Survey of Administrative Issues Affecting Embassies (GAO/NSIAD-93-218, July 12, 1993).

Financial Management: Serious Deficiencies in State's Financial Systems Require Sustained Attention (GAO/AFMD 93-9, Nov. 13, 1992).

DOS05: REDUCE MISSION OPERATING COSTS

---------- Chapter 19:2.5

Several recommendations are made for reducing U.S. costs to operate missions overseas, including eliminating certain facilities, reducing security costs, and considering altogether new forms of overseas representation.

ACTION ITEMS

---------- Chapter 19:2.5.1

1. All agencies with overseas representation should consolidate administrative support services where appropriate.

2. The State Department should review all Marine Security Guard detachments and deactivate them where possible.

3. Legislation should be enacted to amend the Foreign Relations Authorization Act to reduce costs of local security provision.

4. USIA should take steps to close selected USIA library and reference centers.

5. The State Department should explore alternative models of representation abroad.

GAO COMMENTS

---------- Chapter 19:2.5.2

Generally Agree. Although we have not examined the specific cost-cutting actions recommended by NPR, we support the general thrust of the recommendations. In several reports, we have recommended that State correct management weaknesses affecting overseas posts in the areas of real estate, property and funds, administrative services, and other areas. We believe that improved management can reduce costs.

For many years, we have reported long-standing problems with the Department's overseas real estate programs. As a result of these problems, the Comptroller General designated management of overseas real property as an area at high risk for waste and mismanagement. State is taking actions to improve its management practices. However, it is important that the Department continue its commitment to management reforms and provide strong oversight of overseas real property actions.

We also believe that State and other foreign affairs agencies need to seriously consider whether their overseas activities remain essential and affordable given the changing world and current budget limitations. In an ongoing review, we are examining agencies' efforts to adopt new forms of overseas representation to reduce costs.

IMPLEMENTATION

---------- Chapter 19:2.5.3

Partially Implemented. For many years the State Department has been considering new approaches to U.S. representation abroad. For example, the Special Embassy Program was established in 1986 to minimize administrative demands on small posts by taking advantage of communications and information technology. The program was tested at 11 posts and expanded in 1988 to streamline operations in response to budgetary problems. The criteria for inclusion in the program has changed and is now solely the size of the post. The program now includes 57 posts, many of which are in areas where U.S. interests are significant.

State officials view the Department's program planning process as a vehicle through which cost savings can be achieved. The Under Secretary for Management has issued reduction goals for staffing for fiscal years 1994 to 1998. These goals require State's bureaus to examine prospects for restructuring overseas staffing by closing

consulates; consolidating administrative support; reducing the size of large, mid-size, or small embassies; and reducing security costs where feasible.

State has deactivated Marine security guard detachments at eight posts and plans deactivations at four more posts by April 1995. Deactivation at three additional posts is pending. The NPR suggested lifting legal restrictions on hiring security guards overseas. We were told that the fiscal years 1994 and 1995 Foreign Relations Authorization Act tightened the restrictions and that the Office of Management and Budget did not support a State Department legislative proposal to lift the restriction.

The State Department believes legislation is needed to require all agencies with overseas representation to consolidate administrative support services. This legislation has not been proposed. According to a State Department report, there have been disputes with other agencies over the quality and responsiveness of support already provided. State officials said they have requested, but have not yet received Office of Management and Budget assistance in resolving issues relating to the administrative support provided to other agencies.

USIA is studying the need for its activities in industrialized, information-rich countries. We were told that this study includes reviewing the need for libraries. We were also told that some libraries have been reduced in size and others have been consolidated with Foreign Commercial Service libraries operated by the Commerce Department.

RELATED GAO PRODUCTS

---------- Chapter 19:2.5.4

State Department: Overseas Staffing Process Not Linked to Policy Priorities (GAO/NSIAD-94-228, Sept. 20, 1994).

State Department: Widespread Management Weaknesses at Overseas Embassies (GAO/T-NSIAD-93-17, July 13, 1993).

State Department: Survey of Administrative Issues Affecting Embassies (GAO/NSIAD-93-218, July 12, 1993).

State Department: Management Weaknesses at the U.S. Embassies in Panama, Barbados, and Grenada (GAO/NSIAD-93-190, July 9, 1993).

State Department: Management Weaknesses at the U.S. Embassy in Mexico City, Mexico (GAO/NSIAD-93-88, Feb. 8, 1993).

Management of Overseas Real Property (GAO/HR-93-15, Dec. 1992).

Foreign Affairs Issues (GAO/OCG-93-26TR, Dec. 1992).

State Department: Management Weaknesses in the Security Construction Program (GAO/NSIAD-92-2, Nov. 29, 1991).

State Department: Status of Actions to Improve Overseas Procurement

(GAO/NSIAD-92-24, Oct. 25, 1991).

State Department: Efforts Underway to Enhance Management of Overseas Real Property (GAO/NSIAD-91-277, Sept. 5, 1991).

State Department: Efforts to Improve Management of Overseas Real Property (GAO/T-NSIAD-91-40, June 20, 1991).

State Department: Proposed Overseas Housing Standards Not Justified (GAO/NSIAD-90-17, Dec. 18, 1989).

State Department: Management of Overseas Real Property Needs Improvement (GAO/NSIAD-89-116, Apr. 13, 1989).

Transition Series: Department of State Issues (GAO/OCG-89-19TR, Nov. 1988).

State Department's Management of Real Property (GAO/T-NSIAD-89-1, Oct. 5, 1988).

Overseas Support: Current U.S. Administrative Support System Is Too Complicated (GAO/NSIAD-88-84, Mar. 25, 1988).

DOS06: CONSOLIDATE U.S. NONMILITARY INTERNATIONAL BROADCASTING

---------- Chapter 19:2.6

This recommendation supports the administration's decision to consolidate U.S. international broadcasting under the U.S. Information Agency (USIA) and outlines ways of extending the benefits of this change.

ACTION ITEMS

---------- Chapter 19:2.6.1

1. Legislation should be enacted to consolidate U.S. international broadcasting under USIA.

2. USIA and the Broadcasting Board of Governors should continue to identify other broadcasting consolidation or elimination opportunities.

3. USIA should reallocate broadcasting resources from radio to television.

GAO COMMENTS

---------- Chapter 19:2.6.2

Agree. For years, we have advocated the consolidation of U.S. international broadcasting activities. In our December 1992 report on foreign affairs issues, we suggested that consideration be given to eliminating potential duplication of activities between Radio Free Europe/Radio Liberty (RFE/RL) and the Voice of America (VOA). We

support the administration's decision and the NPR recommendation that these stations be consolidated. The consolidation should improve both the effectiveness and efficiency of broadcasting efforts, and in the long run result in significant savings. In our September 1993 report, we identified cost and administrative issues surrounding the legislative proposal to consolidate broadcasting activities.

In our January 1994 report on VOA, we discussed alternatives to shortwave radio broadcasts. We noted that according to a USIA research report, communications satellites are making television programming more readily available to the world's 1 billion plus television sets. USIA research shows that, where it is available, television has become the primary source of news. Therefore, we generally agree with NPR on reallocating resources from radio to television. However, less overall programming would result because television production costs are significantly more than radio.

IMPLEMENTATION

---------- Chapter 19:2.6.3

Partially Implemented. On April 30, 1994, Congress passed the U.S. International Broadcasting Act of 1994 to achieve economies and strengthen the capability of the United States to use broadcasting to support freedom and democracy in a rapidly changing international environment. The law expressed the sense of Congress that the funding of RFE/RL should be assumed by the private sector not later than December 31, 1999.

The law created a Board of Governors to oversee RFE/RL, VOA, and other U.S. nonmilitary international broadcasting activities. The President has not yet appointed the members of the new board. The U.S. international broadcast operations will be consolidated within the USIA in an International Broadcasting Bureau.

Since the law was passed, the USIA and its broadcasting staff have been working with the staff of RFE/RL and the Board for International Broadcasting to develop a consolidation plan that has been sent to the President. However, consolidation will not be complete for some time. During fiscal year 1995 RFE/RL, and to a lesser degree VOA, will undergo significant downsizing. In addition, the President has approved moving RFE/RL operations from Munich, Germany to Prague, the Czech Republic in 1995.

The NPR recommended that USIA reallocate broadcasting resources from radio to television. During the past year, USIA has studied television, its organizational placement, and its use to support the agency's mission. In addition, the strategic planning office in USIA's Bureau of Broadcasting has studied the potential for applying new technology to television news broadcasting. However, decisions on shifting resources from radio to television broadcasting have not been made and may await appointment of the new Broadcasting Board of Governors.

RELATED GAO PRODUCTS

---------- Chapter 19:2.6.4

Voice of America: Station Modernization Projects Need to Be Justified (GAO/NSIAD-94-69, Jan. 24, 1994).

Letter to the Director, U.S. Information Agency and the Chairman, Board for International Broadcasting, Presenting GAO's Observations on the Administration's International Broadcasting Proposal (GAO/NSIAD-93-302R, Sept. 17, 1993).

Letter to the Chairman, Subcommittee on European Affairs, Senate Committee of Foreign Relations, Responding to Questions on the Executive Branch's Proposal to Consolidate U.S. International Broadcasting Activities (GAO/NSIAD-93-286R, Sept. 17, 1993).

Letter to Senator Russell D. Feingold Responding to Questions on the Consolidation of International Broadcasting (July 14, 1993).

Foreign Affairs Issues (GAO/OCG-93-26TR, Dec. 1992).

Voice of America: Management Actions Needed to Adjust to a Changing Environment (GAO/NSIAD-92-150, July 24, 1992).

Need for Study of U.S. International Broadcasting Policy (GAO/T-NSIAD-90-24, Mar. 22, 1990).

DOS07: RELOCATE THE MEXICO CITY REGIONAL ADMINISTRATIVE MANAGEMENT CENTER

---------- Chapter 19:2.7

NPR recommends moving this administrative support office to the United States to save money and recommends examining the need for similar offices now in Paris and Bangkok.

ACTION ITEMS

---------- Chapter 19:2.7.1

1. The State Department should move the Mexico City Regional Administrative Management Center (RAMC) to the United States.

2. The State Department should begin planning for the timely relocation of those Bangkok and Paris RAMC functions that can be performed effectively at the new U.S. RAMC.

GAO COMMENTS

---------- Chapter 19:2.7.2

Insufficient Information. We have not studied the advantages and disadvantages of relocating the Regional Administrative Management Centers to the United States. Embassies need accurate and timely financial information and services. However, our work indicates that some embassies are dissatisfied with the services provided by the regional centers. We support efforts to improve the quality and timeliness of administrative financial support services whether

through improvement of existing centers or their relocation to the United States.

IMPLEMENTATION
---------- Chapter 19:2.7.3

Partially Implemented. A new U.S. Regional Administrative Management Center is scheduled to open in Charleston, South Carolina, in 1995. State plans to transfer the processing of all overseas American salaries to the new center. This processing is now done in Washington, D.C., and at the Regional Administrative Management Centers in Bangkok, Mexico City, and Paris. The transfer of other functions from Mexico City will follow. We were told that no other action will be taken regarding the transfer of functions from the Bangkok and Paris Centers until the Charleston Center is operating satisfactorily.

According to a State Department official, rather than transfer existing computer programs from Mexico City, the Department hopes to install its new Integrated Financial Management System at the Charleston Center. However, in our August 1994 report on State's financial management systems, we recommended that State delay awarding a contract for the new system until it (1) articulates how the system will solve long-standing internal control and financial management systems weaknesses and (2) establishes detailed requirements for individual system development projects to address high-risk areas. As a result, State may have to delay the transfer of Mexico City functions to Charleston or it may have to transfer its existing computer programs from Mexico City to the Charleston Center.

RELATED GAO PRODUCTS
---------- Chapter 19:2.7.4

Financial Management: State's Systems Planning Needs to Focus on Correcting Long-Standing Problems (GAO/AIMD-94-141, Aug. 12, 1994).

State Department: Survey of Administrative Issues Affecting Embassies (GAO/NSIAD-93-218, July 12, 1993).

State Department: Management Weaknesses at the U.S. Embassy in Mexico City, Mexico (GAO/NSIAD-93-88, Feb. 8, 1993).

Financial Management: Serious Deficiencies in State's Financial Systems Require Sustained Attention (GAO/AFMD-93-9, Nov. 13, 1992).

DOS08: IMPROVE THE
COLLECTION OF RECEIVABLES
---------- Chapter 19:2.8

The State Department should do a better job collecting debts, such as medical expenses and others, owed to the Department.

ACTION ITEMS

---------- Chapter 19:2.8.1

1. The State Department should ensure that overseas medical expenses are accurately identified and reported by each embassy.

2. The State Department should ensure that all other debts to the government are accurately identified and reported.

3. The State Department should actively collect all accounts receivable.

GAO COMMENTS

---------- Chapter 19:2.8.2

Agree. We strongly agree with this recommendation. Our work has shown that State currently does not have adequate controls over receivables. In August 1992, we reported that State does not have reasonable assurances that it is recovering the medical insurance benefits payable to insured employees and dependents for overseas medical expenses paid by the government. As a result, the government may be losing substantial amounts of recoverable expenses.

IMPLEMENTATION

---------- Chapter 19:2.8.3

Partially Implemented. The Department of State has planned several actions in response to recommendations in GAO reports and the NPR report. Since October 1, 1993, the Office of Medical Services has issued individual obligation numbers for each transaction so that it can track medical expenditures and identify funds reimbursed to its allotment. The Office is revising procedures in the Foreign Affairs Manual to require employees to ensure that the government is reimbursed for medical expenditures on their behalf.

In addition, the Bureau of Finance and Management Policy is developing accounting and debt collection procedures for funds that have been expended on employees' overseas medical expenses. The Bureau will send notices reminding employees to file for reimbursement from their insurance companies. At the same time, the Bureau will open an account receivable in employees' names. If employees do not file for reimbursement from their insurance company and reimburse State within a specified amount of time, the Department will withhold money from their paychecks. The Department is circulating the draft procedures and the revision to the Foreign Affairs Manual for internal review.

The repatriation loan program was established to assist destitute Americans abroad. Due to the nature of these loans, recovery rates are low: over $5 million in loans were outstanding in fiscal year 1993, $689,000 in new loans were made, and only $354,000 was collected. While not optimistic about its ability to collect these loans, State plans additional steps to improve the loan collection and administration process. Actions include acceptance of credit cards for payment and establishment of a toll-free number for recipients to contact the Department concerning their accounts. The

Department plans to consider other measures, such as garnishment of wages and incentive payment plans.

State's difficulties in collecting money owed have been due in large part to deficiencies in its accounting systems. The Department plans to correct these deficiencies through the development of an integrated financial management system to be completed by 1999. Notwithstanding the needed financial system improvement, State's planned actions should increase the collections of accounts receivable.

RELATED GAO PRODUCTS

---------- Chapter 19:2.8.4

Financial Management: State's Systems Planning Needs to Focus on Correcting Long-Standing Problems (GAO/AIMD-94-141, Aug. 12, 1994).

State Department: Need to Ensure Recovery of Overseas Medical Expenses (GAO/NSIAD-92-277, Aug. 7, 1992).

State Department's Management of Its Travel Advance Funds (GAO/T-NSIAD-88-21, Apr. 27, 1988).

DOS09: CHANGE U.N. ADMINISTRATIVE AND ASSESSMENT PROCEDURES

---------- Chapter 19:2.9

This recommendation outlines several changes in the United States' fiscal relationship with the United Nations, including recommending an oversight office for the organization and tax law changes to reduce costs to the federal government.

ACTION ITEMS

---------- Chapter 19:2.9.1

1. Seek U.N. member support for establishment of a consolidated oversight and accountability mechanism such as an Office of Inspector General.

2. The President should seek U.N. member support for a thorough reexamination of U.N. assessment procedures and practices.

3. Legislation should be enacted to amend the Foreign Assistance Act of 1961 to eliminate the reporting requirement on voluntary contributions to international organizations.

4. Legislation should be enacted to eliminate the collection and reimbursement of income taxes on international organization pay.

GAO COMMENTS

---------- Chapter 19:2.9.2

Agree. We strongly endorse the creation of an independent U.N. Inspector General or similar body to ensure adequate accountability and oversight of U.N. operations and finances. In a 1992 report and again in a 1993 letter to the President of the Federal Court of Audit of Germany, we provided a conceptual framework for an entity to provide accountability and oversight.

In another 1992 report we also recommended that the Secretary of State instruct the U.S. representative to the U.N. to seek support for reexamining the basis for, and equity of the special U.N. assessment scale for peacekeeping operations. We have not studied the NPR recommendations to change the tax law or eliminate the report on voluntary contributions.

IMPLEMENTATION

---------- Chapter 19:2.9.3

Partially Implemented. On July 29, 1994, the U.N. General Assembly authorized a U.N. Office of Under Secretary General for Internal Oversight Services and approved the appointment of the new Under Secretary General. On September 7, 1994, the U.N. Secretary General issued implementing procedures for the new Office. We found that the implementing procedures provide regulations to ensure that the new Office is operationally independent. The procedures address compliance with Office recommendations and require managers to report quarterly on the status of implementation. The procedures protect individuals' rights and protect the confidentiality of sources. The appointment of qualified staff and the commitment of U.N. management will be required to ensure that the Office is instrumental in achieving management improvements in the U.N.

Various options have been proposed by U.N. members and independent groups to address equity issues and to simplify the methods for calculating the U.N. regular budget and peacekeeping assessments. State Department officials agree that more objective economic criteria are needed to assess countries based on their ability to contribute. The U.N. Committee on Contributions has considered several alternatives to the regular budget assessment formula proposed by member countries. Officials of the State Department and the U.S. Mission to the United Nations told us that assessment issues will be an agenda item at the 49th General Assembly in fall 1994. They added that the United States intends to be vigorous in its efforts to promote changes.

The State Department has not acted on the NPR recommendations on legislative changes to eliminate the reporting requirement on voluntary contributions to international organizations or eliminate income taxes on international organization pay. State officials told us that the Internal Revenue Service does not support eliminating the tax requirement.

RELATED GAO PRODUCTS

---------- Chapter 19:2.9.4

Letter to Senator Glenn, Commenting on the Creation of an Office of

Under Secretary General for Internal Oversight (B-258092, Sept. 23, 1994).

Letter to Senator Glenn, Commenting on the Creation of an Office of Under Secretary General for Internal Oversight (B-258092, Aug. 8, 1994).

United Nations: How Assessed Contributions for Peacekeeping Operations Are Calculated (GAO/NSIAD-94-206, Aug. 1, 1994).

Letter to the President of the Federal Court of Audit of Germany (Nov. 2, 1993).

U.N. Peacekeeping: Observations on Mandates and Operational Capability (GAO/T-NSIAD-93-15, June 9, 1993).

Letter to The Acting Secretary of State on U.N. Audit and Evaluation (GAO/NSIAD-93-72R, Oct. 19, 1992).

United Nations: U.S. Participation in Peacekeeping Operations (GAO/NSIAD-92-247, Sept. 9, 1992).

DEPARTMENT OF TRANSPORTATION (DOT)

========== Chapter 20

OVERALL SUMMARY

---------- Chapter 20:1

The Department of Transportation (DOT) is aggressively implementing its 23 NPR recommendations. To date, DOT has fully implemented 1 recommendation, partially implemented 9, and taken some type of action on the remaining 13. However, Congress took action to prevent one recommendation from being implemented (DOT18). Because the accompanying report identifying the steps needed to accomplish each recommendation had not been published as of September 7, 1994, it was not clear what actions were expected to implement some of the recommendations. Furthermore, although DOT has begun to implement all 23 recommendations, some are highly controversial and their future disposition is uncertain. Such recommendations include proposals to establish an Air Traffic Control Corporation (DOT04) and reform the U.S. maritime industry (DOT16). In addition, the savings obtained from rescissions of funding for highway demonstration projects (DOT17), the Federal Transit Administration's New Starts and Bus Program (DOT19), and two Federal Aviation Administration (FAA) higher education programs (DOT21) represented only a fraction of the funds available for rescission.

DOT has also formed seven reinvention teams that have developed about 350 additional recommendations. Some of the recommendations can be accomplished by an operating administration within DOT, while others need further study and involve the entire Department and in some cases, Congress, states, and transportation groups.

Overall, NPR's recommendations are consistent with the thrust of recommendations in our testimonies and reports. But as we noted in

our December 1992 transition series report entitled Transportation Issues (GAO/OGC-93-14TR), the challenge lies in implementing these recommendations. Furthermore, DOT faces several additional challenges that NPR's recommendations did not address, such as

-- ensuring that the nation's air travelers receive the benefits of deregulation from a highly competitive and financially healthy airline industry;

-- addressing the future of passenger rail in the United States, including Amtrak's financial viability and operating efficiency as well as the benefits and costs of high-speed rail in selected corridors;

-- strengthening FAA's and the Federal Railroad Administration's inspection programs;

-- improving FAA's acquisition systems;

-- allocating FAA's limited funds under the Airport Improvement Program to projects that best achieve the national goals of reducing flight delays and increasing airport capacity while preserving environmental quality; and

-- developing performance expectations and measures in conjunction with the major goals of the National Highway System.

GAO CONTACT
---------- Chapter 20:1.1

Kenneth M. Mead, Director, Transportation Issues, Resources, Community, and Economic Development Division, (202) 512-2834.

RECOMMENDATION INFORMATION
---------- Chapter 20:2

DOT01: MEASURE TRANSPORTATION SAFETY
---------- Chapter 20:2.1

NPR recommends the development of common, governmentwide measures of transportation safety.

ACTION ITEMS
---------- Chapter 20:2.1.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 20:2.1.2

Generally Agree. This recommendation has merit, but the development

of such measures will likely be difficult and take several years to implement. Additionally, common governmentwide safety indicators should supplement, but not replace, predictors of safety problems that are specific to the individual modes of transportation. Over the last several years, all modes have been working on developing mode-specific safety performance measures and predictors of safety problems. It is important that these efforts be brought to fruition.

As we recommended in our management review of DOT and in numerous reports and testimonies, the individual modes should establish precursors of safety risk--that is, conditions or circumstances that, if left uncorrected, lead to accidents. The ultimate goal of DOT's safety programs is to prevent accidents and their consequences: death, injury, and property damage. We previously reported that in most instances, accident rates, especially in the rail and aviation areas, do not provide the most reliable basis on which to target inspection resources. There are two major reasons: (1) once the accident has occurred, it is too late to prevent it and (2) accidents occur too infrequently to be good indicators of all safety problems.

Efforts by the individual modes to develop precursors of safety risk would better position the Department to delineate common measures of safety because doing so requires that the elements of a transportation system common to all modes be identified. For example, every accident has associated dollar costs, and the use of any mode can be expressed in terms of output (e.g., cost per passenger mile or per ton mile) or per unit of exposure (e.g., cost per hour or per trip). Greater standardization makes it easier to compare the benefits of added expenditures on safety across modes. In February 1994, we testified that current measures for assessing safety risk have limited use for cross-modal comparisons and that the Bureau of Transportation Statistics had made limited progress in developing performance indicators. We also noted that it is unlikely any one safety measure can be applied across all modes because the data needed--extent of injuries and property damage--are often not reported, are incomplete, or are unreliable. We suggested that the Bureau of Transportation Statistics could help ensure that safety becomes an integral component of DOT's overall performance indicators by remedying data limitations; determining the potential impacts of collecting these data on the modes, on state and local governments, and on the industries these governments regulate; and assessing the benefits of implementing one or a series of safety measures relative to their impacts.

IMPLEMENTATION

---------- Chapter 20:2.1.3

Not Implemented--Action Taken. DOT has not developed governmentwide measures of transportation safety. However, in December 1993, DOT established a working group, consisting of representatives of the Department's various operating administrations, to develop safety measures. In May 1994, in response to a recommendation by this group, DOT established a common definition of transportation-related fatalities, which is one of several safety measures being assessed, to be used by the operating administrations within DOT for statistical reporting purposes. Other safety measures being

considered include the severity of injuries and the dollar value of property damage. DOT expanded the working group to include representatives of other federal departments and agencies to determine the data needed for developing common transportation safety measures.

RELATED GAO PRODUCTS

---------- Chapter 20:2.1.4

Transportation Safety: Opportunities for Enhancing Safety Across Modes (GAO/T-RCED-94-120, Feb. 10, 1994).

Aviation Safety: Progress on FAA Safety Indicator Program Slow and Challenges Remain (GAO/IMTEC-92-57, Aug. 31, 1992).

Department of Transportation: Enhancing Policy and Program Effectiveness Through Improved Management (GAO/RCED-87-3, Apr. 13, 1987).

DOT02: STREAMLINE THE ENFORCEMENT PROCESS

---------- Chapter 20:2.2

NPR recommends pilot programs in the U.S. Coast Guard, the Federal Aviation Administration, and the Federal Highway Administration (FHWA), designed to offer greater flexibility in enforcement methods.

ACTION ITEMS

---------- Chapter 20:2.2.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 20:2.2.2

Insufficient Information. Because DOT has not started all of the pilot programs included under this recommendation, we do not have complete information on the type of flexibility envisioned. However, before more flexibility is permanently added, DOT must ensure that the integrity of the underlying program for each mode is strong. We have found that several modes could greatly improve their inspection and enforcement programs. For example, we reported in 1991 that the Federal Railroad Administration (FRA) could enhance its enforcement program by seeking options to more expeditiously settle civil penalty cases. At that time, FHWA was testing a system under which regional directors could send civil penalty letters directly to motor carriers. We suggested that FRA could similarly have its regional offices formally notify railroads of violations and penalty assessments. In 1994, we reported that FAA had not effectively managed its enforcement work load; as a result, foreign governments and FAA had not acted on all referred safety violations. Furthermore, neither FAA nor the State Department had established controls for tracking referrals. We recommended that FAA determine

the final disposition of enforcement cases referred to foreign governments; that FAA inform foreign governments of the disposition of enforcement cases that they refer to FAA; and that the Secretaries of Transportation and State work together to reach agreement on the best way to facilitate FAA's efforts to address regulatory violations by foreign carriers.

IMPLEMENTATION

---------- Chapter 20:2.2.3

Partially Implemented. The Coast Guard and FHWA have implemented 6-month pilot enforcement programs. In April 1994, the Coast Guard published an Interim Final Rule establishing a pilot ticket program for violations of the Federal Water Pollution Control Act and federal pollution prevention regulations. That same month, the Coast Guard began the program at three port locations--Charleston, South Carolina; Galveston, Texas; and Los Angeles/Long Beach, California. In early 1994, FHWA began a pilot effort within one of its regions to reduce the time required for its investigators to prepare an enforcement report against carriers/shippers that violate motor carrier and/or hazardous materials regulations.

FAA is in the process of implementing its pilot program. In August 1994, it issued a Special Federal Aviation Regulation establishing a pilot program that streamlines the enforcement process for alleged security violations involving a proposed penalty of less than $5,000. FAA expects to begin testing this enforcement program at three airports after internal guidance implementing the program is approved.

RELATED GAO PRODUCTS

---------- Chapter 20:2.2.4

Aviation Safety: FAA and the State Department Can Better Manage Foreign Enforcement Cases (GAO/RCED-94-87, Mar. 17, 1994).

Aviation Safety: Progress Limited With Self-Audit and Safety Violation Reporting Programs (GAO/RCED-92-85, Mar. 31, 1992).

Railroad Safety: Weaknesses Exist in FRA's Enforcement Program (GAO/RCED-91-72, Mar. 22, 1991).

Financial Management: Internal Control Weaknesses in FRA's Civil Penalty Program (GAO/RCED-91-47, Dec. 26, 1990).

DOT03: USE A CONSENSUS-BUILDING APPROACH TO EXPEDITE TRANSPORTATION AND ENVIRONMENTAL DECISIONMAKING

---------- Chapter 20:2.3

DOT should conduct two demonstration projects to apply a problem-solving approach to transportation planning, development, and

decisionmaking as a means of reducing costs and improving the efficiency of agency decisionmaking.

ACTION ITEMS
---------- Chapter 20:2.3.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 20:2.3.2

Agree. Consistent with our previous recommendations, we support applying a cross-modal problem-solving approach to transportation planning, development, and decisionmaking at the federal and state level. We understand that DOT has already initiated several efforts that use a consensus-building approach to expedite transportation and environmental decisionmaking at the federal level. We support these actions and suggest that DOT not restrict pilot programs for such activities to these efforts alone. Furthermore, we have recommended that the Secretary of Transportation assist states and localities by developing a framework for comparing highway and mass transit projects that considers mobility, environmental quality, safety, cost-effectiveness, and social and economic objectives. Such a framework would aid efficient and effective transportation investment decisions at the state and local level.

IMPLEMENTATION
---------- Chapter 20:2.3.3

Partially Implemented. DOT selected two intermodal projects to demonstrate the applicability of a consensus-building approach in transportation decisionmaking. Completion of this initiative is expected by the end of calendar year 1996.

RELATED GAO PRODUCTS
---------- Chapter 20:2.3.4

Highway Planning: Agencies Are Attempting to Expedite Environmental Reviews, but Barriers Remain (GAO/RCED-94-211, Aug. 2, 1994).

Transportation Infrastructure: Urban Transportation Planning Can Better Address Modal Trade-offs (GAO/RCED-92-112, Apr. 2, 1992).

DOT04: ESTABLISH A
CORPORATION TO PROVIDE AIR
TRAFFIC CONTROL SERVICES
---------- Chapter 20:2.4

NPR recommends development of a detailed action plan and statutory language for changes in air traffic control management to make it more businesslike.

ACTION ITEMS
---------- Chapter 20:2.4.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 20:2.4.2

Insufficient Information. On May 3, 1994, the administration proposed to establish a government-owned corporation to operate, maintain, and modernize the nation's air traffic control (ATC) system. This proposal links problems in FAA's modernization program, such as schedule delays and cost increases, to FAA's structure as a federal agency subject to procurement, personnel, and budget rules and regulations. Hence, the proposed corporation would be exempt from many of these regulations and the appropriations process. The administration has not presented implementing legislation. Therefore, the proposal and accompanying financial information, which serve as a framework for the debate, leave many questions unanswered, especially in the areas of financing and safety oversight.

At a May 12, 1994, hearing on the administration's proposal, we testified that our work over the past decade does not show that exemption from procurement regulations would necessarily accelerate the installation of equipment in the field. We found that delays in modernization were caused by other factors, such as underestimating the technical complexity of developing advanced systems. We also noted that the creation of a corporation would change the financing and safety oversight of the ATC system in fundamental ways. In the absence of implementing legislation detailing the proposal, we have questions about the actions proposed to accelerate investments, the assumptions made about revenues and expenditures, and the extent of the government's potential liability for the corporation's losses and debt. We also noted that building an effective safety oversight function is an extremely formidable task, as evidenced by the difficulty that FAA has had in overseeing the airline industry. We suggested that an effective oversight function should be in place before a corporation is established.

IMPLEMENTATION
---------- Chapter 20:2.4.3

Not Implemented--Action Taken. On May 3, 1994, the Vice President, the Secretary of Transportation, and the FAA Administrator unveiled a report entitled Air Traffic Control: Corporation Study, which recommended the creation of a wholly owned government corporation--U.S. Air Traffic Services Corporation. The proposed corporation would be a self-sufficient entity managed by a board of directors and would be exempt from many procurement and personnel rules. FAA would oversee the safety of its operations.

On May 12, 1994, the Senate Committee on Appropriations, Subcommittee on Transportation and Related Agencies, held a hearing on the proposed corporation. The Secretary of Transportation, former DOT

Secretaries, organized labor, general aviation, and GAO testified. Support for the proposal was mixed. After the hearing, the administration began drafting legislation and continued discussing the proposal with Congress, user groups, and the public.

RELATED GAO PRODUCTS

---------- Chapter 20:2.4.4

Air Traffic Control: Observations on Proposed Corporation (GAO/T-RCED-94-210, May 12, 1994).

Advanced Automation System: Implications of Problems and Recent Changes (GAO/T-RCED-94-188, Apr. 13, 1994).

Air Traffic Control: Improvements Needed in FAA's Management of Acquisitions (GAO/T-RCED-93-36, May 5, 1993).

Air Traffic Control: Advanced Automation System Problems Need to Be Addressed (GAO/T-RCED-93-15, Mar. 10, 1993).

Air Traffic Control: Justifications for Capital Investments Need Strengthening (GAO/RCED-93-55, Jan. 14, 1993).

DOT05: PERMIT STATES TO USE FEDERAL AID AS A CAPITAL RESERVE

---------- Chapter 20:2.5

This recommendation would allow federal transportation grant recipients to use grant funds capital reserve to back debt financing to construct eligible transportation projects.

ACTION ITEMS

---------- Chapter 20:2.5.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 20:2.5.2

Generally Agree. Section 1012 of the Intermodal Surface Transportation Efficiency Act already provides for the use of federal funds as a capital reserve to back debt financing for one category of transportation projects: toll roads. The experience gained in financing toll roads should be considered in determining the broader applicability of this recommendation.

IMPLEMENTATION

---------- Chapter 20:2.5.3

Not Implemented--Action Taken. DOT has started an innovative financing initiative to promote needed investments in infrastructure

within its various modal administrations. In particular, FHWA published a notice in the Federal Register on April 8, 1994, to ensure wide dissemination of information about the FHWA innovative financing test and evaluation project. Twenty-three states responded to the Federal Register inquiry, and FHWA recently finished evaluating their responses and project proposals. A number of the proposals include capitalization concepts in various forms. Although DOT may not have general authority to permit states to capitalize (leverage) the flow of funds for transportation projects or programs, it has more limited legislative authority that allows the Secretary of Transportation to engage in research projects on highway financing. DOT plans to use this authority to select several highway projects as pilots for testing capitalization and other financing proposals. In addition, DOT may decide to seek broader legislative authority to advance innovative financing tools for transportation projects beyond the pilot stage.

RELATED GAO PRODUCTS
---------- Chapter 20:2.5.4

None.

DOT06: ENCOURAGE INNOVATIONS IN AUTOMOTIVE SAFETY
---------- Chapter 20:2.6

NPR recommends allowing the National Highway Traffic Safety Administration to grant more exemptions from highway safety standards to develop new safety systems.

ACTION ITEMS
---------- Chapter 20:2.6.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 20:2.6.2

Insufficient Information. We have no basis for agreeing or disagreeing with this recommendation without more specific data on what safety standards would be exempted and what new safety systems would replace the exempted standards. We think that as a part of implementing this recommendation, an effective process for evaluating the expected benefits of the new safety systems needs to be in place before existing safety standards are waived. We would, of course, support alternative safety systems to the extent that they provide the same or greater safety and are as effective and efficient as the current ones.

IMPLEMENTATION
---------- Chapter 20:2.6.3

Not Implemented--Action Taken. On August 23, 1994, DOT published a notice in the Federal Register requesting comments from vehicle manufacturers and other interested parties on nine issues, including the minimum number of vehicles required to provide statistically significant data for safety evaluations, the concerns about liability and other issues that discourage manufacturers from seeking exemptions, and the validity of the assumptions underlying the NPR's analysis and conclusions. The closing date for comments was October 24, 1994. DOT plans to request legislative changes by January 1995 if comments indicate that such changes are desirable.

RELATED GAO PRODUCTS
---------- Chapter 20:2.6.4

None.

DOT07: EXAMINE USER FEES
FOR INTERNATIONAL
OVERFLIGHTS
---------- Chapter 20:2.7

DOT should conduct a cost allocation study to determine whether foreign air carriers passing over U.S. airspace are paying their fair share and whether direct user fees should be imposed.

ACTION ITEMS
---------- Chapter 20:2.7.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 20:2.7.2

Generally Agree. We agree that commercial users of the nation's airspace should, to the maximum extent practical, pay their fair share of the burden that they impose on the system, as U.S. commercial aviation already does. At present, foreign airlines do not pay any fee when passing through our nation's airspace. The situation is much different overseas. For example, U.S. carriers flying through European airspace pay user fees that many airlines, both American and European, believe are excessive. If the current funding system (i.e., the trust fund) continues, DOT should conduct a cost allocation study to determine the feasibility of imposing direct user fees on foreign carriers for international overflights.

IMPLEMENTATION
---------- Chapter 20:2.7.3

Not Implemented--Action Taken. The cost allocation study has not been done, but a contractor employed by DOT has completed a report that provides information on foreign air carriers flying over U.S.

airspace and suggests a framework for charging user fees for international overflights. This report contains data on the incidence of foreign carriers' overflights, proposes a methodology for identifying and measuring the costs of providing air traffic control services for international overflights, and presents a list of alternative charges for air traffic control services for international flights. After reviewing the report's information and recommendations for a user fee framework, DOT and FAA will decide how to proceed regarding a cost allocation study.

RELATED GAO PRODUCTS
---------- Chapter 20:2.7.4

None.

DOT08: INCREASE FAA FEES
FOR INSPECTION OF FOREIGN
REPAIR FACILITIES
---------- Chapter 20:2.8

To ensure full cost recovery, increase the fees charged for certification and surveillance of foreign aircraft repair stations.

ACTION ITEMS
---------- Chapter 20:2.8.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 20:2.8.2

Generally Agree. We agree with the concept of full cost recovery of FAA's expenses for foreign repair stations. FAA already charges a fee to certify foreign repair stations. Consideration should also be given to the fact that some countries may not have the financial means to pay for continued FAA surveillance of the repair stations.

IMPLEMENTATION
---------- Chapter 20:2.8.3

Not Implemented--Action Taken. On June 30, 1994, FAA published a notice of proposed rulemaking in the Federal Register. Under the proposed rule, FAA would increase its charges for certifying and inspecting foreign repair stations to recover the full costs it incurs in providing these services. FAA has considered the comments it received on the notice and expects to issue a final rule by the end of calendar year 1994. In addition, the FAA Authorization Act of 1994 (P.L. 103-305, section 209) requires FAA to establish and collect fees to recover its full costs of certifying and inspecting foreign repair stations.

RELATED GAO PRODUCTS
---------- Chapter 20:2.8.4

Aviation Safety: Unresolved Issues Involving U.S.-Registered Aircraft (GAO/RCED-93-135, June 18, 1993).

Aviation Safety: Increased Oversight of Foreign Carriers Needed (GAO/RCED-93-42, Nov. 20, 1992).

Aviation Certification: Limited Progress on Developing International Design Standards (GAO/RCED-92-179, Aug. 20, 1992).

Aircraft Maintenance: Additional FAA Oversight Needed of Aging Aircraft Repairs (Vols. I and II) (GAO/RCED-91-91A and B, May 24, 1991).

DOT09: CONTRACT FOR LEVEL I
AIR TRAFFIC CONTROL TOWERS
---------- Chapter 20:2.9

NPR recommends converting 99 Level I (low-use) air control towers to contract operation and reviewing the remaining Level I towers for possible decommissioning.

ACTION ITEMS
---------- Chapter 20:2.9.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 20:2.9.2

Agree. In 1993, the House and Senate Appropriations Committees' reports specify funding for FAA to (1) close towers that do not meet its benefit/cost criteria, (2) contract out the operations of 25 Level I towers by the end of fiscal year 1994, and (3) relocate controllers to other facilities. FAA estimated that it could save as much as $120 million (in constant 1994 dollars) if it contracted out the operation of the remaining Level I towers by fiscal year 1997. However, FAA will not realize immediate savings primarily because it will incur short-term costs to relocate controllers to other facilities.

IMPLEMENTATION
---------- Chapter 20:2.9.3

Partially Implemented. On March 8, 1994, FAA announced its plan for contracting out the operation of 99 Level I towers; about 90 companies or individuals expressed an interest. FAA made its request for technical proposal available to them on May 2, 1994. FAA formed a committee to review the responses and identify the respondents that it would invite to bid on the contracts. FAA awarded multiyear contracts for 24 Level I towers and has an agreement with the

National Guard to operate 1 other tower. FAA hopes to award contracts on the remaining 74 towers by fiscal year 1997.

RELATED GAO PRODUCTS

---------- Chapter 20:2.9.4

Air Traffic Control: Status of FAA's Plans to Close and Contract Out Low-Activity Towers (GAO/RCED-94-265, Sept. 12, 1994).

FAA Budget: Important Challenges Affecting Aviation Safety, Capacity, and Efficiency (GAO/T-RCED-93-33, Apr. 26, 1993).

DOT10: ESTABLISH A PUBLIC-PRIVATE CONSORTIUM TO DEVELOP AN AERONAUTICAL TELECOMMUNICATIONS NETWORK

---------- Chapter 20:2.10

FAA should pursue the creation of a public-private consortium under a cooperative agreement with industry to develop an Aeronautical Telecommunications Network (ATN).

ACTION ITEMS

---------- Chapter 20:2.10.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 20:2.10.2

Generally Agree. We generally agree with the notion of creating a public-private consortium to develop the Aeronautical Telecommunications Network. A public-private partnership has the potential to accelerate the development of the data communication system and, thus, shorten the procurement cycle.

IMPLEMENTATION

---------- Chapter 20:2.10.3

Partially Implemented. During initial discussions of the consortium, questions arose as to whether FAA had the legal authority to enter into a cooperative agreement with the airlines, which planned to form a for-profit corporation. FAA received authority through Public Law 103-305, section 307, to enter into cooperative agreements, on a cost-shared basis, with nonfederal entities to conduct and promote aviation research and development. FAA and the airlines are reviewing a consortium agreement. In anticipation of formalizing the agreement, FAA has held workshops for vendors and briefed trade associations and others on the consortium. The airlines have taken steps to incorporate as ATN Systems, Inc., which would then enter into a cooperative agreement with FAA to develop the Aeronautical Telecommunications Network.

RELATED GAO PRODUCTS
---------- Chapter 20:2.10.4

None.

DOT11: IMPROVE INTERMODAL
TRANSPORTATION POLICY
COORDINATION AND MANAGEMENT
---------- Chapter 20:2.11

DOT should institute a strategic planning process to promulgate national, integrated transportation policies.

ACTION ITEMS
---------- Chapter 20:2.11.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 20:2.11.2

Agree. As we have previously noted in our reports and testimonies, we support establishing a strategic planning process as a first step towards ensuring a total systems approach to selecting among transportation alternatives. For example, we have recommended that DOT develop common measures to compare different transportation alternatives. Such measures would help states and localities identify the mix of projects--regardless of mode--needed to address their transportation priorities and problems. Furthermore, models of the demand for travel could be improved to better analyze, among other things, the impacts of transportation projects on air quality.

However, a planning process alone may not be sufficient. DOT may need to consider organizational changes that coordinate the planning and financing arms of the separate modal administrations. One such change, suggested by the National Academy of Public Administration several years ago, would create a Surface Transportation Administration to encompass the missions currently performed by separate rail, highway, and transit agencies.

IMPLEMENTATION
---------- Chapter 20:2.11.3

Partially Implemented. DOT published its Strategic Plan in January 1994. The plan identifies 7 goals and 43 action items. DOT issued instructions in August 1994 for its offices and operating administrations to develop performance plans for addressing the plan's goals and action items. These instructions also directed the offices and operating administrations to identify performance measures that support the plan's action items.

RELATED GAO PRODUCTS
---------- Chapter 20:2.11.4

Transportation Infrastructure: Implementation of Funding Under ISTEA and Use of Transportation Control Measures (GAO/T-RCED-94-50, Oct. 14, 1993).

Transportation Infrastructure: Better Tools Needed for Funding Decisions on Using ISTEA Funds Flexibly (GAO/RCED-94-25, Oct. 13, 1993).

Surface Transportation: Funding Limitations and Barriers to Cross-Modal Decisionmaking (GAO/T-RCED-93-25, Mar. 31, 1993).

DOT12: DEVELOP AN INTEGRATED NATIONAL TRANSPORTATION RESEARCH AND DEVELOPMENT PLAN
---------- Chapter 20:2.12

DOT should examine the nation's transportation-related research and development portfolio and develop an integrated national transportation plan that considers specific transportation research needs as well as intermodal transportation plans.

ACTION ITEMS
---------- Chapter 20:2.12.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 20:2.12.2

Agree. We support such an effort. On the basis of our recommendations on the intelligent vehicle highway systems, Congress enacted into law a requirement that DOT develop a program of operational field tests in accordance with a strategic research plan. DOT needs to develop such a plan because it would be a necessary step towards enabling this family of technologies to fulfill its promise. Regarding FAA's Research, Engineering, and Development Program, we have reported that FAA's success in meeting current and future challenges will depend on several factors. These factors include integrating research goals into other program areas, leveraging research conducted by other federal agencies, and integrating various technologies to meet specific safety and capacity problems.

In addition, in 1994 we reported that DOT did not have complete or accurate information on all research grant awards made to universities, colleges, and other institutions of higher education and did not have an integrated plan to manage its diverse university research activities. We recommended that DOT complete the development of a database to track the purpose and costs of each university research award and reinstitute a process to ensure that

the operating administrations have adequate policies and procedures for monitoring grants and indirect costs.

IMPLEMENTATION
---------- Chapter 20:2.12.3

Not Implemented--Action Taken. In January 1994, DOT issued an internal order establishing the Department's Research and Technology Steering Committee to act as a board of directors and develop and maintain a strategic plan for DOT's research and technology program. In April 1994, DOT issued another internal order establishing a Research and Technology Coordinating Council to direct the agency's research and technology program within the guidance established by the steering committee. DOT does not expect to complete an integrated research and technology plan until 1995.

RELATED GAO PRODUCTS
---------- Chapter 20:2.12.4

Department of Transportation: University Research Activities Need Greater Oversight (GAO/RCED-94-175, May 13, 1994).

Aviation Research: Actions to Enhance the Effectiveness of FAA's Research Activities (GAO/T-RCED-93-40, May 20, 1993).

DOT13: CREATE AND EVALUATE TELECOMMUTING PROGRAMS
---------- Chapter 20:2.13

DOT should implement a telecommuting plan within the agency and should evaluate transportation-related behavior and other topics requiring research in this area.

ACTION ITEMS
---------- Chapter 20:2.13.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 20:2.13.2

Agree. This proposal has merit and should be explored. We have recommended additional evaluation of telecommuting and transportation-related behavior. Any research efforts undertaken in this area should be explicitly linked to DOT's research and development plan and budget.

IMPLEMENTATION
---------- Chapter 20:2.13.3

Partially Implemented. DOT has acted on this recommendation by

issuing a policy endorsing telecommuting and directing each operating administration within DOT to establish and evaluate a telecommuting program. The operating administrations are developing their telecommuting policies and programs, and some of their employees are already telecommuting from home or from General Services Administration (GSA) telecommuting centers. DOT has begun to develop procedures with GSA for evaluating each telecommuting program undertaken.

RELATED GAO PRODUCTS
---------- Chapter 20:2.13.4

Transportation Issues (GAO/OCG-93-14TR, Dec. 1992).

Urban Transportation: Reducing Vehicle Emissions With Transportation Control Measures (GAO/RCED-93-169, Aug. 3, 1993).

DOT14: IMPROVE DOT INFORMATION TECHNOLOGY MANAGEMENT
---------- Chapter 20:2.14

The Department should develop an information management strategy which will enable the sharing of data among its component agencies and reduce costs.

ACTION ITEMS
---------- Chapter 20:2.14.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 20:2.14.2

Agree. We agree with this recommendation and have previously recommended that the Secretary of Transportation report the lack of a complete departmental strategic information resources management (IRM) plan as a material weakness under the Federal Managers' Financial Integrity Act. Additionally, we have made recommendations to improve IRM management at the Coast Guard and FAA.

IMPLEMENTATION
---------- Chapter 20:2.14.3

Not Implemented--Action Taken. In January 1994, DOT published its Strategic Plan. Goal 7.2 of the plan is to "promote increased use of technologies that will create a more effective and productive internal organization." DOT plans to respond to this goal by developing a new infrastructure for the Department's technologies (hardware and telecommunications architecture, data standards, standard departmental applications, consolidation of voice and data networks, and fee-for-service financing). DOT has established the

IRM Advisory Council as the steering group to oversee this NPR recommendation. DOT has also established seven intermodal task groups, whose assignments are to present scoping papers for use in developing an implementation plan that includes milestones and capital investment funding requirements. The recommendation for an implementation plan is scheduled for approval in early calendar year 1995.

RELATED GAO PRODUCTS

---------- Chapter 20:2.14.4

Aviation Safety: Progress on FAA Safety Indicators Program Slow and Challenges Remain (GAO/IMTEC-92-57, Aug. 31, 1992).

Transportation Safety: Information Strategy Needed for Hazardous Materials (GAO/IMTEC-91-50, Sept. 25, 1991).

FAA Information Resources: Agency Needs to Correct Widespread Deficiencies (GAO/IMTEC-91-43, June 18, 1991).

Coast Guard: Strategic Focus Needed to Improve Information Resources Management (GAO/IMTEC-90-32, Apr. 24, 1990).

DOT15: PROVIDE REEMPLOYMENT RIGHTS FOR MERCHANT MARINERS

---------- Chapter 20:2.15

Guarantee reemployment rights to U.S. seafarers at their private sector jobs if called to serve during a war or national emergency.

ACTION ITEMS

---------- Chapter 20:2.15.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 20:2.15.2

Agree. We support this recommendation. Bills have been introduced to secure reemployment rights for merchant seamen equivalent to those provided for other members of any reserve component of the Armed Forces. The measure seems to be fair and equitable.

Support for this recommendation appears to be widespread in the maritime community. In April 1994, we hosted a maritime workshop that focused on staffing the Ready Reserve Force--vessels in the National Defense Reserve Fleet that are maintained in a high state of readiness in case of war or other urgent national need, such as the humanitarian mission in Somalia. The participants included government agencies, commercial ship managers, and organized maritime labor. The attendees agreed that the current state of the U.S. merchant marine industry demands passage of reemployment rights for mariners who volunteer for the Ready Reserve Force duty during a

crisis.

IMPLEMENTATION
---------- Chapter 20:2.15.3

Not Implemented--Action Taken. The 103rd Congress considered proposed legislation that would implement this NPR recommendation. The House passed three bills (H.R. 1109, H.R. 3400, and H.R. 4003) that would grant reemployment rights to mariners that are substantially equivalent to those held by members of reserve units in the Armed Forces that are ordered to active duty. No action on this proposed legislation was taken in the Senate.

RELATED GAO PRODUCTS
---------- Chapter 20:2.15.4

Strategic Sealift: Summary of Workshop on Crewing the Ready Reserve Force (GAO/NSIAD-94-177, June 6, 1994).

DOT16: ESTABLISH AN INDEPENDENT COMMISSION TO REVIEW THE U.S. MARITIME INDUSTRY
---------- Chapter 20:2.16

NPR recommends a detailed examination of the future of the maritime industry in the United States and the benefits derived by the taxpayers from maritime industry subsidies and related issues.

ACTION ITEMS
---------- Chapter 20:2.16.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 20:2.16.2

Generally Agree. At the heart of this issue are fundamental questions about the role the maritime industry is expected to play during both times of peace and times of conflict. Maritime reform has been proposed repeatedly over the years by both the executive and legislative branches without resolution. For example, during the closing months of the Bush administration, the Secretary of Transportation proposed major maritime reforms that were not adopted. If an independent commission, as suggested by NPR, would facilitate resolution of the issues surrounding the current vague and uncertain U.S. maritime policy, it would be welcome.

IMPLEMENTATION
---------- Chapter 20:2.16.3

Other. An independent commission to review the maritime industry has not been established, and no actions toward this end appear to have been taken. However, the need for such a commission could have diminished if an administration-proposed maritime reform bill had passed. According to a Maritime Administration official responsible for tracking this recommendation, the driving force behind the recommendation was a need to develop new legislation to revitalize the maritime industry and halt the decline of the U.S. merchant fleet. If such legislation had passed, a commission would no longer be needed, this official believed.

In March 1994, the administration presented its maritime reform proposal (contained in H.R. 4003 and S. 1945) to Congress, where it remains under review. The proposal contained many provisions to help ensure that the United States will continue to have a fleet of merchant ships owned, controlled, and staffed by American citizens. For example, assistance would be provided for eligible ships to help owners compete in the global marketplace and be available to meet national security needs. The total cost of the new assistance plan, however, would be less than under the current policy, according to the Maritime Administration official. In August 1994, the House passed a version of H.R. 4003 containing maritime reform provisions. The Senate failed to pass any comparable legislation.

RELATED GAO PRODUCTS
---------- Chapter 20:2.16.4

None.

DOT17: ELIMINATE FUNDING
FOR HIGHWAY DEMONSTRATION
PROJECTS
---------- Chapter 20:2.17

Rescind funding for existing highway demonstration projects. These demonstration projects should compete at the state level for the limited highway resources available and not be singled out for special treatment at the federal level.

ACTION ITEMS
---------- Chapter 20:2.17.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 20:2.17.2

Generally Agree. As stated in our report and testimony (GAO/RCED-91-146 and GAO/T-RCED-93-29), highway demonstration projects frequently face impediments, such as citizen opposition or failure to satisfy key state transportation priorities, that can cause projects to languish in the early development stages or never get started at all. We support rescinding unobligated balances for

those projects that are clearly inactive as well as for those projects that are complete but still carry an unobligated balance. Criteria for defining inactive projects should provide a basis for the rescissions. One option would be to require that funds be obligated within 4 years of their allocation. This approach is in keeping with the rules that govern most other federal-aid highway program categories. At the 4-year point, the funds could be rescinded, redistributed to other projects within the affected state, or distributed under other arrangements Congress directs.

While we agree that most highway projects should compete at the state level for limited resources, it should be noted that in limited instances, targeting federal funds for a special project may be appropriate. Projects that demonstrate new technology that is widely applicable could be one such instance. To help ensure that such demonstration projects are sound investments, both the House appropriating and authorizing committees have recently developed screening mechanisms for considering the merits of individual projects.

IMPLEMENTATION

---------- Chapter 20:2.17.3

Partially Implemented. The Emergency Supplemental Appropriations Act of 1994 (P.L. 103-211, Feb. 12, 1994) rescinded approximately $32 million from various highway demonstration projects. However, this sum is only a small part of the billions of dollars in funding for existing highway demonstration projects. The administration's fiscal year 1995 budget request for FHWA assumed that almost all highway demonstration project funding would be rescinded. However, the administration did not send forward documents needed to propose such rescissions. No further action is anticipated in the 103rd Congress on rescinding funding for existing highway demonstration projects.

RELATED GAO PRODUCTS

---------- Chapter 20:2.17.4

Surface Transportation: Tight Budget Environment Requires Sound Investment Strategy (GAO/T-RCED-94-146, Mar. 8, 1994).

Surface Transportation: Budget Issues and Optimizing Investment Returns (GAO/T-RCED-93-29, Apr. 22, 1993).

Highway Demonstration Projects: Improved Selection and Funding Controls Are Needed (GAO/RCED-91-146, May 28, 1991).

DOT18: REDUCE SPENDING FOR THE U.S. MERCHANT MARINE ACADEMY

---------- Chapter 20:2.18

As an economy measure, federal funding for the U.S. Merchant Marine Academy should be cut by half. The Academy should be given the ability to charge tuition to cover a portion of its operations.

ACTION ITEMS
---------- Chapter 20:2.18.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 20:2.18.2

Insufficient Information. While implementing this recommendation might lead to budget savings, we do not have sufficient information to evaluate the impact that requiring students to pay part of their tuition would have on enrollment. The administration has proposed legislation to revitalize the maritime industry. Since the need for the Academy could depend on the outcome of that proposal and of its impact on the industry, evaluation of the appropriate level of federal funding for the Academy may be premature at this time.

IMPLEMENTATION
---------- Chapter 20:2.18.3

Not Implemented--Action Taken. Although some early actions were taken to implement this recommendation, Congress recently passed legislation to prevent its implementation. As originally introduced in October 1993, section 11001 of the Government Reform and Savings Act of 1993 (H.R. 3400) would have implemented the NPR recommendation. The Secretary of Transportation would have been required to establish a system of tuition and fees for individuals attending the Academy that, in total, would equal up to one-half of its operating cost. However, the House Committee on Merchant Marine and Fisheries eliminated the tuition provisions from the act. The Committee reported that charging tuition would be a major policy change and said that it planned to hold hearings before recommending changes. Strong congressional opposition developed, and several bills were introduced in the House and Senate that included provisions to prohibit charging tuition. A conference committee's version of S. 2182, which authorized appropriations for military activities for fiscal year 1995, contained provisions that prohibited charging for tuition at the U.S. Merchant Marine Academy as well as at certain military academies. This version of the bill was enacted on October 5, 1994 (P.L. 103-337).

RELATED GAO PRODUCTS
---------- Chapter 20:2.18.4

None.

DOT19: RESCIND UNOBLIGATED
EARMARKS FOR THE FTA NEW
STARTS AND BUS PROGRAM
---------- Chapter 20:2.19

Rescind unobligated balances for fiscal year 1992 and prior earmarked funding under this Federal Transit Administration (FTA) program that remain unobligated after 3 years.

ACTION ITEMS
---------- Chapter 20:2.19.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 20:2.19.2

Generally Agree. We agree with the recommendation to rescind unobligated balances but only for inactive or completed projects funded by FTA. We urge caution in blanket rescissions because there may be acceptable reasons for a project's inability to obligate funds over time. Criteria to define inactive projects need to be developed.

IMPLEMENTATION
---------- Chapter 20:2.19.3

Partially Implemented. Unobligated funds typically occur when earmarks are made prematurely. To address this problem, the fiscal year 1993 Department of Transportation appropriations act provided that funds not obligated by September 30, 1995, be made available for other transit projects. A similar legislative provision has been continued in subsequent appropriations acts. For earlier years, however, some of the funds earmarked for transit projects remained unobligated. FTA determined that, as of September 30, 1993, about $50.5 million in transit funds remained unobligated and proposed them for rescission. However, the actual rescission was reduced to only a portion of this, $808,935, by the Emergency Supplemental Appropriations Act of 1994 (P.L. 103-211, Chapter 10). FTA expects the balance of approximately $49.7 million in transit funds to be obligated in fiscal year 1994.

RELATED GAO PRODUCTS
---------- Chapter 20:2.19.4

High-Risk Series: Federal Transit Administration Grant Management (GAO/HR-93-16, Dec. 1992).

DOT20: REDUCE THE ANNUAL
ESSENTIAL AIR SERVICE
SUBSIDIES
---------- Chapter 20:2.20

This recommendation would set new, more restrictive criteria for small airports to qualify for essential air service subsidies.

ACTION ITEMS
---------- Chapter 20:2.20.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 20:2.20.2

Generally Agree. The Essential Air Service (EAS) Program currently affects roughly 300 smaller communities in the United States. This program is relatively small, accounting for less than $40 million in 1992. The EAS Program is often described by critics as uneconomical and as an unwarranted subsidy to small communities. However, when the airline industry was deregulated in 1978, Congress guaranteed that small communities would continue to be connected to the nation's air system through direct service to a medium or large airport for a period of 10 years. Congress later extended the program for an additional 10 years and has made other adjustments to this policy over the years. The communities that benefit maintain that they would be adversely affected if the assistance were terminated and direct access to the nation's air transport network were lost.

In March 1994, we responded to a congressional request for information on the availability of air travel between small airports in the Midwest and Chicago's O'Hare International Airport under the EAS Program. We found that, on average, the number of flights available between the 41 midwestern EAS communities and O'Hare had declined since the start of the program. Of the 41 communities, 17 have actually gained service, while 24 have lost service or receive the same service. We also found that commuter slot holdings have become increasingly concentrated among a few airlines, but average yields (revenues per passenger mile) for operating between the small airports and O'Hare are roughly in the middle of the distribution of yields at other major airports. Airport operators and airline representatives told us that O'Hare could accommodate more traffic by allocating slots more efficiently. In addition, improvements undertaken as part of the O'Hare Airport Redevelopment Plan have increased the airport's overall capacity.

IMPLEMENTATION
---------- Chapter 20:2.20.3

Fully Implemented. DOT's fiscal year 1994 appropriation reduced EAS airport subsidies from $38.6 million to $33.4 million, a reduction of $5.2 million, which eliminated subsidies to commuter air carriers serving four communities through more restrictive criteria. No subsidy was permitted for a small airport located less than 70 highway miles from a medium or large hub airport; for a small airport located less than 210 miles from a hub airport, the per-passenger subsidy was limited to $200 or less. The administration's fiscal year 1995 budget request calls for reducing EAS subsidies by an additional $7.8 million, to $25.6 million. Although the House version of the DOT appropriation bill adopted this reduction, the Senate version restored the funding to $33.4 million. The DOT appropriation act, Public Law 103-331 (September 30, 1994), sets the

EAS appropriation at the Senate level of $33.4 million.

RELATED GAO PRODUCTS
---------- Chapter 20:2.20.4

Airport Competition: Essential Air Service Slots at O'Hare International Airport (GAO/RCED-94-118FS, Mar. 4, 1994).

Airport Improvement Program: Opportunity to Consider FAA's Role in Meeting Airport System Needs (GAO/T-RCED-93-43, May 26, 1993).

DOT21: TERMINATE GRANT FUNDING FOR FEDERAL AVIATION ADMINISTRATION HIGHER EDUCATION PROGRAMS
---------- Chapter 20:2.21

To reduce costs, eliminate federal grant funding of two FAA post-secondary education programs.

ACTION ITEMS
---------- Chapter 20:2.21.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 20:2.21.2

Insufficient Information. We have not evaluated either the Collegiate Training Initiative Program or the Airways Science Curriculum and Grant Program, but we do have several observations to make on the basis of the body of work we have performed concerning FAA's work force. We have testified that the Office of Personnel Management's register includes over 25,000 people qualified to seek employment as air traffic controllers. This large backlog, and the administration's decision to allow controllers fired during the strike to compete for employment, should be considered in determining whether the Collegiate Training Initiative Program for air traffic controllers should be retained. If Congress decides to terminate this program, it should consider using a phased approach to minimize the impact on the students involved.

The stated purpose of the Airways Science Curriculum and Grant Program is to develop a base of aviation technicians and managers for FAA and for the aviation industry. While a recent report by DOT's Inspector General found that the program offered little benefit to FAA, we have not conducted a review to determine whether there is a continuing need for this program or how the program affects the aviation industry.

IMPLEMENTATION
---------- Chapter 20:2.21.3

Not Implemented--Action Taken. FAA has no immediate plans to terminate its two higher education programs. It will, however, consider whether to continue the Collegiate Training Initiative Program at the end of 1995.

In November 1993, FAA proposed the rescission of $40.3 million in grant funds for the Airways Science Curriculum and Grant Program, but Congress rescinded only $5.1 million. Subsequently, FAA obligated the remaining $35.2 million. FAA must continue to administer this program until every grant is closed. FAA is planning to shift some of its responsibilities for identifying and developing curricula for this program to industry and academia, beginning in January 1995.

Congress has not added funds for either of these two programs to FAA's fiscal year 1995 appropriations bill, as it has done to appropriations bills in prior years.

RELATED GAO PRODUCTS

---------- Chapter 20:2.21.4

Air Traffic Control: Status of FAA's Plans to Close and Contract Out Low-Activity Towers (GAO/RCED-94-265, Sept. 12, 1994).

FAA Reauthorization: Opportunity Exists to Address Safety, Capacity, and Efficiency Issues (GAO/T-RCED-93-75, Sept. 28, 1993).

FAA Budget: Important Challenges Affecting Aviation Safety, Capacity, and Efficiency (GAO/T-RCED-93-33, Apr. 26, 1993).

DOT22: ASSIGN OFFICE OF MOTOR CARRIERS (OMC) FIELD STAFF TO IMPROVE PROGRAM EFFECTIVENESS AND REDUCE COSTS

---------- Chapter 20:2.22

The Office of Motors Carriers (OMC) should develop a resource allocation model so that regional managers will be able to optimize geographic assignment of staff, schedule carrier reviews in an efficient manner, and eliminate unnecessary travel requirements.

ACTION ITEMS

---------- Chapter 20:2.22.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 20:2.22.2

Agree. We concur that OMC field staff should be located in the geographic areas where the greatest safety risks occur. FHWA should coordinate its efforts with those of FRA, FAA, and the Research and

Special Programs Administration, which have been working to develop and implement risk assessment models.

IMPLEMENTATION
---------- Chapter 20:2.22.3

Not Implemented--Action Taken. DOT's Volpe National Transportation Systems Center is attempting to develop software to allocate staff and travel budgets to the areas of greatest need. However, the models developed to date have not enabled DOT to allocate its resources more effectively. Although work is continuing, DOT does not know at this time whether the recommendation can be successfully implemented.

RELATED GAO PRODUCTS
---------- Chapter 20:2.22.4

Railroad Safety: Continued Emphasis Needed for an Effective Track Safety Inspection Program (GAO/RCED-94-56, Apr. 22, 1994).

FAA Budget: Important Challenges Affecting Aviation Safety, Capacity, and Efficiency (GAO/T-RCED-93-33, Apr. 26, 1993).

Aviation Safety: Problems Persist in FAA's Inspection Program (GAO/RCED-92-14, Nov. 20, 1991).

Railroad Safety: New Approach Needed for Effective FRA Safety Inspection Program (GAO/RCED-90-194, July 31, 1990).

Pipeline Safety: New Risk Assessment Program Could Help Evaluate Inspection Cycle (GAO/RCED-89-107, Mar. 7, 1989).

DOT23: AUTOMATE
ADMINISTRATIVE REQUIREMENTS
FOR FEDERAL-AID HIGHWAY
PROJECTS
---------- Chapter 20:2.23

NPR recommends improvements in the flow of information on federal-aid highway projects that will reduce paperwork and reduce staff time in completing certain forms and other current requirements.

ACTION ITEMS
---------- Chapter 20:2.23.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 20:2.23.2

Agree. We endorse the call for improvements, including automation, in the flow of information. In the course of our work, we have

recognized the need for better information to gauge the condition of, and any progress made in improving, the transportation network. For instance, in 1991, we reported that while FHWA was collecting data on state expenditures for interstate highway maintenance, the data were not reliable because information from many states was missing or incomplete.

IMPLEMENTATION

---------- Chapter 20:2.23.3

Partially Implemented. FHWA has identified a number of tasks that can be automated for federal-aid highway projects. The work includes an examination of the feasibility of automating project authorizations, project agreements, materials usage data, and billing processes. FHWA completed a small portion of this work before September 1993, and additional work was completed during the remainder of calendar year 1993 and in 1994.

RELATED GAO PRODUCTS

---------- Chapter 20:2.23.4

Transportation Infrastructure: Preserving the Nation's Investment in the Interstate Highway System (GAO/RCED-91-147, Aug. 2, 1991).

DEPARTMENT OF THE TREASURY/RESOLUTION TRUST CORPORATION (TRE)

========== Chapter 21

OVERALL SUMMARY

---------- Chapter 21:1

The NPR recommendations for Treasury span a wide range of government activities, including the coordination on federal law enforcement agencies, organizational modernization for IRS and Customs, and improvement of governmentwide financial management systems. Treasury officials have been cooperating with the Justice Department in efforts to improve law enforcement coordination. The creation of the Office of Investigative Agency Policies within Justice appears to be a positive step toward better coordination of law enforcement efforts. This office, however, does not have authority over, and generally does not affect, either Treasury investigative agencies or other federal investigative agencies outside of Justice. Overall, though, Treasury has taken some type of action regarding all of the NPR recommendations related to its law enforcement activities.

Treasury has also taken action on other NPR recommendations. IRS is working with other federal agencies and states to simplify tax and wage reporting, and it is drafting legislation to allow greater cooperation between the federal government and state governments on tax administration. IRS and Customs are beginning to modernize their operations, but full implementation of these efforts will not be complete for several years. Also, reports we have recently issued on

IRS and Customs showed that these agencies continue to have significant problems with their financial management.

GAO CONTACT
---------- Chapter 21:1.1

Jennie Stathis, Issue Area Director, Tax Policy and Administration, (202) 512-5407.

RECOMMENDATION INFORMATION
---------- Chapter 21:2

TRE01: IMPROVE THE COORDINATION AND STRUCTURE OF FEDERAL LAW ENFORCEMENT AGENCIES
---------- Chapter 21:2.1

NPR recommends the designation of the Attorney General as the Director of Law Enforcement to coordinate federal law enforcement efforts. It also recommends changes in the alignment of federal law enforcement responsibilities.

ACTION ITEMS
---------- Chapter 21:2.1.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 21:2.1.2

Generally Agree. We support the need for greater coordination of the numerous agencies involved in federal law enforcement. The decentralized operations, including the 94 U.S. Attorneys and the various investigative agencies within Justice and Treasury, complicate efforts by the Department of Justice to coordinate and direct a wide variety of initiatives and programs to fight crime. We have not taken a position as to whether the various law enforcement agencies should be consolidated into one or more agencies.

IMPLEMENTATION
---------- Chapter 21:2.1.3

Other. According to information obtained from Treasury officials, to improve coordination among investigative agencies within the Department as well as with Justice agencies, Treasury (1) recently established an under secretary position to coordinate its law enforcement activities, (2) is reorganizing its enforcement bureaus to be more mission specific, (3) has developed some interagency memorandums of understanding regarding coordination of responsibilities, and (4) is participating in task forces with the

FBI.

In a related action, in November 1993 the Attorney General established the Office of Investigative Agency Policies (OIAP) to improve coordination among its law enforcement agencies, reduce duplication, and better utilize investigative resources. OIAP is headed by a Director (currently the FBI Director), appointed by the Attorney General from among the heads of the affected investigative agencies--FBI, Drug Enforcement Administration, U.S. Marshals Service, and Immigration Naturalization Service--and Justice's Criminal Division. OIAP is responsible for resolving operational issues among the Justice's investigative agencies where there is overlapping jurisdiction and for advising the Attorney General regarding administrative, budgetary, and personnel matters involving these agencies. Among other things, OIAP has issued resolutions and begun taking actions to improve within Justice the (1) use and sharing of federal drug intelligence, (2) coordination of violent crime activities, (3) coordination of the budget requests of the various investigative agencies, and (4) location and use of Justice field offices and resources.

Although Treasury apparently has taken some actions intended to improve coordination among its investigative agencies and with Justice agencies, at the time of our follow-up inquiry, we were unable to obtain sufficiently detailed information to assess those actions. Moreover, while the creation of the OIAP within Justice appears to be consistent with the underlying intent of the recommendation and a positive step toward improving coordination of law enforcement activities within the Department, OIAP does not have authority over and generally does not affect Treasury investigative agencies or other non-Justice federal investigative agencies. Furthermore, according to Justice, there have been no further actions on this recommendation pending NPR's issuance of the accompanying report.

RELATED GAO PRODUCTS

---------- Chapter 21:2.1.4

Bank and Thrift Failures: The Government Could Do More to Pursue Fraud and Wrongdoing (GAO/T-GGD-93-1, Jan. 28, 1993).

Bank and Thrift Criminal Fraud: The Federal Commitment Could Be Broadened (GAO/GGD-93-48, Jan. 8, 1993).

Justice Issues (GAO/OCG-93-23TR, Dec. 1992).

Bank and Thrift Fraud: Overview of the Federal Government's Response (GAO/T-GGD-92-12, Feb. 6, 1992).

War on Drugs: Information Management Poses Formidable Challenges (GAO//IMTEC-91-40, May 31, 1991).

Justice Department: Coordination Between DEA and the FBI (GAO/GGD-90-59, Mar. 21, 1990).

TRE02: IMPROVE BORDER MANAGEMENT

---------- Chapter 21:2.2

Federal border management should be significantly improved. NPR recommends a series of actions to be taken by Customs and INS to make these improvements.

ACTION ITEMS

---------- Chapter 21:2.2.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 21:2.2.2

Agree. Customs and INS have a long history of interagency rivalry, poor coordination, and ineffective cooperation despite sharing responsibility for primary inspections at land border ports of entry. We have recommended that OMB, working with Treasury and Justice, develop a proposal for ending the dual management of border inspections.

IMPLEMENTATION

---------- Chapter 21:2.2.3

Not Implemented--Action Taken. INS and Customs are working on five cooperative areas: coordinated shift scheduling; special operations; cross training; joint performance standards; and development of port quality improvement committees. However, at this time there is no indication from INS or Customs that they are working on a strategic improvement plan or that the actions they are taking will comprehensively address previously identified problems.

RELATED GAO PRODUCTS

---------- Chapter 21:2.2.4

Customs Service and INS: Dual Management Structure for Border Inspections Should Be Ended (GAO/GGD-93-111, June 30, 1993).

TRE03: REDIRECT AND BETTER COORDINATE RESOURCES DEDICATED TO THE INTERDICTION OF DRUGS

---------- Chapter 21:2.3

This recommendation outlines changes that can be made to better coordinate federal programs directed at the air interdiction of drugs.

ACTION ITEMS

---------- Chapter 21:2.3.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 21:2.3.2

Agree. Given worldwide drug production capacity, domestic demand, and the resourcefulness of drug smugglers to adapt to U.S. enforcement initiatives, the overall availability of drugs in this country has not been diminished despite substantial increases in air interdiction efforts and related drug seizures. The commitment of resources should not be made without considering the potential effectiveness of alternative efforts, both supply and demand, and should be based on achieving measurable goals. Also, to better coordinate agency efforts, improvements in information system interoperability, data integrity, security, and overall intelligence information management are needed.

IMPLEMENTATION

---------- Chapter 21:2.3.3

Not Implemented--Action Taken. The recommended changes have not been implemented, but several agency actions have been taken. Treasury and Justice have enhanced their communication and coordination on interdiction matters. An example of the enhanced cooperation is the regular communication on interdiction matters between the Treasury's Under Secretary for Enforcement and the Deputy Attorney General. Treasury has reviewed existing drug interdiction programs to determine benefits to the national strategy and has taken steps to streamline the programs. For example, the Agency is reducing funding for the P-3 aircraft program and there will be fewer flight hours in fiscal year 1995.

RELATED GAO PRODUCTS

---------- Chapter 21:2.3.4

Drug Control: Reauthorization of the Office of National Drug Control Policy (GAO/GGD-93-144, Sept. 29, 1993).

Drug Control: Heavy Investment in Military Surveillance Is Not Paying Off (GAO/NSIAD-93-220, Sept. 1, 1993).

War on Drugs: Information Management Poses Formidable Challenges (GAO/IMTEC-91-40, May 31, 1991).

Drug Interdiction: Funding Continues to Increase but Program Effectiveness Is Unknown (GAO/GGD-91-10, Dec. 11, 1990).

Drug Control: Anti-Drug Efforts in the Bahamas (GAO/GGD-90-42, Mar. 8, 1990).

Drug Smuggling: Capabilities for Interdicting Private Aircraft Are Limited and Costly (GAO/GGD-89-93, June 9, 1989).

TRE04: FOSTER FEDERAL-STATE COOPERATIVE INITIATIVES BY THE IRS

---------- Chapter 21:2.4

Cooperative relationships between the IRS and state tax administrations, including joint filing of data, should improve taxpayer service as well as collection activity while reducing costs.

ACTION ITEMS

---------- Chapter 21:2.4.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 21:2.4.2

Agree. We fully support such relationships and have recommended that IRS identify and implement ways to increase cooperation with state governments in collecting delinquent taxes. We have also noted the growing cooperation between IRS and states in the joint electronic filing of income tax returns.

IMPLEMENTATION

---------- Chapter 21:2.4.3

Not Implemented--Action Taken. In the 103rd Congress, H.R. 3419 contained provisions for IRS and state tax authorities to enter into cooperative agreements for the purpose of enhancing joint tax administration such as the filing of income tax returns, single processing of such returns, and the joint collection of taxes (other than federal income). The Internal Revenue Service has not fully supported H.R. 3419 because it does not go far enough to allow full joint federal-state cooperative activities. IRS is drafting legislation which (1) would be far broader in concept than H.R. 3419 and (2) would allow IRS and states greater flexibility to meet future federal-state cooperative needs that are not necessarily evident at this time. Unlike H.R. 3419, IRS' proposal includes joint collection of federal income taxes.

RELATED GAO PRODUCTS

---------- Chapter 21:2.4.4

Tax Administration: New Delinquent Tax Collection Methods for IRS (GAO/GGD-93-67, May 11, 1993).

Tax Administration: Opportunities to Increase the Use of Electronic Filing (GAO/GGD-93-40, Jan. 22, 1993).

TRE05: SIMPLIFY EMPLOYER

WAGE REPORTING

---------- Chapter 21:2.5

The administrative burden caused by current employer wage-reporting requirements could be reduced while maintaining or improving the effectiveness of government operations by developing and implementing a simplified wage-reporting system.

ACTION ITEMS

---------- Chapter 21:2.5.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 21:2.5.2

Generally Agree. We agree that there are burdens associated with the current tax- and wage-reporting requirements and fully support attempts to simplify them. In 1989, we reported on our assessment of three possible alternatives to the current system, including one that involved establishing a single point to receive and process tax and wage data for IRS, the Social Security Administration, and the states. We concluded that although there were advantages to each alternative, none were compelling enough to warrant a change to the existing process in the near term.

IMPLEMENTATION

---------- Chapter 21:2.5.3

Partially Implemented. A December 1993 study co-sponsored by IRS, the Social Security Administration (SSA), the Department of Labor, and the Office of Management and Budget (OMB), concluded that the Wage Report Simplification Project is technically feasible and provides economic benefits. In January 1994, IRS and SSA began a demonstration project in 12 states to eliminate the need for employers to send Form W-2s to state tax agencies. The project is expected to be expanded in 1995. Based on discussions with program officials, at least 23 states will be participating in the expanded project. According to IRS officials, the W-2 demonstration project should be fully implemented by January 1997.

RELATED GAO PRODUCTS

---------- Chapter 21:2.5.4

Social Security: Reconciliation Improved SSA Earnings Records, but Efforts Were Incomplete (GAO/HRD-92-81, Sept. 1, 1992).

Social Security: Alternative Wage-Reporting Processes (GAO/HRD-90-35, Nov. 8, 1989).

TRE06: ESTABLISH FEDERAL FIREARMS LICENSE USER FEES

TO COVER COSTS
---------- Chapter 21:2.6

The current fee for a retail dealer's firearms license (authorized in 1968) does not cover the cost of license processing and is low enough to encourage applications from individuals wishing to occasionally purchase firearms at reduced cost. Increased fees would recover the cost of operating the firearms program.

ACTION ITEMS
---------- Chapter 21:2.6.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 21:2.6.2

Generally Agree. GAO suggested in March 1994 that Treasury propose legislation to establish a Federal Firearms License User Fee Program for all categories of licensees. The licensing fees should be set (and periodically adjusted) to recover the costs of related government services.

IMPLEMENTATION
---------- Chapter 21:2.6.3

Not Implemented--Action Taken. Although the Brady Handgun Violence Prevention Law (P.L. 103-159) raised license fees, it did not raise them enough to recover the cost of operating the firearms program. Implementation of this recommendation is dependent on legislative action by Congress to increase these fees even further. A number of bills have been introduced that would accomplish this goal, but none have been enacted.

RELATED GAO PRODUCTS
---------- Chapter 21:2.6.4

User Fees for Firearms Licenses (GAO/GGD-94-111R, Mar. 14, 1994).

TRE07: IMPROVE THE
MANAGEMENT OF FEDERAL ASSETS
TARGETED FOR DISPOSITION
---------- Chapter 21:2.7

Improvements are needed in the methods by which the federal government disposes of various assets.

ACTION ITEMS
---------- Chapter 21:2.7.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 21:2.7.2

Generally Agree. We have identified the need for improvements in asset management and disposition activities by several agencies. We are continuing to assess asset management and disposition activities of selected agencies. We have work in progress to address possible duplication of resources within the Department of Justice and Treasury asset forfeiture programs. Also, we are studying the feasibility of a single federal agency for disposing real property from four agencies: Housing and Urban Development, Farmers Home Administration, Federal Deposit Insurance Corporation, and Resolution Trust Corporation (RTC). We will also identify recent federal government efforts to improve coordination among asset disposition entities.

IMPLEMENTATION
---------- Chapter 21:2.7.3

Partially Implemented. Some actions have been taken to implement the NPR recommendation. For example, the Departments of Justice and Treasury have agreed to jointly develop and implement a seized property tracking system to be used by all Justice and Treasury agencies as well as several other agencies.

RTC has taken actions to improve asset disposition by acting on the 21 management reforms mandated by the RTC Completion Act of December 1993. Three of these reforms specifically address asset disposition. Another significant action to improve asset disposition is being taken by the Department of Treasury and the General Services Administration. They are leading a pilot project designed to improve coordination between 11 federal agencies responsible for disposing of real property. The project has included multi-agency sales and marketing events, and development of standards for program performance.

RELATED GAO PRODUCTS
---------- Chapter 21:2.7.4

RTC: Interim Report on the Management Reforms in the RTC Completion Act (GAO/GGD-94-114, June 30, 1994).

Asset Forfeiture Programs (GAO/HR-93-17, Dec. 1992).

Resolution Trust Corporation (GAO/HR-93-4, Dec. 1992).

Tax Administration: IRS' Management of Seized Assets (GAO/T-GGD-92-65, Sept. 24, 1992).

Real Property Dispositions: Flexibility Afforded Agencies to Meet Disposition Objectives Varies (GAO/GGD-92-144FS, Sept. 18, 1992).

Asset Management: Governmentwide Asset Disposition Activities

(GAO/GGD-91-139FS, Sept. 27, 1991).

TRE08: REDUCE THE DUPLICATION OF DRUG INTELLIGENCE SYSTEMS AND IMPROVE COMPUTER SECURITY

---------- Chapter 21:2.8

NPR recommends several changes to eliminate duplication in the federal drug intelligence system.

ACTION ITEMS

---------- Chapter 21:2.8.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 21:2.8.2

Generally Agree. We generally agree with the recommendation's objectives of eliminating duplication and improving coordination in federal drug intelligence. While NPR has recommended the position of Director of Law Enforcement to manage the national counternarcotics program, such a position has not yet been established. Therefore, there is little detail provided on the roles and responsibilities of the office and how it will manage such an effort. Overlapping responsibilities among the numerous law enforcement and defense agencies result in fragmentation and duplication. NPR may want to further describe how the Director of Law Enforcement will improve coordination among such agencies as Treasury, Justice, and Defense.

IMPLEMENTATION

---------- Chapter 21:2.8.3

Not Implemented--Action Taken. The Attorney General has created the OIAP within the Department of Justice (28 C.F.R. O.17). This office was created to increase efficiency within the Department by coordinating specified activities of Justice's criminal investigative components. The Director of the FBI serves as the Director of OIAP.

OIAP, in a February 1994 resolution, acknowledged that law enforcement agencies have not maximized the sharing of information and coordination of activities in the drug intelligence arena. To address this concern, three actions were recommended. First, the FBI and DEA are to create a common drug database to consist of information contained in those agencies' existing databases. Second, the DEA/Customs El Paso Intelligence Center (EPIC) Advisory Board is to consider the FBI's request for appointment of an FBI representative as a Deputy Director of EPIC. Third, the National Drug Intelligence Center (NDIC) Director is to coordinate strategic drug intelligence initiatives with all appropriate Justice law enforcement agencies. None of these recommended actions have taken place.

Treasury officials said they have been cooperating with Justice in these efforts. In addition, Treasury has enhanced the capabilities of the Financial Crimes Enforcement Network (FINCEN) by bringing more Treasury and non-Treasury agencies to participate in its financial information and anti-money laundering services. They have also been "selling" the advantages of the Treasury Enforcement Communications System (TEC System) to other law enforcement agencies. FINCEN and the TEC System can provide substantial support to law enforcement agencies and thereby reduce duplication by eliminating the need for agencies to independently develop such services/information.

In addition, Treasury has consolidated drug intelligence personnel from two of its centers to one center. The Treasury operations center is being consolidated with an FBI center. Treasury is phasing in its planned computer security controls for safeguarding the integrity and privacy of information. These changes are covered by a December 1993 manual directive Automated Information Systems and Network Security.

RELATED GAO PRODUCTS

---------- Chapter 21:2.8.4

Drug Control: Reauthorization of the Office of National Drug Control Policy (GAO/T-GGD-94-7, Oct. 5, 1993).

Drug Control: Reauthorization of the Office of National Drug Control Policy (GAO/GGD-93-144, Sept. 29, 1993).

Drug Control: Coordination of Intelligence Activities (GAO/GGD-93-83BR, Apr. 2, 1993).

Computer Security: DEA's Handling of Sensitive Drug Enforcement on National Security Information is Inadequate (GAO/T-IMTEC-92-24, Sept. 30, 1992).

Drug Control: Inadequate Guidance Results in Duplicate Intelligence Production Efforts (GAO/NSIAD-92-153, Apr. 14, 1992).

War on Drugs: Information Management Poses Formidable Challenges (GAO/IMTEC-91-40, May 31, 1991).

TRE09: MODERNIZE THE IRS

---------- Chapter 21:2.9

The IRS Tax Systems Modernization (TSM) initiative, currently in its initial stages, would ease taxpayer burdens due to manual return processing and inaccessible information, and enable IRS to provide a level of service comparable to private sector financial institutions.

ACTION ITEMS

---------- Chapter 21:2.9.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 21:2.9.2

Agree. We fully support the need to modernize IRS and have been active in monitoring IRS' efforts to ensure that appropriate steps are taken to bring this major effort to fruition and to take full advantage of the opportunities afforded by the new technology.

IMPLEMENTATION
---------- Chapter 21:2.9.3

Partially Implemented. IRS has (1) awarded contracts for and/or begun piloting key TSM systems; (2) announced significant organizational changes that, among other things, will consolidate its computing and customer service operations; and (3) issued a business master plan that links IRS' strategic objectives and business vision with the tactical actions needed to implement them and identifies performance measures to be used in assessing progress. Full implementation of TSM will take several years; IRS' target date is after 2001.

RELATED GAO PRODUCTS
---------- Chapter 21:2.9.4

Tax Systems Modernization: Status of Planning and Technical Foundation (GAO/T-AIMD-GGD-94-104, Mar. 2, 1994).

Tax Systems Modernization: Status of Planning and Technical Foundation (GAO/T-AIMD-GGD-94-104, Nov. 17, 1993).

Tax Administration: IRS' New Business Vision (GAO/T-GGD-94-58, Nov. 17, 1993).

Tax Systems Modernization: Timetable for Critical Planning Documents (GAO/AIMD-93-81FS, Sept. 30, 1993).

Tax Administration: Achieving Business and Technical Goals in Tax Systems Modernization (GAO/T-GGD-93-24, Apr. 27, 1993).

Internal Revenue Service Issues (GAO/OCG-93-24TR, Dec. 1992).

Tax Systems Modernization: Progress Mixed in Addressing Critical Success Factors (GAO/T-IMTEC-92-13, Apr. 2, 1992).

Tax Systems Modernization: Issues Facing IRS (GAO/T-IMTEC-91-18, July 9, 1991).

Tax Systems Modernization: Attention to Critical Issues Can Bring Success (GAO/T-IMTEC-91-8, June 25, 1991).

TRE10: MODERNIZE THE U.S.
CUSTOMS SERVICE

---------- Chapter 21:2.10

NPR recommends a number of changes in Customs' organization and management processes to provide an improved management structure and strategic vision.

ACTION ITEMS

---------- Chapter 21:2.10.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 21:2.10.2

Agree. In our past work, we have found serious program weaknesses that affected Customs' ability to reasonably ensure that it was meeting its responsibilities for combating unfair foreign trade practices or protecting the public from unsafe goods. We have recommended that Customs institute a strategic management process that defines a clear trade enforcement strategy, sets mission priorities, establishes performance objectives, and monitors progress toward achieving them. We also recommended the adoption of an organizational structure that more adequately supports the achievement of Customs' trade enforcement mission. Customs is taking action on these recommendations.

IMPLEMENTATION

---------- Chapter 21:2.10.3

Not Implemented--Action Taken. Customs has a number of projects ongoing that could change the way in which it operates. For example, Customs has established a comprehensive trade enforcement strategic planning and monitoring system, redesigned its organizational and management structure, redesigned its targeting system for ensuring compliance with trade laws, and redesigned its automated systems needed to support operations. On completion of these efforts, Customs expects to achieve significant improvement in the effective enforcement of trade laws and more efficient administration of Customs' services to the public. Given the scope of its planned actions, Customs does not expect this transformation to take place quickly. For example, the Customs' established milestone for fully implementing its reorganization plans (including the realignment of personnel) is late 1997.

RELATED GAO PRODUCTS

---------- Chapter 21:2.10.4

Financial Management: Examination of Customs' Fiscal Year 1993 Financial Statements (GAO/AIMD-94-119, June 15, 1994).

Financial Management: Control Weaknesses Limited Customs' Ability to Ensure That Duties Were Properly Assessed (GAO/AIMD-94-38, Mar. 7, 1994).

Financial Management: Customs' Self-Assessment of Its Internal Control and Accounting Systems Is Inadequate (GAO/AIMD-94-8, Oct. 27, 1993).

Customs Service: Trade Enforcement Activities Impaired by Management Problems (GAO/GGD-92-123, Sept. 24, 1992).

Financial Management: Customs Needs to Establish Adequate Accountability and Control Over Its Resources (GAO/AFMD-92-30, Aug. 25, 1992).

TRE11: ENSURE THE EFFICIENT MERGER OF RESOLUTION TRUST CORPORATION INTO THE FDIC

---------- Chapter 21:2.11

The merger of the RTC and the FDIC should ensure the transfer of RTC expertise not currently held by the FDIC in order to provide the most efficient administration of these asset-disposition functions.

ACTION ITEMS

---------- Chapter 21:2.11.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 21:2.11.2

Agree. We agree with this recommendation. The merger of RTC with FDIC offers the opportunity to combine the expertise of these organizations and improve the efficiency of asset management and disposition activities. We believe that FDIC can benefit from RTC's experiences--both positive and negative--in developing systems and procedures for asset marketing and disposition, information management, contracting, and affordable housing. As the transition progresses, RTC and FDIC should keep Congress informed so that changes in operations are responsive to congressional concerns. Key decisions about strategies, staffing, and organization should be objective and based on careful analysis.

IMPLEMENTATION

---------- Chapter 21:2.11.3

Not Implemented--Action Taken. RTC and FDIC have taken action to implement the NPR recommendation. The FDIC/RTC Transition Task Force was established on February 22, 1994, and is in the process of developing detailed plans to guide the merger of RTC into FDIC. Several working groups have been established, and some have developed reports on issues that need to be considered to ensure the efficient merger of several RTC and FDIC programs and functions. These reports are intended to provide a basis for the task force to plan for the efficient trasfer of RTC staff and responsibilities. While some

action on the NPR recommendation has occurred, the recommendation cannot be fully implemented until RTC closes in December 1995 and all RTC staff and responsibilities have been transferred to FDIC.

RELATED GAO PRODUCTS

---------- Chapter 21:2.11.4

Financial Audit Resolution Trust Corporation: 1993 and 1992 Financial Statements (GAO-AIMD-94-148, June 30, 1994).

RTC Performance Assessment (GAO/T-GGD-93-13, Mar. 18, 1993).

Resolution Trust Corporation (GAO/HR-93-4, Dec. 1992).

TRE12: REDUCE THE DUPLICATION OF LAW ENFORCEMENT TRAINING FACILITIES

---------- Chapter 21:2.12

Overlap and duplication in the provision of federal law enforcement training facilities should be examined. Multi-agency training needs should be accommodated through existing facilities in lieu of the construction of new facilities by individual agencies.

ACTION ITEMS

---------- Chapter 21:2.12.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 21:2.12.2

Insufficient Information. Although we have not studied this issue, this is an area where we would agree that further examination could prove worthwhile. Law enforcement agencies, while having unique missions that require individualized training, frequently have overlapping jurisdictions and perform functions that require similar or identical knowledge and skills.

IMPLEMENTATION

---------- Chapter 21:2.12.3

Other. Treasury officials believe a mechanism is already in place which is dedicated to accomplishing this recommendation. The Federal Law Enforcement Training Center, or FLETC, was established in 1970 to accomplish common training of law enforcement investigators while allowing individual participating agencies to do specialized training. Although Treasury supervises administrative and financial activities, FLETC is governed by an eight member board of directors representing participating agencies, including the Departments of Justice, Treasury, Interior and the General Services Administration.

In all, over 70 law enforcement agencies participate in FLETC. However, several agencies are not participants, including U.S. Postal Inspection Service, Drug Enforcement Administration, and the Army Criminal Investigation Division; in addition, the FBI maintains its own training facilities. The Department of Justice has not as yet addressed this issue.

RELATED GAO PRODUCTS
---------- Chapter 21:2.12.4

None.

TRE13: STREAMLINE
BACKGROUND INVESTIGATIONS
FOR FEDERAL EMPLOYEES
---------- Chapter 21:2.13

The current method of completing background examinations of federal employees is time-consuming and inefficient. This recommendation outlines improvements to streamline the process without sacrificing thoroughness.

ACTION ITEMS
---------- Chapter 21:2.13.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 21:2.13.2

Generally Agree. We have not specifically reviewed this issue with respect to Treasury employees. But, given our past work at other agencies, we endorse the concept of streamlining background investigations provided that thoroughness is not jeopardized, particularly with respect to the investigation of employees for sensitive positions such as those in law enforcement.

IMPLEMENTATION
---------- Chapter 21:2.13.3

Partially Implemented. Treasury is in the process of implementing or evaluating actions it can take in response to the NPR recommendation. Specifically, the implementation of a Treasury Security Manual will replace OPM's Federal Personnel Manual and will address both personnel security and security investigation matters. It is anticipated that the manual will be released in early fiscal year 1995. The manual will specify minimum requirements for employment at Treasury but will allow stricter ones for Bureaus which request them. Moreover, the manual will allow the Bureaus to investigate applicants or secure investigation by other means.

In the area of periodic reinvestigations, Treasury is pilot testing a

streamlined investigation procedure focusing on criminal background and credit checks. Treasury is also discussing with Intelligence agencies ways to modify or reduce requirements for obtaining Top Secret/Sensitive Compartmentalized Information clearance. Finally, Treasury is in the process of implementing an on-line system for tracking employees' clearance status and need for periodic reinvestigation. For certain Treasury components this system went on-line May 23, 1994 and the remaining components are expected on-line by the end of 1994. The Department of Justice has not yet addressed this issue.

RELATED GAO PRODUCTS
---------- Chapter 21:2.13.4

Employee Background Checks (GAO/GGD-93-62R, Sept. 2, 1993).

Nuclear Security: DOE's Progress on Reducing Its Security Clearance Work Load (GAO/RCED-93-183, Aug. 12, 1993).

Personnel Security: Efforts by DOD and DOE to Eliminate Duplicate Background Investigations (GAO/RCED-93-23, May 10, 1993).

OPM Revolving Fund: Benchmarking Could Aid OPM's Efforts to Improve Customer Service (GAO/GGD-92-18, Jan. 21, 1992).

TRE14: ADJUST CIVIL
MONETARY PENALTIES TO THE
INFLATION INDEX
---------- Chapter 21:2.14

Civil monetary penalties have not been adjusted to keep up with inflation. Under this recommendation, a "catch-up" adjustment would be made and the need for additional inflation adjustments would be automatically reassessed by the government every 4 years.

ACTION ITEMS
---------- Chapter 21:2.14.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 21:2.14.2

Generally Agree. In principle, we agree that civil penalties should be periodically adjusted so that they do not lose relevancy. Although we have not made a detailed examination of the specifics of this recommendation (the final NPR accompanying report has not been issued), we recognize that such adjustments could be based on inflation as well as other factors such as deterrence. Our prior work on civil debt and criminal fines has shown that much of the currently imposed criminal and civil fines and penalties remain uncollected. As of the end of fiscal year 1993, the Department of Justice estimated the total amount of unpaid criminal debt exceeded

$3.5 billion, and civil debt exceeded $1.9 billion; the balances owed continue to grow.

IMPLEMENTATION
---------- Chapter 21:2.14.3

Not Implemented--Action Taken. To implement an inflation adjustment for civil monetary penalties requires statutory authority. H.R. 3400, as passed by the House of Representatives in November 1993, included provisions to use an inflation index to revise all monetary penalties every 4 years, and to provide for an immediate one-time catch-up adjustment. The provision was deleted from the bill in the Senate (S. 2170). Subsequently, S. 2170 was enacted as Public Law 103-356 on October 13, 1994, and did not contain the provision in question.

RELATED GAO PRODUCTS
---------- Chapter 21:2.14.4

Restitution, Fines, and Forfeiture: Issues for Further Review and Oversight (GAO/T-GGD-94-178, June 28, 1994).

National Fine Center: Expectations High, but Development Behind Schedule (GAO/GGD-93-95, Aug. 10, 1993).

Program Fraud: Implementation of the Program Fraud Civil Remedies Act of 1986 (GAO/AFMD-91-73, Sept. 16, 1991).

U.S. Department of Justice: Overview of Civil and Criminal Debt Collection Efforts (GAO/T-GGD-90-62, July 31, 1990).

TRE15: INCREASE IRS COLLECTIONS THROUGH BETTER COMPLIANCE EFFORTS
---------- Chapter 21:2.15

NPR supports the current efforts of the IRS under Compliance 2000 to improve voluntary compliance and other efforts to collect taxes already owed to the federal government.

ACTION ITEMS
---------- Chapter 21:2.15.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 21:2.15.2

Generally Agree. We have long been on record as supporting the need for improved compliance efforts. While supporting Compliance 2000 in concept, we have not fully endorsed IRS' implementation of that concept. It is also not clear what, if anything, NPR is recommending

beyond what IRS is already doing.

IMPLEMENTATION
---------- Chapter 21:2.15.3

Partially Implemented. The IRS has several ongoing compliance efforts which are included under the umbrella of IRS' major initiative, Compliance 2000. Changes that IRS made to its Installment Agreements and Offer-in-Compromise Programs occurred before this NPR recommendation was made. The Market Specialization Program, which is an effort to organize audits of taxpayers by industry or issue, is ongoing. Of 85 to 90 market segments currently identified, there are final audit guidelines for 9 segments and draft audit guidelines for 27 segments.

Reallocating staff at IRS collection field offices has been an ongoing effort. Staffing imbalances among collection field staff are expected to be resolved by normal staff attrition and hiring directed to understaffed field offices. IRS' collection procedures have been changed to allow case workers to close cases at the earliest point in the collection process, thereby reducing collection inventories. Part of the changing procedures is to make telephone calls earlier in the collection process. This effort, known as the Early Intervention Contact Project, is scheduled to start in January 1995.

RELATED GAO PRODUCTS
---------- Chapter 21:2.15.4

Tax Administration: Improved Staffing of IRS' Collection Function Would Increase Productivity (GAO/GGD-93-97, May 5, 1993).

Internal Revenue Service Issues (GAO/OCG-93-24TR, Dec. 1992).

Internal Revenue Service Receivables (GAO/HR-93-13, Dec. 1992).

Tax Administration: Compliance 2000--A Worthy Idea That Needs Effective Implementation (GAO/T-GGD-92-48, June 3, 1992).

TRE16: IMPROVE AGENCY
COMPLIANCE WITH EMPLOYMENT
TAX REPORTING REQUIREMENTS
---------- Chapter 21:2.16

Many federal agencies do not fully comply with federal tax reporting requirements. Responsibilities for compliance should be more fully communicated and enforced.

ACTION ITEMS
---------- Chapter 21:2.16.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 21:2.16.2

Agree. We agree that attention needs to be given to federal agency compliance with federal contractor tax reporting requirements. We first reported on this problem in April 1991 and followed with a February 1992 update that showed compliance problems continuing.

IMPLEMENTATION
---------- Chapter 21:2.16.3

Not Implemented--Action Taken. An OMB report to Congress dated April 1, 1994, identified the problems related to this issue and the steps necessary to overcome them. IRS has held meetings to determine how it will implement the OMB recommendations. IRS has several efforts under way to strengthen regulations concerning contractors, to audit federal agency compliance with the regulations, and to expand agency compliance with reporting requirements. IRS is moving ahead, but much remains to be done. IRS' actions are in accordance with its plans. However, it will be 1996 before the OMB recommendations are fully implemented. IRS has taken over the lead from the Financial Management Service on delivering training to the agencies.

RELATED GAO PRODUCTS
---------- Chapter 21:2.16.4

Tax Administration: Federal Agencies Should Report Service Payments Made to Corporations (GAO/GGD-92-130, Sept. 22, 1992).

Tax Administration: Federal Contractor Tax Delinquencies and Status of the 1992 Tax Return Filing Season (GAO/T-GGD-92-23, Mar. 17, 1992).

Tax Administration: Federal Agency Tax Compliance Problems Remain Improvements Are Planned (GAO/GGD-92-29, Feb. 18, 1992).

Tax Administration: Changes Are Needed to Improve Federal Agency Tax Compliance (GAO/GGD-91-45, Apr. 16, 1991).

TRE17: AUTHORIZE FEDERAL
TAX PAYMENT BY CREDIT CARD
---------- Chapter 21:2.17

Legislation should be enacted to allow certain taxpayers to make tax payments with a credit card.

ACTION ITEMS
---------- Chapter 21:2.17.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 21:2.17.2

Generally Agree. We support the general recommendation of payment of taxes by credit card. We also support language in the Bankruptcy Reform Act of 1994 (P.L. 103-394, Oct. 1994) that clarifies that debtors may not discharge credit card debt incurred to pay federal income taxes.

IMPLEMENTATION
---------- Chapter 21:2.17.3

Not Implemented--Action Taken. In the 103rd Congress, H.R. 3419 contained provisions for IRS to accept tax payments by credit cards. IRS and the Financial Management Service have been working on procedures to allow credit card tax payments pending passage of authorizing legislation. Current plans would incorporate credit card payments into TAXLink, a new system being designed to accept electronic federal tax deposits. Such a system was a requirement of the North American Free Trade Agreement (NAFTA) and IRS believes that it would be easy to incorporate a credit card tax payment component within the electronic payment system. TAXLink is scheduled to be implemented in March 1995 at which time virtually all federal tax deposits would be made electronically.

RELATED GAO PRODUCTS
---------- Chapter 21:2.17.4

U.S. Credit Card Industry: Competitive Developments Need to Be Closely Monitored (GAO/GGD-94-23, Apr. 28, 1994).

Tax Administration: New Delinquent Tax Collection Methods for IRS (GAO/GGD-93-67, May 11, 1993).

TRE18: MODERNIZE THE
FINANCIAL MANAGEMENT SYSTEMS
---------- Chapter 21:2.18

NPR recommends several changes to improve financial management with Treasury, including consolidation of some operations, the improved use of technology, and other actions.

ACTION ITEMS
---------- Chapter 21:2.18.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 21:2.18.2

Insufficient Information. We do not know what specific changes the NPR is recommending for Treasury. However, during our July 13, 1994, testimony on the Department of Treasury's efforts to implement the

Chief Financial Officer (CFO) Act, we stated that several of its bureaus continue to have significant problems with their financial management systems. At the crux of these problems are antiquated and nonintegrated core financial management systems and nonstandardized subsystems. For instance, our audit report on IRS' fiscal year 1993 fiscal statements showed significant weaknesses in IRS' basic systems, some of which are antiquated, not designed to provide necessary financial information, and lack internal controls. In addition, during our audit of Customs' fiscal year 1993 financial statements, we found that serious and pervasive weaknesses in key internal controls and systems have diminished Customs' ability to report reliable financial information and effectively carry out its mission. These weaknesses have resulted in lost revenue to the federal government, errors in taxpayer accounts, and lack of proper accountability for operating funds and seized assets. At both bureaus we noted significant steps being taken to address these problems. However, many of their efforts are in the early stages of development and are not likely to be implemented for several years.

IMPLEMENTATION

---------- Chapter 21:2.18.3

Not Implemented--Action Taken. Treasury reported in its 5-Year Plan that it has made sustantial progress in the area of financial systems and is in the process of developing an integrated, departmentwide financial management system which will provide relevant and reliable financial statements with the necessary performance and program measures. Many of these planned improvements are expected to be completed over the next few years, but none have been implemented.

RELATED GAO PRODUCTS

---------- Chapter 21:2.18.4

Financial Management: Status of CFO Act Implementation at the Department of the Treasury (GAO/T-AIMD-94-157, July 13, 1994).

Financial Audit: Examination of Customs' Fiscal Year 1993 Financial Statements (GAO/AIMD-94-119, June 15, 1994).

Financial Audit: Examination of IRS' Fiscal Year 1993 Financial Statements (GAO/AIMD-94-120, June 15, 1994).

Financial Management: Additional Actions Needed to Improve Federal Financial Management Systems (GAO/AFMD-90-14, Apr. 27, 1990).

TRE19: REPEAL SECTION 5010 OF THE INTERNAL REVENUE CODE TO ELIMINATE TAX CREDITS FOR WINE AND FLAVORS

---------- Chapter 21:2.19

The wine and flavors tax credit should be repealed.

ACTION ITEMS
---------- Chapter 21:2.19.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 21:2.19.2

Generally Agree. Alcohol excise tax rates vary considerably by type of product, with distilled spirits being taxed at a much higher rate per ounce of alcohol than beer or table wine. The section 5010 tax credit was designed to compensate distilled spirits producers who used lower-tax ingredients (wine and flavors) in their products by lowering their effective tax rates. The credit thus provides producers with an incentive to use wine and flavors in distilled spirits products. As we reported in 1990, these ingredients are sometimes added to obtain the tax benefits, rather than in response to product requirements, market demand, or cost. Significantly more tax revenues are being lost through use of this credit than Congress originally estimated, and the credit is difficult to administer and enforce. We recommended in September 1990 that section 5010 be repealed. Our recommendation was predicated on Congress standardizing alcohol excise tax rates across products on the basis of the percentage of alcohol in a beverage regardless of the mix of ingredients it contains. It is unclear whether NPR's recommendation also anticipated rate standardization. However, a draft legislative proposal prepared by the Bureau of Alcohol, Tobacco and Firearms (BATF) in response to the NPR recommendation would eliminate the credit without any reference to standardizing rates.

IMPLEMENTATION
---------- Chapter 21:2.19.3

Not Implemented--Action Taken. ATF drafted legislation to repeal Section 5010 of the Internal Revenue Code. It sent the draft proposal to the Treasury Reinvention Team on August 2, 1994.

RELATED GAO PRODUCTS
---------- Chapter 21:2.19.4

Alcohol Excise Taxes: Simplifying Rates Can Enhance Economic and Administrative Efficiency (GAO/GGD-90-123, Sept. 27, 1990).

TRE20: AMEND OR REPEAL
SECTION 5121 OF THE INTERNAL
REVENUE CODE REQUIRING
SPECIAL OCCUPATIONAL TAXES
ON RETAIL ALCOHOL DEALERS
---------- Chapter 21:2.20

This recommendation would increase federal income from alcohol dealers.

ACTION ITEMS
---------- Chapter 21:2.20.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 21:2.20.2

Generally Agree. We agree that Congress needs to consider changing the special occupational tax provisions. As we reported in September 1990, those taxes, primarily paid by alcohol retailers, are difficult to collect and administer. We suggested two alternatives: (1) eliminating the special occupational taxes and offsetting the revenue loss through a slight increase in existing excise taxes or (2) keeping the special occupational taxes but collecting them only from alcohol producers and importers and varying the tax on the basis of the size of the facility. It is our understanding that one of the alternatives being considered would continue the tax on retailers but would require wholesalers to get proof of tax payment before selling to the retailer. On its surface, this alternative would seem to generally meet the intent of our recommendation--to reduce ATF's administrative burden.

IMPLEMENTATION
---------- Chapter 21:2.20.3

Not Implemented--Action Taken. ATF has drafted legislation for two alternatives: (1) to repeal Section 5121 of the Internal Revenue Code, and (2) to amend the same law to require wholesalers to ascertain that retailers have paid the federal special occupational tax prior to making sales to these retailers. It sent its two drafts to the Treasury Reinvention Team on August 2, 1994.

RELATED GAO PRODUCTS
---------- Chapter 21:2.20.4

Alcohol Excise Taxes: Simplifying Rates Can Enhance Economic and Administrative Efficiency (GAO/GGD-90-123, Sept. 27, 1990).

DEPARTMENT OF VETERANS AFFAIRS
(DVA)
========== Chapter 22

OVERALL SUMMARY
---------- Chapter 22:1

The Department of Veterans Affairs has partially implemented 4 of its 16 recommendations and has not implemented, but has taken some action on, the remaining 12. Actions taken have included issuing internal policies, establishing implementing committees, testing new procedures, installing new equipment in various regional offices,

conducting customer satisfaction surveys, installing bedside telephones in many VA hospitals, and reducing its pharmaceutical inventories in centralized warehouses. Full implementation of 9 of the 16 recommendations requires legislative actions that have either been eliminated in congressional debate or are unlikely to pass this year.

Although VA has been taking actions in response to the NPR recommendations, we have expressed concern regarding the direction some of the legislative proposals would have taken the VA. For example, some of the legislative proposals to reform VA's health care system would have, we testified in June, 1994, created significant risks of increased fraud, waste, and abuse because they would have essentially eliminated most internal controls under the personnel and contracting laws and regulations. VA did not appear to be developing adequate administrative controls to replace the personnel and contracting requirements that would have been eliminated.

GAO CONTACT

---------- Chapter 22:1.1

David P. Baine, Director, Federal Health Care Delivery Issues, Health, Education, and Human Services Division, (202) 512-7101.

RECOMMENDATION INFORMATION

---------- Chapter 22:2

DVA01: DEVELOP THE MASTER VETERANS RECORD AND MODERNIZE THE DEPARTMENT'S INFORMATION INFRASTRUCTURE

---------- Chapter 22:2.1

Creation of a master veterans record (MVR) for all VA programs and improvements in the Department's information technology will improve services to veterans and their families.

ACTION ITEM

---------- Chapter 22:2.1.1

The Department of Veterans Affairs should move expeditiously to strengthen and modernize its information infrastructure, with an emphasis on establishing the scope of the MVR.

GAO COMMENTS

---------- Chapter 22:2.1.2

Agree. We strongly support this recommendation and were instrumental in getting OMB and VA to establish a formal agreement articulating specific service improvement goals in part through the use of automation. The agreement included the creation of a master veterans record.

IMPLEMENTATION
---------- Chapter 22:2.1.3

Not Implemented--Action Taken. In February 1994 VA's Master Veterans Record (MVR) Working Group issued a MVR requirements study. The study outlines both VA's current business environment and the cooperative environment that the MVR will create. The study recommended that MVR information requirements be a departmental priority, that short term changes within VA's current technical capability be made, and that the MVR Working Group's proposal be used as a starting point toward the completion of the technical approach to sharing information across the various VA administrations.

An MVR Technical Design Team was established to determine alternatives and costs, design the long term solutions, and oversee implementation of the MVR. Pilot testing of information exchange is scheduled to begin soon and short term improvements are scheduled to be completed by October 1994.

RELATED GAO PRODUCTS
---------- Chapter 22:2.1.4

Veterans Benefits: Acquisition of Information Resources for Modernization is Premature (GAO/IMTEC-93-6, Nov. 4, 1992).

Veterans Affairs IRM: Stronger Role Needed for Chief Information Resources Officer (GAO/IMTEC-91-51BR, July 24, 1991).

DVA02: MODERNIZE BENEFITS
CLAIMS PROCESSING
---------- Chapter 22:2.2

Modernization of the VA benefits claims processing system will improve the quality of service and save taxpayer dollars over time.

ACTION ITEMS
---------- Chapter 22:2.2.1

1. The Secretary of Veterans Affairs should continue to ensure that the Veterans Benefits Administration (VBA) modernization plan is implemented on schedule and within budget.

2. The Secretary should expeditiously resolve issues of concern raised by other executive agencies and congressional oversight committees.

GAO COMMENTS
---------- Chapter 22:2.2.2

Agree. We fully support efforts to modernize benefits claims processing. VA, based on our recommendations, is currently analyzing

its business practices as one of the initial steps in reengineering benefits claims processing.

IMPLEMENTATION
---------- Chapter 22:2.2.3

Not Implemented--Action Taken. VA has installed Phase I equipment at 49 of its 58 regional offices and the installation is continuing. The Phase II contract is expected to be awarded by the end of this fiscal year, if funded. Currently funding has not been authorized. Obligation authority for Phase III has been delayed until September 1995 and VA is currently revising its implementation schedule.

Conversion and redesign of information support is expected to be completed by fiscal year 2000. Twelve interim support projects which should provide moderate improvements are expected to be deployed during fiscal years 1994 and 1995.

RELATED GAO PRODUCTS
---------- Chapter 22:2.2.4

Veterans Benefits: Redirected Modernization Shows Promise (GAO/AIMD-94-26, Dec. 9, 1994).

Veterans Benefits: Lack of Timeliness, Poor Communication Cause Customer Dissatisfaction (GAO/HEHS-94-179, Sept. 20, 1994).

Veterans Benefits: Acquisition of Information Resources for Modernization is Premature (GAO/IMTEC-93-6, Nov. 4, 1992).

DVA03: ELIMINATE
LEGISLATIVE BUDGET
CONSTRAINTS TO PROMOTE
MANAGEMENT EFFECTIVENESS
---------- Chapter 22:2.3

VA is covered by a number of special legislative requirements, including employment "floors" for certain programs.

Reducing or eliminating some of these controls can reduce costs and improve service without sacrificing accountability.

ACTION ITEM
---------- Chapter 22:2.3.1

Eliminate travel, training, and personnel restrictions (including floors and ceilings) in the Department of Veterans Affairs budget and authorizing legislation, and give flexibility to field managers to (a) transfer funds between programs and object classes, and (b) obtain multiyear funding when requested.

GAO COMMENTS

---------- Chapter 22:2.3.2

Generally Agree. We generally agree with the thrust of this recommendation and are currently assessing some of the legislative barriers that could hinder VA's ability to compete with private sector health plans under the President's health reform proposal. In addition, our office and OMB have, for years, been required to certify, each time an appropriation bill or continuing resolution is enacted, that funds and personnel have been properly released to VA.

IMPLEMENTATION

---------- Chapter 22:2.3.3

Not Implemented--Action Taken. The Government Reform and Savings Act of 1993 (H.R. 3400) would have addressed many of the legislative budget constraints by (1) eliminating the hospital and nursing home bed capacity requirements, (2) allowing a reduction in the number of positions in the Office of Inspector General after notifying the appropriate congressional committees and giving them 45 days to act, (3) giving VA greater flexibility for administrative reorganizations, and (4) eliminating the requirement that VA provide certain health care services, leaving the determination to the discretion of the Secretary.

The House passed H.R. 3400 on November 22, 1993. The bill was referred to the Senate Governmental Affairs Committee, which reported out a new bill, the Government Management Reform Act of 1994 (S. 2170), on June 9, 1994. The Senate bill did not include the VA provisions and was enacted into law as Public Law 103-356 on October 13, 1994. The language VA included in its fiscal year 1995 budget request was not included in the final appropriation bill.

The Health Security Act (H.R. 3600), as introduced, would have gone even further, allowing VA to establish its own personnel system and exempting it from most current federal personnel laws and regulations, allowing VA to complete administrative reorganizations without notifying Congress, and establishing a series of new revenue sources to decrease VA's reliance on appropriations. H.R. 3600, as amended by the House Veterans Affairs Committee, would have provided guaranteed payments for VA health plans, further reducing VA's dependence on annual appropriations.

Further action is not anticipated in the 103rd Congress on either the original Health Security Act or the proposals that replaced it.

RELATED GAO PRODUCTS

---------- Chapter 22:2.3.4

Health Security Act: Analysis of Veterans' Health Care Provisions (GAO/HEHS-94-205FS, July 15, 1994).

Veterans' Health Care: Efforts To Make VA Competitive May Create Significant Risks (GAO/T-HEHS-94-197, June 29, 1994).

VA and the Health Security Act (GAO/HEHS-94-159R, May 9, 1994).

DVA04: STREAMLINE BENEFITS
CLAIMS PROCESSING
---------- Chapter 22:2.4

VA should examine the usefulness of a New York Regional Office approach to benefits claims processing that promises to streamline the process. It should also examine regional staffing.

ACTION ITEMS
---------- Chapter 22:2.4.1

1. The Department of Veterans Affairs should assess the performance of the prototype Self-Directed Work Teams established in the VBA's New York Regional Office. It should closely monitor the progress of similar, ongoing reinvention initiatives in other VBA regional offices. Improved business practices identified through these initiatives should be implemented, where appropriate, throughout VBA's 58 regional offices.

2. The VA should ensure that staffing and other resources allocated to the adjudication process are commensurate with the quantity and complexity of the workload in each of VBA's regional offices. 3. The Veterans' Appeals Improvement Act of 1993 should be enacted into law.

GAO COMMENTS
---------- Chapter 22:2.4.2

Generally Agree. We agree that benefit claims processing should be streamlined and are currently examining VA's efforts to streamline the process in all regions. As part of that review, we assessed the New York Regional Office project.

IMPLEMENTATION
---------- Chapter 22:2.4.3

Not Implemented--Action Taken. VA plans to expand the experimental claims processing concept used in the New York Regional Office and other regional offices by the end of the fiscal year. Experiments in other regional offices are under evaluation. VA has received a contractor's study on its resource allocation model, and will test this model during fiscal year 1995 before implementing it during the fiscal year 1996 budget cycle.

Although the provisions for improving the operations of the Board of Veterans' Appeals were contained in H.R. 3400, they were removed and introduced in the Board of Veterans' Appeals Administrative Procedures Improvement Act of 1994 (S. 1904) to expedite consideration. Both houses passed separate versions of the legislation which was enacted as Public Law 103-271 and signed by the President on July 1, 1994.

RELATED GAO PRODUCTS
---------- Chapter 22:2.4.4

Veterans Benefits: Lack of Timeliness, Poor Communication Cause Customer Dissatisfaction (GAO/HEHS-94-179, Sept. 20, 1994).

Veterans' Benefits: Status of Claims Processing Initiative in VA's New York Regional Office (GAO/HEHS-94-183BR, June 17, 1994).

DVA05: CONSOLIDATE
DEPARTMENT OF DEFENSE AND
DEPARTMENT OF VETERANS
AFFAIRS COMPENSATION AND
RETIRED PAY PROGRAMS
---------- Chapter 22:2.5

DOD and VA should create a task force to jointly examine their disability compensation adjudication and disbursement processes.

ACTION ITEMS
---------- Chapter 22:2.5.1

1. The Department of Veterans Affairs and the Department of Defense Task Forces should jointly examine their disability compensation adjudication and disbursement processes, identify potential areas that can be streamlined or consolidated, and expeditiously implement the resulting recommendations.

2. VA and DOD should also identify other overlapping benefit programs (e.g. education, life insurance, and burial) that could offer similar restructuring opportunities.

GAO COMMENTS
---------- Chapter 22:2.5.2

Insufficient Information. It is not clear from NPR's recommendation what efficiencies would be attained by combining these two apparently disparate programs. For example, is NPR suggesting that the DOD program governing disability retirement be combined with the VA compensation program or that the broader DOD program covering all DOD retirement pay be combined with the VA compensation program?

IMPLEMENTATION
---------- Chapter 22:2.5.3

Not Implemented--Action Taken. VA, DOD, and Treasury are jointly studying the feasibility, cost-effectiveness, and customer service implications of combining that part of the VA compensation and DOD retirement systems that relate to those who would receive a payment from both VA and DOD. Site visits have been conducted at VA, DOD, and Treasury facilities, and meetings have been held with representatives of veterans service organizations and military

associations. The final report and recommendations are expected before the end of calendar year 1994.

RELATED GAO PRODUCTS
---------- Chapter 22:2.5.4

None.

DVA06: ENHANCE VA COST RECOVERY CAPABILITIES
---------- Chapter 22:2.6

Revise VA policy to use a portion of cost recovery funds to defray debt collection costs and expand recoveries to save money.

ACTION ITEMS
---------- Chapter 22:2.6.1

1. The Department of Veterans Affairs should revise its policy to allow Medical Care Cost Recovery (MCCR) funds to be used to defray all collection costs for all categories of Veterans Health Administration (VHA) receivables.

2. VA should seek legislative authority to enable the MCCR Program to retain and distribute to medical facilities 25 percent of prior year revenues that exceed projected total collections, as a gain-sharing incentive to optimize cost recoveries.

3. VA should seek legislative authority to establish a debt collection revolving fund based on the MCCR model.

GAO COMMENTS
---------- Chapter 22:2.6.2

Agree. We support actions to allow VA to use a portion of recovery funds to defray debt collection costs; such action, however, has already been taken and no further revisions are needed. NPR's recommendation does not address many other important aspects of cost recovery, such as income verification and establishing billing rates. Improvements in these functions could result in millions of dollars in additional billings and collections.

IMPLEMENTATION
---------- Chapter 22:2.6.3

Partially Implemented. VA revised its policy to include all authorized health care collections under its Medical Care Cost Recovery Program in Veterans Health Administrative Directive 10-94-056 dated June 29, 1994.

H.R. 3400 expands VA's authorized uses of funds recovered from third parties for medical care provided by VA and contains an incentive

provision to directors of VA medical centers to increase recoveries. H.R. 3400 has been passed by the House of Representatives.

In addition, VA is developing a legislative proposal to establish a fund known as the Department of Veterans Affairs Benefits Cost Recovery Fund.

RELATED GAO PRODUCTS
---------- Chapter 22:2.6.4

VA Health Care: Medical Care Cost Recovery Activities Improperly Funded (GAO/HRD-94-2, Oct. 12, 1993).

Veterans Affairs Issues (GAO/OCG-93-21TR, Dec. 1992).

VA Health Care: Verifying Veterans' Reported Income Could Generate Millions in Copayment Revenues (GAO/HRD-92-141, Sept. 15, 1992).

VA Health Care: Offsetting Long-Term Care Costs By Adopting State Copayment Practices (GAO/HRD-92-96, Aug. 12, 1992).

VA Health Care: Copayment Exemption Procedures Should Be Improved (GAO/HRD-92-77, June 24, 1992).

VA Health Care Cost Recoveries (GAO/T-HRD-90-40, June 20, 1990).

VA Health Care: Better Procedures Needed to Maximize Collections From Health Insurers (GAO/HRD-90-64, Apr. 6, 1990).

VA Health Care: Medical Centers Need to Improve Collection of Veterans' Copayments (GAO/HRD-90-77, Mar. 28, 1990).

DVA07: ESTABLISH A WORKING CAPITAL FUND
---------- Chapter 22:2.7

This recommendation would allow creation of a working capital fund using existing resources in the Department to be used for certain selected needs.

ACTION ITEM
---------- Chapter 22:2.7.1

Legislation should be enacted to amend title 38 of the U.S. Code to permit VA to establish a working capital fund.

GAO COMMENTS
---------- Chapter 22:2.7.2

Generally Agree. We generally agree with the recommendation's objectives of enabling selected needs, common to more than one VA component, to be provided more efficiently than would otherwise be possible. Specifically, VA proposes to use the fund to support four

service activities: personnel security, data processing training, records management, and office supplies. This approach should provide VA the opportunity to improve the planning and coordination of these activities.

IMPLEMENTATION

---------- Chapter 22:2.7.3

Not Implemented--Action Taken. The Government Management Reform Act of 1994 (P.L. 103-356, Oct. 13, 1994) authorized the establishment of six working capital fund pilot programs. The Director of OMB, after consultation with the Senate and House Committees on Appropriations, the Senate Committees on Governmental Affairs, and the House Committee on Government Operations, is to designate the agencies that will participate in the pilot program. VA is in the process of developing plans to establish a fund, should it be one of the designated agencies.

RELATED GAO PRODUCTS

---------- Chapter 22:2.7.4

Working Capital Funds: Three Agency Perspectives (GAO/AIMD-94-121, May 20, 1994).

Improving Government: GAO's Views on H.R. 3400 Management Initiatives (GAO/T-AIMD/GGD-94-97, Feb. 23, 1994).

DVA08: DECENTRALIZE DECISIONMAKING AUTHORITY TO PROMOTE MANAGEMENT EFFECTIVENESS

---------- Chapter 22:2.8

NPR recommends that VA headquarters and field management work together to improve agency decisionmaking, including the delegation of some decisionmaking to field activity directors.

ACTION ITEMS

---------- Chapter 22:2.8.1

1. The Department of Veterans Affairs Central Office and field managers should jointly develop a management policy framework for all departmental management policy directives.

2. VA should review and update its policy directives within the new management policy framework.

GAO COMMENTS

---------- Chapter 22:2.8.2

Generally Agree. We agree that decisionmaking can often be decentralized, but have repeatedly found problems in VA's efforts to

implement legislative and administrative policies because too much autonomy was given to medical centers. VA currently operates a decentralized medical care system and the VA Central Office is reluctant to direct field facilities to take action to correct operational problems. While we agree, in theory, with delegating decisionmaking to field staff, our transition series report documents repeated problems in correcting operational problems and implementing legislative initiatives because field facilities were given too much autonomy and were not held accountable for taking corrective actions. There needs to be a balance between giving field facilities increased flexibility in designing corrective actions and implementing policies and retaining central office oversight to ensure that those actions are adequate and consistent with overall VA policies.

IMPLEMENTATION

---------- Chapter 22:2.8.3

Not Implemented--Action Taken. VA anticipates announcing a new framework for decentralizing decisionmaking authority by the end of the calendar year. VA believes this framework will help improve its responsiveness and timeliness in serving veterans. Subsequently, VA will provide guidance which field managers will be expected to follow when implementing the new policy.

RELATED GAO PRODUCTS

---------- Chapter 22:2.8.4

VA Health Care: Problems in Implementing Locality Pay for Nurses Not Fully Addressed (GAO/HRD-93-54, May 21, 1993).

VA Health Care: Medical Centers Are Not Correcting Identified Quality Assurance Problems (GAO/HRD-93-20, Dec. 30, 1992).

Veterans Affairs Issues (GAO/OCG-93-21TR, Dec. 1992).

VA Health Care: Role of the Chief of Nursing Service Should Be Elevated (GAO/HRD-92-74, Aug. 4, 1992).

VA Health Care: Efforts to Improve Pharmacies' Controls Over Addictive Drugs (GAO/T-HRD-92-38, June 10, 1992).

VA Health Care for Women: Despite Progress, Improvements Needed (GAO/HRD-92-23, Jan. 23, 1992).

VA Health Care: Inadequate Controls Over Addictive Drugs (GAO/HRD-91-101, June 19, 1991).

Veterans Benefits: Improved Management Needed to Reduce Waiting Time for Appeal Decisions (GAO/HRD-90-62, May 25, 1990).

DVA09: ESTABLISH A COMPREHENSIVE RESOURCE ALLOCATION PROGRAM

---------- Chapter 22:2.9

VA should design and develop a comprehensive, departmentwide, performance- and needs-based resource allocation program to replace current approaches.

ACTION ITEM
---------- Chapter 22:2.9.1

The Department of Veterans Affairs should design and develop a comprehensive, departmentwide, performance- and needs-based resource allocation program.

GAO COMMENTS
---------- Chapter 22:2.9.2

Generally Agree. We agree with the need for a comprehensive resource allocation program, particularly for the health care system. We have issued several reports on problems in VA's former resource allocation method for its medical centers and on the inequities in access to VA medical benefits that result from the lack of an effective resource allocation method.

IMPLEMENTATION
---------- Chapter 22:2.9.3

Partially Implemented. As of June 1994, VA started to implement this recommendation for its hospital system. VA has established both performance- and needs-based allocation programs which are being used during the fiscal year 1995 budget allocation process and fiscal year 1996 budget formulation process.

RELATED GAO PRODUCTS
---------- Chapter 22:2.9.4

Veterans Affairs: Service Delays at VA Outpatient Facilities (GAO/T-HRD-94-5, Oct. 27, 1993).

Veterans Affairs: Accessibility of Outpatient Care at VA Medical Centers (GAO/T-HRD-93-29, July 21, 1993).

VA Health Care: Variabilities in Outpatient Care Eligibility and Rationing Decisions (GAO-HRD-93-106, July 16, 1993).

VA Health Care: Resource Allocation Methodology Has Had Little Impact on Medical Center Budgets (GAO/HRD-89-93, Aug. 18, 1989).

DVA10: SERVE VETERANS AND
THEIR FAMILIES AS CUSTOMERS
---------- Chapter 22:2.10

This recommendation outlines several approaches for VA to improve its focus on veterans and their families as customers.

ACTION ITEMS

---------- Chapter 22:2.10.1

1. The Department of Veterans Affairs (VA) should implement a courtesy and caring initiative throughout VA.

2. VA should develop a departmentwide policy for collecting and responding to veterans' suggestions and concerns.

3. VA should develop a comprehensive approach for improving its capacity to respond to its customers' concerns, inquiries, and complaints.

4. VA should develop a comprehensive approach for providing the veterans service organizations (VSO) with a stronger consultative role in policymaking and decisionmaking.

5. VA should provide patient bedside telephone access at its medical centers as soon as possible.

GAO COMMENTS

---------- Chapter 22:2.10.2

Agree. We strongly support actions to implement this recommendation. NPR mentions plans to outline suggested approaches, but details on those approaches are not available at this time. We have issued numerous reports detailing problems in service delivery and quality assurance both for the health and benefits programs and have recommended specific actions to improve services, including restructuring VA's ambulatory care delivery system.

IMPLEMENTATION

---------- Chapter 22:2.10.3

Partially Implemented. VA completed surveys to identify areas where improved customer service is needed and, in August 1994, issued a customer service plan. Improvements appear to have occurred under VA's claims processing initiative in its New York Regional Office benefits program in New York but the limited data available do not yet indicate improved timeliness. According to the VA, it has also placed an increased emphasis on involving veterans service organizations in key decisions.

Bedside telephones have been installed in 40 of VA's 172 hospitals through a joint effort between VA and PT Phone Home, a volunteer, charitable organization that includes many of the largest communications companies in the United States and donated skilled labor from the Communication Workers of America and the International Brotherhood of Electrical Workers. VA estimates that this arrangement will result in installation of bedside telephones in all VA hospitals by 1996 at a savings to the government of $189 million.

RELATED GAO PRODUCTS

---------- Chapter 22:2.10.4

Veterans' Benefits: Lack of Timeliness, Poor Communication, Cause Customer Dissatisfaction (GAO/HEHS-94-179, Sept. 20, 1994).

Veterans' Benefits: Status of Claims Processing Initiative in New York Regional Office (GAO/HEHS-94-183BR, June 17, 1994).

Veterans' Health Care: Veterans' Perceptions of VA Services and Its Role in Health Care Reform (GAO-T-HEHS-94-150, Apr. 20, 1994).

VA Health Care For Women: In Need of Continued VA Attention (GAO/T-HEHS-94-114, Mar. 9,1994).

Homelessness: Demand for Services to Homeless Veterans Exceeds VA Program Capacity (GAO/HEHS-94-98, Feb. 23, 1994).

Military Downsizing: Persons Returning to Civilian Life Need More Help From DOD (GAO/HEHS-94-39, Jan. 21, 1994).

Veterans Benefits: Redirected Modernization Shows Promise (GAO/AIMD-94-26, Dec. 9, 1993).

Veterans Affairs: Service Delays at VA Outpatient Facilities (GAO/T-HRD-94-5, Oct. 27, 1993).

VA Health Care: Restructuring Ambulatory Care System Would Improve Services to Veterans (GAO/HRD-94-4, Oct. 15, 1993).

VA Health Care: Variabilities in Outpatient Care Eligibility and Rationing Decisions (GAO/HRD-93-106, July 16, 1993).

VA Health Care: Veterans' Efforts to Obtain Outpatient Care From Alternative Sources (GAO/HRD-93-123, July 14, 1993).

Veterans' Affairs: Establishing Patient Smoking Areas at VA Medical Centers (GAO/HRD-93-104, May 3, 1993).

Veterans Disability: Information From Military May Help VA Assess Claims Related to Secret Tests (GAO/NSIAD-93-89, Feb. 18, 1993).

VA Health Care: Closure and Replacement of the Medical Center in Martinez, California (GAO/HRD-93-15, Dec. 1, 1992).

Veterans Affairs Issues (GAO/OCG-93-21TR, Dec. 1992).

Veterans' Benefits: Availability of Benefits in American Samoa (GAO/HRD-93-16, Nov. 18, 1992).

Veterans Benefits: Acquisition of Information Resources for Modernization is Premature (GAO/IMTEC-93-6, Nov. 4, 1992).

VA Health Care: The Quality of Health Care Provided By Some VA Psychiatric Hospitals Is Inadequate (GAO/HRD-92-17, Apr. 22, 1992).

VA Health Care: VA Plans Will Delay Establishment of Hawaii Medical

Center (GAO/HRD-92-41, Feb. 25, 1992).

VA Health Care for Women: Despite Progress, Improvements Needed (GAO/HRD-92-23, Jan. 23, 1992).

VA Health Care: Telephone Service Should Be More Accessible to Patients (GAO/HRD-91-110, July 31, 1991).

DVA11: PHASE OUT AND CLOSE SUPPLY DEPOTS

---------- Chapter 22:2.11

VA should convert its existing centralized depot storage and distribution program to a commercial just-in-time delivery system and close unneeded supply depots.

ACTION ITEM

---------- Chapter 22:2.11.1

The Department of Veterans Affairs should convert its existing centralized depot storage and distribution program to a commercial just-in-time delivery system.

GAO COMMENTS

---------- Chapter 22:2.11.2

Insufficient Information. We have not done any work specifically addressing this recommendation.

IMPLEMENTATION

---------- Chapter 22:2.11.3

Partially Implemented. VA is about three-quarters through implementing this recommendation. The pharmaceutical inventory in VA's depots has decreased from about $40 million to about $500,000. VA now contracts with prime vendors to provide pharmaceuticals. VA has not yet awarded prime vendor contracts for its medical surgical supplies, but is in the process of awarding prime vendors contracts for its hospital food supplies.

Although VA is converting to a just-in-time delivery system, some of the functions at the depots will still remain and, therefore, the depots will not be completely closed down. For example, VA's distribution of American flags to the families of deceased veterans will be retained at the Hines depot and the quality assurance functions (installing and testing radiology and laundry equipment, processing precious metals, etc.) will be retained at the Sommerville depot. VA is currently using about 25,000 to 30,000 square feet of the approximately 1 million square feet of space at the Sommerville depot.

RELATED GAO PRODUCTS

---------- Chapter 22:2.11.4

DOD Medical Inventory: Reductions Can be Made Through Use of Commercial Practices (GAO/NSIAD-92-58, Dec. 5, 1991).

DVA12: IMPROVE BUSINESS PRACTICES THROUGH ELECTRONIC COMMERCE

---------- Chapter 22:2.12

VA should expand its use of electronic media to reduce paperwork and save money. It should seek to make greater use of electronic funds transfer of compensation and pension benefits.

ACTION ITEMS

---------- Chapter 22:2.12.1

1. The Department of Veterans Affairs should expand its use of electronic data interchange (EDI) for invoicing, government bills of lading (GBL), and purchase orders, and analyze the cost-effectiveness of EDI applications in VHA and VBA programs.

2. VA should seek to implement electronic funds transfer (EFT) for compensation and pension beneficiaries who do not now use it.

3. VA should work with the Department of the Treasury to develop a cost-effective, governmentwide approach to electronic benefits transfer (EBT) for beneficiaries who cannot use EFT.

4. VA should seek to increase the level of employee participation in the direct deposit program.

GAO COMMENTS

---------- Chapter 22:2.12.2

Agree. We strongly agree that electronic fund transfers can improve the accuracy of payments and cut administrative costs, even though we have not done any work looking specifically at electronic fund transfers for payment of VA compensation and pension benefits. We have long supported the use of electronic funds transfers to pay Social Security benefits and use such transfers for our own payroll.

IMPLEMENTATION

---------- Chapter 22:2.12.3

Not Implemented--Action Taken. VA has formed an interdisciplinary work group to formulate a short term plan to enhance its existing Electronic Commerce/Electronic Data Exchange Program and to meet the initial requirements of the Federal Electronic Commerce Acquisition Team. Development plans, which include detailed tasks and organizational responsibilities, indicate VA should complete work on this recommendation in late 1994.

The Department of Veterans Affairs and the Treasury signed a Memorandum of Agreement on September 9, 1994, to complete a series of NPR "electronic commerce" initiatives. These initiatives will be implemented over the next several months to improve existing financial operations, and may enhance many systems maintained by VA for benefit, administrative, and vendor payments.

Finally, VA and Treasury are conducting a test of electronic benefits transfer for beneficiaries in the Dallas and Houston, Texas areas. This test will be completed in December 1994 and the results will be evaluated at that time.

RELATED GAO PRODUCTS

---------- Chapter 22:2.12.4

Veterans Benefits: Redirected Modernization Shows Promise (GAO/AIMD-94-26, Dec. 9, 1993).

Veterans Benefits: Acquisition of Information Resources for Modernization is Premature (GAO/IMTEC-93-6, Nov. 4, 1992).

DVA13: ELIMINATE SUNSET DATES IN THE OMNIBUS BUDGET RECONCILIATION ACT OF 1990

---------- Chapter 22:2.13

To achieve cost savings, extend certain cost savings measures that are due to expire in 1998.

ACTION ITEM

---------- Chapter 22:2.13.1

Congress should eliminate the statutory sunset dates in the Omnibus Budget Reconciliation Act relating to programs administered by VA.

GAO COMMENTS

---------- Chapter 22:2.13.2

Agree. We strongly support the elimination of sunset dates. Establishing sunset dates gives the illusion of additional cost savings when the measures are reauthorized. Our prior work has been instrumental in getting sunset provisions extended with respect to using VA, IRS, and SSA records to verify veterans' reported incomes for VA health care and pension benefits determinations.

Equally important, however, is prompt implementation of cost saving measures once they are enacted. As we point out in our 1992 transition series report, slow implementation of legislative initiatives cost VA an estimated $120 million in copayment revenues from veterans who underreported their incomes to VA. Although the Omnibus Budget Reconciliation Act of 1990 extended the sunset date another 5 years, no savings will occur unless VA implements the policies for using tax records to verify veterans' reported incomes.

IMPLEMENTATION
---------- Chapter 22:2.13.3

Not Implemented--Action Taken. The recommendation requires changes in legislation. While VA has submitted a legislative proposal to OMB, OMB has not yet acted on it.

RELATED GAO PRODUCTS
---------- Chapter 22:2.13.4

Veterans Affairs Issues (GAO/OCG-93-21TR, Dec. 1992).

VA Health Care: Verifying Veterans' Reported Income Could Generate Millions in Copayment Revenues (GAO/HRD-92-141, Sept. 15, 1992).

VA Health Care: Copayment Exemption Procedures Should Be Improved (GAO/HRD-92-77, June 24, 1992).

Veterans' Benefits: Savings Possible From Reducing Pensions to Medicaid-Supported Nursing Home Residents (GAO/HRD-92-32, Dec. 27, 1991).

Veterans' Benefits: Millions in Savings Possible From VA's Matching Program With IRS and SSA (GAO/HRD-92-37, Dec. 23, 1991).

VA Health Care: Better Procedures Needed to Maximize Collections From Health Insurers (GAO/HRD-90-64, Apr. 6, 1990).

VA Health Care: Medical Centers Need to Improve Collection of Veterans' Copayments (GAO/HRD-90-77, Mar. 28, 1990).

DVA14: RAISE THE FEES FOR
VETERANS AFFAIRS' GUARANTEED
HOME LOANS
---------- Chapter 22:2.14

As a cost savings measure, loan fees on veterans loans should be raised above the levels set in the Omnibus Budget Reconciliation Act of 1993.

ACTION ITEM
---------- Chapter 22:2.14.1

The Department of Veterans Affairs should work with Congress to amend section 3729 of title 38 of the U.S. Code to conform to the Congressional Budget Office option of increasing VA home loan funding fees.

GAO COMMENTS
---------- Chapter 22:2.14.2

Insufficient Information. We have not done work directly relevant to this recommendation but have generally supported user fees. It should be noted, however, that increasing loan fees is a policy option not a performance improvement action.

IMPLEMENTATION
---------- Chapter 22:2.14.3

Not Implemented--Action Taken. VA's General Counsel submitted a legislative proposal increasing fees for VA home loans to OMB. The proposal is pending with OMB.

RELATED GAO PRODUCTS
---------- Chapter 22:2.14.4

Homeownership: Appropriations Made To Finance VA's Housing Programs May Be Overestimated (GAO/RCED-93-173, Sept. 8, 1993).

DVA15: RESTRUCTURE THE VETERANS AFFAIRS' HEALTH CARE SYSTEM
---------- Chapter 22:2.15

VA should reexamine its role and delivery structure after the issuance of the report of the President's National Health Care Reform Task Force and take actions to restructure the VA health care system.

ACTION ITEM
---------- Chapter 22:2.15.1

The Department of Veterans Affairs should reexamine its role and delivery structure in the wake of health care reform.

GAO COMMENTS
---------- Chapter 22:2.15.2

Agree. We strongly agree that restructuring of the veterans' health care system is needed with or without national health reform. NPR's recommendation, however, lacks specificity and VA is already reexamining its role. Through a series of completed and ongoing assignments, we are assessing the reasonableness of VA's plans. As discussed in our transition series report, we believe Congress should consider limiting construction of additional VA acute care capacity until the reformed health care system takes shape and VA's role in that system is defined.

IMPLEMENTATION
---------- Chapter 22:2.15.3

Not Implemented--Action Taken. There is little prospect for major health reform, either nationally or in many of the states considering

comprehensive reforms, this year. In addition, both the administration's proposals and the minority party's health reform proposal
(S. 2374) focused primarily on preserving the acute care system. Only
H.R. 3600 would have made significant changes in nursing home coverage and eligibility for VA services not included in the standard benefit package. Regardless of whether there is health reform this year, there will continue to be a need to restructure the VA health care system to better meet the health care needs of veterans.

In the fall of 1993, VA established a National Health Care Reform Office to develop plans for transforming VA health care facilities into a series of managed care plans in anticipation that some elements of the veterans' health care provisions of the administration's Health Security Act would be included in any final health reform legislation. The reform office held a series of working group sessions in January 1994 to identify and address barriers to VA managed care and, in May 1994, issued a report containing a framework for reform.

The reform office is also monitoring other reform proposals and legislation enacted or proposed in the states. VA is currently evaluating proposals to establish pilot projects in up to five states that have enacted comprehensive health care reform legislation. The pilot projects would test certain recommendations to allow VA to better compete in a health care reform environment. VA believes the pilot programs can be implemented without enactment of specific legislation.

RELATED GAO PRODUCTS

---------- Chapter 22:2.15.4

Health Security Act: Analysis of Veterans' Health Care Provisions (GAO/HEHS-94-205FS, July 15, 1994).

VA Health Care: Efforts to Make VA Competitive May Create Significant Risks (GAO/T-HEHS-94-197, June 29, 1994).

VA Health Care: VA and the Health Security Act (GAO/HEHS-94-159R, May 9, 1994).

VA Health Care Reform: Financial Implications of the Proposed Health Security Act (GAO/T-HEHS-94-148, May 5, 1994).

VA Health Care: Most Care Provided Through Non-VA Programs (GAO/HEHS-94-104BR, Apr. 25, 1994).

VA Health Care: Veterans' Perceptions of VA Services and Its Role in Health Care Reform (GAO/T-HEHS-94-150, Apr. 20, 1994).

VA Health Care: A Profile of Veterans Using VA Medical Centers in 1991 (GAO/HEHS-94-113FS, Mar. 29, 1994).

VA Health Care: Comparison of VA Benefits With Other Public and Private Programs (GAO/HRD-93-94, July 29, 1993).

VA Health Care: Potential for Offsetting Long-Term Care Costs Through Estate Recovery (GAO/HRD-93-68, July 27, 1993).

Veterans Affairs: Accessibility of Outpatient Care at VA Medical Centers (GAO/T-HRD-93-29, July 21, 1993).

VA Health Care: Variabilities in Outpatient Care Eligibility and Rationing Decisions (GAO/HRD-93-106, July 14, 1993).

VA Health Care: Potential Effects of Health Care Reforms on VA's Major Construction Program (GAO/T-HRD-93-19, May 6, 1993).

Veterans' Health Care: Potential Effects of Health Financing Reforms on Demand for VA Services (GAO/T-HRD-93-12, Mar. 31, 1993).

Veterans' Health Care: Potential Effects of Health Reforms on VA Construction (GAO/T-HRD-93-7, Mar. 3, 1993).

Veterans Affairs Issues (GAO/OCG-93-21TR, Dec. 1992).

VA Health Care: Offsetting Long-Term Care Costs by Adopting State Copayment Practices (GAO/HRD-92-96, Aug. 12, 1992).

VA Health Care: Demonstration Project Concerning Future Structure of Veterans' Health Program (GAO/T-HRD-92-53, Aug. 11, 1992).

VA Health Care: Alternative Health Insurance Reduces Demand For VA Health Care (GAO/HRD-92-79, June 30, 1992).

VA Health Care: VA Plans Will Delay Establishment of Hawaii Medical Center (GAO/HRD-92-41, Feb. 25, 1992).

DVA16: RECOVER ADMINISTRATIVE COSTS OF VETERANS' INSURANCE PROGRAM FROM PREMIUMS AND DIVIDENDS

---------- Chapter 22:2.16

VA should be permitted to recover certain insurance program costs from insurance trust fund surpluses.

ACTION ITEM

---------- Chapter 22:2.16.1

The Department of Veterans Affairs should work with Congress to amend title 38 of the U.S. Code to permit the payment of administrative expenses of the United States Government Life Insurance (USGLI), National Service Life Insurance (NSLI), and Veterans Special Life Insurance (VSLI) programs from their trust fund surpluses.

GAO COMMENTS

---------- Chapter 22:2.16.2

Agree. We strongly support this position and recommended such action in a March 1992 report. VA has proposed legislation to amend title 38 of the U.S. Code to allow administrative costs for three programs to be paid from insurance trust fund earnings. At that time, GAO estimated that 5-year savings would be about $150 million and would cost the average policyholder about $11 a year in reduced dividends.

IMPLEMENTATION

---------- Chapter 22:2.16.3

Not Implemented--Action Taken. To implement this recommendation, VA proposed using excess program income to fund the administrative expenses of its insurance programs. VA included this provision in its fiscal year 1995 budget proposal to Congress. VA estimates that this provision would save about $30 million in fiscal year 1995 and $113 million over 5 years. This provision was removed by the House Committee on Veterans Affairs when it considered VA's submission.

RELATED GAO PRODUCTS

---------- Chapter 22:2.16.4

VA Life Insurance: Administrative Costs for Three Programs Should Be Paid From Excess Funds (GAO/HRD-92-42, Mar. 10, 1992).

CREATING QUALITY LEADERSHIP AND MANAGEMENT (QUAL)

========== Chapter 23

OVERALL SUMMARY

---------- Chapter 23:1

It will take a long-term effort to bring all executive departments and agencies to full speed in managing in accordance with quality principles. While many of the recommendations and action items under Creating Quality Leadership and Management seem to be under way to full implementation, some are on hold pending action from government officials. For example, the Federal Quality Institute is working with agencies to provide the training and support needed. However, the White House has not worked with executive departments and agencies to create qualification guidance for certain senior political appointee positions. Without coordinated action in the executive branch, managing in accordance with quality principles will be difficult to implement. No action has been taken to implement the recommendation to improve legislative-executive branch relationships by forming a bipartisan, bicameral workgroup.

GAO CONTACT

---------- Chapter 23:1.1

William M. Hunt, Director, Federal Management Issues, General Government Division, (202) 512-8676.

RECOMMENDATION INFORMATION
---------- Chapter 23:2

QUAL01: PROVIDE IMPROVED
LEADERSHIP AND MANAGEMENT OF
THE EXECUTIVE BRANCH
---------- Chapter 23:2.1

The President should define a vision for the management of the government in the 21st century. To act on this vision, he should direct department and agency heads to designate chief operating officers and he should establish a President's Management Council (PMC), comprised of the chief operating officers, to oversee the implementation of NPR's recommendations.

ACTION ITEMS
---------- Chapter 23:2.1.1

1. Provide governmentwide leadership, direction, and commitment for effective management of the executive branch.

2. Direct department and agency heads to designate chief operating officers.

3. Establish a President's Management Council.

4. Update and refocus the executive order establishing the President's Council on Management Improvement.

5. Conduct periodic performance reviews to provide ongoing improvement and renewal in the executive branch.

6. Redefine the Federal Quality Institute as an organization to support the President, Vice President, Cabinet, and PMC in the implementation of strategic and quality management throughout the federal government.

GAO COMMENTS
---------- Chapter 23:2.1.2

Generally Agree. We have emphasized that achieving quality results in the federal government must begin with a strategic vision of the future. Further, we have endorsed the roles played by the President's Council on Management Improvement and the President's Council on Integrity and Efficiency in helping implement management reform. However, it is unclear how the PMC's role differs from those of the councils already established.

IMPLEMENTATION
---------- Chapter 23:2.1.3

Partially Implemented. According to officials from NPR and the

Office of Management and Budget (OMB), two of the six action items under this recommendation, have been fully implemented, three have been partially implemented, and one has not been implemented. The President, the Vice President, OMB, and agency heads have regularly expressed support for NPR's implementation and mananaging for results, but a presidential memorandum expressing NPR principles has not been issued (action 1). On October 1, 1993, the President issued a memo that directed agencies to designate chief operating officers, and established a President's Management Council (PMC) (action 2 and 3). The executive order establishing the President's Council on Management Improvement has not been updated (action 4). NPR issued an update report on the NPR recommendations and has plans for issuing a future report on reengineering efforts on September 1995 (action 5). The Federal Quality Institute (FQI) has continually supported the PMC and cabinet agencies by providing guidance and training, but the FQI has not been redefined (action 6).

RELATED GAO PRODUCTS
---------- Chapter 23:2.1.4

Managing the Government: Revised Approach Could Improve OMB's Effectiveness (GAO/GGD-89-65, May 4, 1989).

QUAL02: IMPROVE GOVERNMENT PERFORMANCE THROUGH STRATEGIC AND QUALITY MANAGEMENT
---------- Chapter 23:2.2

Encourage all department and agency heads to lead and manage in accordance with the criteria in the Presidential Award for Quality. To begin this culture change, all executive branch employees--starting with the President and Cabinet--should attend appropriate educational sessions on strategic and quality management.

ACTION ITEMS
---------- Chapter 23:2.2.1

1. All department and agency heads should lead and manage in accordance with the criteria in the Presidential Award for Quality.

2. All executive branch employees should attend appropriate educational sessions on strategic and quality management, to include the criteria for the Presidential Award for Quality.

3. Each department and agency head should establish a top-level "quality council" to lead that organization's culture change.

4. Create a category within the Malcolm Baldrige Award for quality in the federal government.

GAO COMMENTS
---------- Chapter 23:2.2.2

Generally Agree. We fully support the need for federal managers to lead and manage for quality. A key legislative action prompting a greater focus on improving management in the federal government was the Civil Service Reform Act of 1978. This act recognized the need for performance measures and emphasized that, where feasible, organizational and individual performance be appraised in terms of timeliness, quality, and efficiency. More broadly, the Government Performance and Results Act of 1993 emphasizes strategic planning as one of the critical elements for instilling a results-oriented management focus throughout the federal government. We believe, however, that establishing this focus will also require that federal managers have available to them the tools and incentives necessary for achieving results.

We support the use of the Presidential Award for Quality criteria to assess program performance. However, this should be revised, as necessary, to ensure it recognizes other criteria that exist on quality management, and lessons learned from using these criteria. Finally, we have found that training is one of the critical elements in perpetuating cultural change.

IMPLEMENTATION
---------- Chapter 23:2.2.3

Partially Implemented. According to an NPR official, 3 federal agencies have reported that they have established procedures comparable to the Presidential Award for Quality, and 13 departments and agencies have established a top level quality council. According to an FQI official, they have completed their training materials and are currently marketing their services to federal agencies. However, all executive branch employees have not attended such training. The inclusion of a category for federal organizations in the Malcolm Baldrige Award is currently under discussion, but has not been finalized.

RELATED GAO PRODUCTS
---------- Chapter 23:2.2.4

Quality Management: Survey of Federal Organizations (GAO/GGD-93-9BR, Oct. 1, 1992).

Organizational Culture: Techniques Companies Use to Perpetuate or Change Beliefs and Values (GAO/NSIAD-92-105, Feb. 27, 1992).

Management Practices: U.S. Companies Improve Performance Through Quality Efforts (GAO/NSIAD-91-190, May 2, 1991).

Office of Personnel Management: Better Performance Information Needed (GAO/GGD-90-44, Feb. 7, 1990).

QUAL03: STRENGTHEN THE
CORPS OF SENIOR LEADERS
---------- Chapter 23:2.3

Develop guidance to be used to determine the qualifications needed for selected senior political appointee positions, and provide adequate orientations for individuals upon their appointment.

ACTION ITEMS

---------- Chapter 23:2.3.1

1. Establish qualification guidance for selected senior political appointee positions.

2. Provide adequate orientation and ongoing management training to all political appointees and their career senior executive service counterparts.

GAO COMMENTS

---------- Chapter 23:2.3.2

Generally Agree. We agree that political appointees should be qualified for their jobs and support orientation sessions for new appointees. Moreover, we have emphasized the need to establish strong financial management leadership at both OMB and the agencies, and support the Chief Financial Officers (CFO) Act requirement that OMB develop qualification standards for agency CFOs and their deputies. Agency CFO and deputy leadership positions, which must be key figures in top management teams, should be filled by highly qualified people with extensive financial management experience.

IMPLEMENTATION

---------- Chapter 23:2.3.3

Partially Implemented. The qualification guidance for senior political appointee positions has not been established. Political appointees and career SES officials have long been provided with orientation and management training. We did not determine whether this training was "adequate."

RELATED GAO PRODUCTS

---------- Chapter 23:2.3.4

Financial Management Issues: First Financial Audits of IRS and Customs Revealed Serious Problems (GAO/T-AIMD-93-3, Aug. 4, 1993).

Financial Management Issues (GAO/OCG-93-4TR, Dec. 1992).

The Qualifications for and Role of Agency Chief Financial Officers (GAO/T-AFMD-91-7, June 7, 1991).

Senior Executive Service: Training and Development of Senior Executives (GAO/GGD-89-127, Sept. 29, 1989).

Report of the National Commission on the Public Service (GAO/T-GGD-89-19, Apr. 27, 1989).

QUAL04: IMPROVE LEGISLATIVE-EXECUTIVE BRANCH RELATIONSHIP

---------- Chapter 23:2.4

Improve communications between the executive branch, members of Congress, and congressional staff on key issues during and after program and policy development and implementation. Develop an agreed-upon approach for dealing with management failures, crises, and chronic program difficulties.

ACTION ITEM

---------- Chapter 23:2.4.1

Establish a bipartisan, bicameral workgroup, including executive and legislative branch representatives, to serve as a forum for identifying and resolving issues of mutual concern.

GAO COMMENTS

---------- Chapter 23:2.4.2

Agree. We agree with the need to develop an approach for improving communications between executive branch, members of Congress, and congressional staff on program management issues. On several occasions, we have reported on how improved communication is needed in setting agency and program goals and priorities as well as in conducting oversight of agencies to ensure goals and priorities are being met. While we have not done any work evaluating specific approaches for improving communications, we agree that any approach chosen should be based on the agreement of all relevant parties.

IMPLEMENTATION

---------- Chapter 23:2.4.3

Not Implemented--No Action Taken. According to an official from the Office of the Vice President, there have been discussions to form this workgroup, but the process has been on hold so far.

RELATED GAO PRODUCTS

---------- Chapter 23:2.4.4

Major Issues Facing a New Congress and a New Administration (GAO/T-OCG-93-1, Jan. 8, 1993).

Financial Services Industry Issues (GAO/OCG-93-10TR, Dec. 1992).

Environmental Protection Issues (GAO/OCG-93-16TR, Dec. 1992).

Social Security Administration: Stable Leadership and Better Management Needed to Improve Effectiveness (GAO/HRD-87-39, Mar. 18, 1987).

Strong Leadership Needed to Improve Management at the Department of Labor (GAO/HRD-86-12, Oct. 21, 1985).

STREAMLINING MANAGEMENT CONTROL (SMC)

========== Chapter 24

OVERALL SUMMARY

---------- Chapter 24:1

Federal management control systems are intended to help ensure the economical and effective operation of federal programs, activities, and organizations. As a result of breakdowns in these systems, federal programs have not achieved their intended outcomes and billions of dollars have been lost due to fraud, waste, abuse, and mismanagement. The NPR recommendations in this area have highlighted the critical need for greater coordination and cooperation among agency management, legal counsel, auditors, and Congress. They also create the opportunity for greater efficiency and effectiveness through the reduction of reports and regulations that, while requiring significant resources, provide little added value to programs.

Implementation efforts are under way on seven of the eight recommendations. Completion of these actions will be an important step in the correction of the problems that exist in the management controls area. However, because these actions will involve efforts at departments and organizations throughout the government, effective implementation will require a sustained effort and it will likely take several years before the intended benefits will be realized. No action has been taken to implement a systems design approach to management control.

GAO CONTACT

---------- Chapter 24:1.1

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RECOMMENDATION INFORMATION

---------- Chapter 24:2

SMC01: IMPLEMENT A SYSTEMS DESIGN APPROACH TO MANAGEMENT CONTROL

---------- Chapter 24:2.1

Redesign the existing collection of management control mechanisms for the executive branch, using a systems design approach, in order to create a well-managed and cost-effective system.

ACTION ITEM
---------- Chapter 24:2.1.1

Redesign the existing set of control mechanisms for the executive branch, using a systems design approach.

GAO COMMENTS
---------- Chapter 24:2.1.2

Generally Agree. We fully support agency and governmentwide efforts to strengthen internal control systems. For example, systems should be cost-effective and managers should manage for risks. We also agree that the management control system should include preventative actions and results-oriented measures.

IMPLEMENTATION
---------- Chapter 24:2.1.3

Not Implemented--No Action Taken. The President's Management Council (PMC), which serves as the President's chief instrument to retool management systems throughout the executive branch, has been designated responsibility for implementing this recommendation. The PMC has not taken action on this recommendation.

RELATED GAO PRODUCTS
---------- Chapter 24:2.1.4

Financial Management: DOD Has Not Responded Effectively to Serious, Long-Standing Problems (GAO/T-AIMD-93-1, July 1, 1993).

Government Management: Report on 17 High-Risk Areas (GAO/T-OCG-93-2, Jan. 8, 1993).

Federal Internal Control and Financial Management Systems: Major Reform Efforts Are Needed (GAO/T-AFMD-90-14, Apr. 18, 1990).

Financial Integrity Act: Inadequate Controls Result in Ineffective Federal Programs and Billions in Losses (GAO/AFMD-90-10, Nov. 28, 1989).

SMC02: STREAMLINE THE
INTERNAL CONTROLS PROGRAM TO
MAKE IT AN EFFICIENT AND
EFFECTIVE MANAGEMENT TOOL
---------- Chapter 24:2.2

Rescind the current set of Internal Control Guidelines and replace them with a broader handbook on management controls.

ACTION ITEMS
---------- Chapter 24:2.2.1

1. Rewrite OMB Circular A-123, "Internal Control Systems," to be a succinct document that defines the policy for establishing and reviewing management controls.

2. Replace OMB's existing Internal Control Guidelines with a handbook on management controls.

3. Revise government-sponsored management training to teach management control as an integral function of management, not as a reporting requirement.

GAO COMMENTS

---------- Chapter 24:2.2.2

Generally Agree. Clearly, changes are needed in the government's internal control program. Agencies must fix the long-standing control weaknesses that limit the efficiency and effectiveness of their programs and undermine public confidence in government. Over a decade after the Federal Managers' Financial Integrity Act (FMFIA) became law, we see the same kinds of internal control problems emerging in our current audits as existed prior to the act's passage. Moreover, our audits of the Air Force, Army, NASA, Internal Revenue Service, and the Customs Service have identified a lack of adequate reporting of those problems as required by FMFIA. GAO and OMB efforts have shown that serious problems, when they are properly identified, are deep-rooted and require major efforts to correct.

A broader handbook on management controls could be a part of the solution. But, ways must be found to shift the focus from a process-oriented activity to an identification of the root causes of the problems and the correction of those problems. Senior managers must be held accountable for fixing the internal control problems that are identified. A start should be made on those that pose the highest risk. Of course, in designing control systems, a cost-benefit analysis is required and agencies' operations must not be impeded.

IMPLEMENTATION

---------- Chapter 24:2.2.3

Not Implemented--Action Taken. OMB is considering options for changes to the FMFIA program which are necessary for a governmentwide effort to improve each federal agency's implementation of FMFIA. OMB is drafting a revised Circular A-123, "Internal Control Systems," which will represent the OMB-prepared guidelines required by FMFIA. In addition, once the circular is issued, OMB plans to work with representatives of other agencies in the development of internal control training for governmentwide use. Some agencies and the CFO Council also recognize the need for change, and their efforts should both complement those of OMB and result in improvements independent of OMB's actions.

RELATED GAO PRODUCTS

---------- Chapter 24:2.2.4

Improving Government: Actions Needed to Sustain and Enhance Management Reforms (GAO/T-OCG-94-1, Jan. 27, 1994).

SMC03: CHANGE THE FOCUS OF THE INSPECTORS GENERAL

---------- Chapter 24:2.3

Change the focus of inspectors general (IG) from compliance auditing to evaluating management control systems. In addition, recast the IG's method of operation to be more collaborative and less adversarial.

ACTION ITEMS

---------- Chapter 24:2.3.1

1. Change the emphasis of IGs from compliance auditing to evaluating management control systems.

2. Change the IG's method of operation to be more collaborative and less adversarial.

3. Establish performance criteria for IGs.

4. Do not offer bonuses to IGs.

GAO COMMENTS

---------- Chapter 24:2.3.2

Generally Agree. We support inspectors general broadening their role to evaluate management control systems and, when circumstances warrant it, to be more collaborative and less adversarial. The key is to appoint inspectors general with the competence and interest in taking on this broader role. In that regard, financial audits under the CFO Act, for which inspectors general now have responsibility, provide much of the needed incentive and opportunity. We would caution, however, that inspectors general not lose sight of their independence and other legislative responsibilities to conduct audits and investigations.

IMPLEMENTATION

---------- Chapter 24:2.3.3

Not Implemented--Action Taken. The "Inspectors General Vision Statement," adopted by the IGs at meetings of the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) in January 1994, is an important first step in defining their broader role while reaffirming their statutory mission. The vision statement addresses ways for the IGs to work with agency heads and managers to improve program management, maximize the positive impact of the IG's reviews, and provide recommendations to prevent problems before they occur.

In addition, the Government Management Reform Act of 1994 (P.L. 103-356) requires that executive agencies prepare annual audited financial statements covering all accounts and associated activities. These audits are the responsibililty of the IGs and provide opportunities for the IGs and management to work together to make improvements to management control systems. However, auditing management's compliance with applicable laws and regulations continues to be a significant part of these audits and other work required of the IGs.

The PCIE and ECIE are developing guidance on performance measurement criteria for all the IGs, but have not addressed the acceptance of bonuses.

RELATED GAO PRODUCTS

---------- Chapter 24:2.3.4

Inspectors General: Action Needed to Strengthen OIGs at Designated Federal Entities (GAO/AIMD-94-39, Nov. 30, 1993).

Ten-Year Perspective on Federal Inspectors General (GAO/T-AFMD-88-16, Aug. 4, 1988).

SMC04: INCREASE THE EFFECTIVENESS OF OFFICES OF GENERAL COUNSEL

---------- Chapter 24:2.4

Define clearly the clients of agency general counsel offices as agency line managers. Train staff attorneys to understand the cultural changes they will need to undertake to operate in an environment where program results are important. Develop performance measures and "feedback loops" to ensure close cooperation with line managers.

ACTION ITEMS

---------- Chapter 24:2.4.1

1. Define clearly the clients of the Offices of General Counsel (OGC).

2. Use franchising and other market mechanisms to encourage OGC staffs to respond appropriately to their clients.

3. Develop performance measures and feedback loops for general counsels to encourage close cooperation with clients.

GAO COMMENTS

---------- Chapter 24:2.4.2

Insufficient Information. We agree that agency general counsel offices should understand their program environment using any

applicable management tools necessary. However, we have not performed any work in this area.

IMPLEMENTATION
---------- Chapter 24:2.4.3

Not Implemented--Action Taken. In June 1994, the Project Director of the National Performance Review requested assistance from the Administrative Conference of the United States (ACUS) to redevelop the roles of the federal agencies' OGCs. ACUS was requested to assist the OGCs in defining who their clients are within their agencies. This assistance would include developing a policy which states that OGCs should help identify alternative approaches whenever they consider a proposed management initiative to be not legally acceptable. In addition, ACUS was requested to evaluate and recommend whether it is desirable to reestablish the now-defunct Federal Legal Council to address common legal issues related to implementing other NPR recommendations, and the training needed. ACUS is currently establishing an interagency committee to address the objectives of this recommendation.

Some agencies, such as the United States Information Agency (USIA), are beginning to develop performance measures and feedback loops through the creation of a questionnaire to survey for customer satisfaction among their agency program managers. Prior to NPR, USIA has encouraged franchising by emphasizing a strong client-orientation among their attorneys.

RELATED GAO PRODUCTS
---------- Chapter 24:2.4.4

None.

SMC05: IMPROVE THE
EFFECTIVENESS OF THE GENERAL
ACCOUNTING OFFICE THROUGH
INCREASED CUSTOMER FEEDBACK
---------- Chapter 24:2.5

Improve GAO's documentation of best practices and the use of feedback loops on its performance.

ACTION ITEM
---------- Chapter 24:2.5.1

Improve GAO documentation of best practices and use of feedback loops.

GAO COMMENTS
---------- Chapter 24:2.5.2

Agree. We have long recognized the importance of being attuned to

our customers' needs. In 1992, we surveyed key congressional staff, representing our primary customers, in an effort to find ways to improve our services. We are also looking at ways to get feedback from agencies so we can be assured that our work is as helpful as possible to them as well. We fully recognize that, like everyone else, we need to continuously seek ways to better serve our customers if we are to improve our effectiveness.

In our reports, it has always been our policy to recognize noteworthy management accomplishments identified during our work. Government auditing standards note that such information is necessary to fairly present, and provide balance to, the issues covered. Including such information could stimulate improved performance by other government organizations that read the report. Overall, we are increasingly seeking opportunities to report on the best practices that we identify as part of our work.

IMPLEMENTATION
---------- Chapter 24:2.5.3

Partially Implemented. We have pilot tested a congressional feedback questionnaire to obtain information on our performance on individual jobs. Feedback was solicited from congressional requesters and other committee members on all GAO produced testimonies and selected GAO reports. We are now evaluating the results of the pilot to decide how best to institutionalize a system of obtaining feedback from congressional customers. Additionally, managers of GAO's issue areas regularly meet with members and their staffs to obtain feedback on our performance and to understand how to better serve Congress.

We have always had a policy of recognizing noteworthy management accomplishments within our products. Including such information could stimulate improved performance by other government organizations that read the report. For example, we issued, Executive Guide: Improving Mission Performance Through Strategic Information Management and Technology, in May 1994, which presented the best practices of a range of public and private sector firms that were very successful in integrating modern computer technology into their operations. Overall, we have increasingly highlighted best practices identified during the course of our audit work.

RELATED GAO PRODUCTS
---------- Chapter 24:2.5.4

Executive Guide: Improving Mission Performance Through Strategic Information Management and Technology (GAO/AIMD-94-115, May 1994).

Continuous Improvement: The Quality Challenge (GAO/QMG-93-1, Mar. 1993).

Continuous Improvement: The Quality Challenge (GAO/QMG-92-1, Nov. 1991).

SMC06: REDUCE THE BURDEN OF

CONGRESSIONALLY MANDATED REPORTS

---------- Chapter 24:2.6

Eliminate at least 50 percent of all congressionally mandated reports. Review new reporting requirements for management impact, and include a sunset provision.

ACTION ITEMS

---------- Chapter 24:2.6.1

1. Eliminate at least half of all congressionally mandated reports.

2. Review new reporting requirements for management impact, and include a sunset provision.

GAO COMMENTS

---------- Chapter 24:2.6.2

Insufficient Information. We fully support congressional efforts to streamline reporting requirements. We have issued at least 15 products on this topic dating back to 1973. Based on this work, we believe there are opportunities to streamline reporting requirements and decrease duplication. For example, there are opportunities for combining Federal Managers' Financial Integrity Act and Chief Financial Officers Act reporting requirements. However, we do not know the overall percentage of reports that should be eliminated. We believe that any effort to streamline reporting requirements should be done as part of a focused strategy that considers Congress' information needs and how those needs can best be met.

IMPLEMENTATION

---------- Chapter 24:2.6.3

Not Implemented--Action Taken. Several legislative initiatives have been taken to reduce the reporting burden on agencies. The Government Management Reform Act of 1994 (P.L. 103-356) authorizes OMB to publish recommendations annually in the budget for consolidating, eliminating, or adjusting the due dates and frequency of statutorily required periodic reports to Congress or committees of Congress.

Two other relevant pieces of draft legislation have been awaiting Senate or House action in the 103rd Congress. The Federal Report Elimination and Modification Act of 1994 (S. 2156) would provide for the elimination and modification of reports by federal departments and agencies to Congress. It identifies, by agency, reports that could be eliminated or modified to achieve the bill's intent.

The Legislative Reorganization Act of 1994 (H.R. 3801, sec. 371) calls for a comprehensive survey of all statutory reporting requirements and legislation, on or before December 31, 1996, to eliminate obsolete, nonessential, or duplicative reports. It also calls for legislation, by December 31, 1996, that will establish a

uniform and appropriate procedure for requiring agency reports to Congress to expire after 5 years.

RELATED GAO PRODUCTS
---------- Chapter 24:2.6.4

Improving Government: GAO's Views on H.R. 3400 Management Initiatives (GAO/T-AIMD/GGD-94-97, Feb. 23, 1994).

Congressional Reports: OMB and Other Agency Reporting Requirements (GAO/GGD-92-90FS, Aug. 31, 1992).

SMC07: REDUCE INTERNAL REGULATIONS BY MORE THAN 50 PERCENT
---------- Chapter 24:2.7

Direct department secretaries and agency heads to reduce by at least 50 percent the number of internal regulations, and the number of pages of regulations, within 3 years.

ACTION ITEM
---------- Chapter 24:2.7.1

Reduce internal regulations by at least 50 percent over the next 3 years.

GAO COMMENTS
---------- Chapter 24:2.7.2

Insufficient Information. We agree that agencies should pursue initiatives to eliminate and consolidate unnecessary or duplicative internal regulations. However, we have not examined the potential regulations that could be eliminated governmentwide nor do we have a basis for identifying a percentage of internal regulation that should be eliminated.

IMPLEMENTATION
---------- Chapter 24:2.7.3

Partially Implemented. President Clinton completed part of this recommendation on September 11, 1993 when he signed Executive Order 12861 instructing each executive department and agency to eliminate not less than 50 percent of its civilian internal management regulations that are not required by law. This elimination of internal regulations, scheduled to occur within 3 years, is designed to streamline operations as well as improve productivity and customer service.

We did not determine the overall extent to which internal regulation have been reduced. However, some regulations have been reduced, as demonstrated by the revision of the Federal Personnel Manual.

RELATED GAO PRODUCTS
---------- Chapter 24:2.7.4

None.

SMC08: EXPAND THE USE OF
WAIVERS TO ENCOURAGE
INNOVATION
---------- Chapter 24:2.8

Establish a process for obtaining waivers from federal regulations and identifying those regulations for which this process should apply.

ACTION ITEM
---------- Chapter 24:2.8.1

Establish a process for obtaining waivers from federal regulations and identify the regulations for which this process applies.

GAO COMMENTS
---------- Chapter 24:2.8.2

Generally Agree. GAO's ongoing work on the Government Performance and Results Act of 1993 (GPRA) and executive agencies' reinvention labs indicates that waivers from federal regulations may provide agencies opportunities to streamline and deregulate their internal operations. GPRA established a framework for holding agencies accountable for results while granting managers the tools and incentives to achieve desired outcomes. Agency labs and other efforts seek to improve customer service and productivity through the reinvention of processes and organizations.

IMPLEMENTATION
---------- Chapter 24:2.8.3

Partially Implemented. Vice President Gore has encouraged federal executives to achieve the administration's goals by concentrating on performance and carefully measured results rather than relying on processes and the extensive use of rules and regulations. The Office of Management and Budget (OMB), the Office of Personnel Management (OPM), and the General Services Administration (GSA) have said that they are receptive to considering waivers, although none of these central management agencies have established a coordinated process to apply for waivers. For example, OMB will consider waivers on an agency-by-agency basis. GSA has no specific process to consider waivers but instead, according to a GSA official, has given executive agencies a list of GSA contacts who will aid in preparing a written application for waivers. Some executive agencies' officials are frustrated by the complexity and time-consuming nature of applying for waivers. These agencies have had difficulties determining which

regulations require a waiver from the central management agencies, which regulations are imposed by law and which regulations were created by the agencies themselves. Some executive agencies have been granted waivers. For instance, the State Department and Bonneville Power Administration have requested and received waivers from selected GSA regulations.

In addition, OMB has been authorized, through GPRA, to designate several pilot projects within a variety of executive agencies to test managerial accountability and flexibility. OMB will be granting these pilot projects waivers from certain nonstatutory administrative requirements to give managers greater flexibility in managing their programs and organizations in return for greater accountability for program results and performance.

RELATED GAO PRODUCTS

---------- Chapter 24:2.8.4

None.

TRANSFORMING ORGANIZATIONAL STRUCTURES (ORG)

========== Chapter 25

OVERALL SUMMARY

---------- Chapter 25:1

All of the recommendations in this section have been acted upon except the recommendation that the President request authority to reorganize executive agencies. The President's Management Council (PMC) has fully implemented one recommendation by sponsoring several initiatives that cut across individual agencies and departments. The PMC also has taken action on another recommendation by forming a working group on field office structure that is compiling a list of agency field offices recommended for closure. The PMC is expected to review the closure recommendations and then forward a list of recommended closures to Congress.

The two recommendations that address targeting the federal workforce downsizing efforts have been partially implemented. Legislation was enacted in March 1994 calling for the executive branch to be reduced by 272,900 full-time equivalent (FTE) positions during fiscal years 1994 through 1999 and authorizing separation incentive payments of up to $25,000 to employees who resign or retire. While the NPR recommended that the number of management control positions be cut by half in agency downsizings, the statute did not limit the separation incentives to employees in management control positions. However, OMB asked that agencies' plans for complying with the FTE reductions include streamlining actions such as doubling the managerial span of control, eliminating organizational and oversight layers, and reducing unnecessary controls and micromanagement. The plans are now being reviewed by OMB. Implementation of this NPR recommendation depends on the extent to which the plans ultimately approved by OMB include elimination of management control positions. Thus, it is too

soon to determine whether the costs and the number of positions associated with these management functions will be reduced by half by fiscal year 1999.

A small amount of progress has been achieved in the use of performance agreements to guide downsizing. Three executive agency heads have signed performance agreements that refer to downsizing in a way that could serve as guide for agency downsizing, either by specifying specific downsizing goals or by committing to comply with goals as specified in the President's memorandum on streamlining the bureaucracy.

GAO CONTACT
---------- Chapter 25:1.1

William M. Hunt, Director, Federal Management Issues, General Government Division, (202) 512-8676.

RECOMMENDATION INFORMATION
---------- Chapter 25:2

ORG01: REDUCE THE COSTS AND NUMBERS OF POSITIONS ASSOCIATED WITH MANAGEMENT CONTROL STRUCTURES BY HALF
---------- Chapter 25:2.1

Cut management control positions over the next 5 years. Reinvest some of the savings in benchmarking, training, and investments in new technology. In addition to separation incentives (see HRM14), provide outplacement services to affected staff.

ACTION ITEM
---------- Chapter 25:2.1.1

Reduce the costs associated with management control structures by one half over a 5-year period.

GAO COMMENTS
---------- Chapter 25:2.1.2

Insufficient Information. While we do not oppose reductions in management control positions where appropriate, we recognize that management control systems were put in place to create particular desired effects. As agencies reduce or eliminate these systems, they should be able to demonstrate that (1) other mechanisms will take their place, (2) the particular effect is no longer needed or relevant in the current environment, or (3) the current system is not serving a useful purpose. We agree that some of the savings resulting from such cuts should be reinvested in benchmarking, training, and investments in new technology. We also support the use of separation incentives to assist in employment reductions, and

agree the government should provide outplacement services to affected employees.

IMPLEMENTATION
---------- Chapter 25:2.1.3

Partially Implemented. The Federal Workforce Restructuring Act of 1994 reduced authorized full-time-equivalent (FTE) employment levels in the executive branch by 272,900 during fiscal years 1994 through 1999, and authorized separation incentive payments of up to $25,000 to employees who resign or retire. The legislation did not limit payment of separation incentives to employees in management control positions but allowed payments to any employee separating from any position in any location.

A presidential memorandum of September 11, 1993, directed agencies to submit streamlining plans by December 1, 1993. On April 21, 1994, OMB asked agencies to submit updated plans, by June 30, 1994, describing how they would meet FTE employment levels specified by OMB. Among the streamlining actions suggested by OMB were doubling the managerial span of control, eliminating organizational and oversight layers, and reducing unnecessary controls and micromanagement.

According to OMB, all agencies submitted updated plans, and further plan updates were required to be submitted by September 30, 1994. These plans are being reviewed by OMB. An OMB official stressed that, while the reduction of management control positions is an important element OMB expects to see in agency streamlining plans, it is only one of many factors OMB takes into account in determining and revising agency FTE allocations. He said decisions on individual agency restructuring and workforce size are subject to continuing revision as presidential priorities, agency appropriations, and world events dictate. Of overriding importance to OMB is the governmentwide employment reduction requirement imposed by the Federal Workforce Restructuring Act of 1994. The official added that the agencies' plans must demonstrate how mission requirements will be met in the restructured and streamlined organizations.

Until agency streamlining plans are finalized and implemented, it is unknown to what extent the NPR's objective of reducing management control structures might be achieved. OMB is targeting completion of its review of agency plans and allocation of FTEs by agency in time to use in preparing the fiscal year 1996 budget proposal.

RELATED GAO PRODUCTS
---------- Chapter 25:2.1.4

Social Security Downsizing: Significant Savings But Some Service Quality and Operational Problems (GAO/HRD-91-63, Mar. 19, 1991).

ORG02: USE MULTIYEAR
PERFORMANCE AGREEMENTS
BETWEEN THE PRESIDENT AND

AGENCY HEADS TO GUIDE DOWNSIZING STRATEGIES

---------- Chapter 25:2.2

Performance agreements with agency heads (see NPR recommendation BGT01) should be used to identify progress toward agreed-upon downsizing goals--not central management agency controls such as across-the-board cuts or ceilings on employment. In exchange, agencies will be supported with increased management flexibilities.

ACTION ITEM

---------- Chapter 25:2.2.1

Use multiyear performance agreements between the President and agency heads as a tool or guide for downsizing; reengineering; partnering across established boundaries; and empowering teams with authority, skill, and accountability.

GAO COMMENTS

---------- Chapter 25:2.2.2

Generally Agree. We generally agree with the implicit intent of this recommendation to ensure that downsizing is carried out with regard for the management context and particular necessities of individual agencies. Developing performance agreements that address such goals as downsizing, reengineering, and other priorities can help focus efforts in each agency. However, it remains to be seen how effective such performance agreements will be in providing that focus. Other mechanisms, such as agency strategic plans, could also be used to focus action on these priority efforts, including tailoring the downsizing to individual agency needs.

IMPLEMENTATION

---------- Chapter 25:2.2.3

Partially Implemented. Eight of the 24 executive department and agency heads have signed performance agreements with the President, and other agreements are in the process of being drafted. Only three of eight signed agreements, however, refer to downsizing in a way that can serve as a guide for agency downsizing efforts. One of the three agreements (the Secretary of the Department of Transportation's) mentions specific downsizing goals that could be used as a guide. Two of the three agreements (Secretaries of the Departments of Labor's and Housing and Urban Development's) refer to complying with the President's September 11, 1993, memorandum on streamlining the bureaucracy. The memorandum requires streamlining plans to (1) address how agencies will reduce the ratio of managers and supervisors to other personnel; (2) be characterized by delegations of authority, decentralization, empowerment, and accountability; (3) address ways to reduce "red tape"; and (4) seek to realize cost savings. Also, several of the agreements address the issues of reengineering, partnering across established boundaries, and empowering work teams.

RELATED GAO PRODUCTS
---------- Chapter 25:2.2.4

Government Management Issues (GAO/OCG-93-3TR, Dec. 1992).

ORG03: ESTABLISH A LIST OF SPECIFIC FIELD OFFICES TO BE CLOSED
---------- Chapter 25:2.3

Within 18 months, the President's Management Council should submit a list to Congress of civilian field offices that should be closed.

ACTION ITEM
---------- Chapter 25:2.3.1

Within 18 months, establish a list of specific field offices to be closed and submit this list to Congress for approval.

GAO COMMENTS
---------- Chapter 25:2.3.2

Generally Agree. We generally support a review of civilian agencies' field offices to determine which offices might be closed or consolidated with other offices to achieve economy and efficiency. The accompanying report indicates that the restructuring is required because the current field office structure does not reflect changes in government services required. Our work at the Departments of Agriculture and Housing and Urban Development supports this view but we have not examined the field office structures in all federal agencies.

IMPLEMENTATION
---------- Chapter 25:2.3.3

Not Implemented--Action Taken. The PMC has established a working group that includes representatives from agencies with major domestic field office structures. Agencies have been asked to provide the working group with a list of the field offices in their agencies that could be closed. The working group is expected to forward a consolidated list to the PMC so that the PMC can submit a list to Congress by March 1995 (as called for by the NPR recommendation). The PMC Working Group is also working on recommendations for alternative approaches to the present field structure that would reduce organizational barriers across agencies.

RELATED GAO PRODUCTS
---------- Chapter 25:2.3.4

Government Management Issues (GAO/OCG-93-3TR, Dec. 1992).

U.S. Department of Agriculture: Overhauling the Farm Agencies' Field Structure (GAO/T-RCED-92-87, July 30, 1992).

Department of Agriculture: Restructuring Will Impact Farm Service Agencies' Automation Plans and Programs (GAO/T-IMTEC-92-22, July 30, 1992).

HUD Reforms: Progress Made Since the HUD Scandals but Much Work Remains (GAO/RCED-92-46, Jan. 31, 1992).

U.S. Department of Agriculture: Revitalizing Structure, Systems, and Strategies (GAO/RCED-91-168, Sept. 3, 1991).

U.S. Department of Agriculture: Farm Agencies' Field Structure Needs Major Overhaul (GAO/RCED-91-9, Jan. 29, 1991).

Increasing the Department of Housing and Urban Development's Effectiveness Through Improved Management (GAO/RCED-84-9, Jan. 10, 1984).

ORG04: THE PRESIDENT SHOULD REQUEST AUTHORITY TO REORGANIZE AGENCIES

---------- Chapter 25:2.4

Congress should restore to the President the authority to restructure the executive branch.

ACTION ITEM

---------- Chapter 25:2.4.1

Legislation should be enacted to grant the President reorganization authority.

GAO COMMENTS

---------- Chapter 25:2.4.2

Insufficient Information. There are a number of different ways in which the authority to restructure could be granted to the President. In the past, Congress has usually had a significant role in the review and approval of executive branch reorganization proposals, even within the context of the type of presidential authority suggested here. We can offer more detailed commentary when a definition of these reorganization powers and a proposed reorganization plan are made available.

IMPLEMENTATION

---------- Chapter 25:2.4.3

Not Implemented--No Action Taken. The President has not requested authority to restructure the executive branch.

RELATED GAO PRODUCTS
---------- Chapter 25:2.4.4

None.

ORG05: SPONSOR THREE OR
MORE CROSS-DEPARTMENTAL
INITIATIVES ADDRESSING
COMMON ISSUES OR CUSTOMERS
---------- Chapter 25:2.5

The President's Management Council should identify and sponsor three or more cross-departmental initiatives in areas such as illegal immigration, debt collection, and the problems of the homeless.

ACTION ITEM
---------- Chapter 25:2.5.1

Initiate three or more cross-agency efforts to improve service delivery or policies addressing common issues or customers.

GAO COMMENTS
---------- Chapter 25:2.5.2

Generally Agree. The use of the President's Management Council (PMC) to address problems or objectives that cut across departments should be a useful mechanism to obtain multi-agency agreement on difficult issues. This would be especially desirable in those areas where interagency cooperation has proven difficult in the past.

IMPLEMENTATION
---------- Chapter 25:2.5.3

Fully Implemented. The PMC has sponsored several ongoing initiatives to examine issues and take actions that cut across individual departments or agencies. According to an OMB official, these include electronic commerce, civil service reform, streamlining the government, and field office restructuring. The PMC also helped in the passage of the buy-out legislation affecting most executive departments.

RELATED GAO PRODUCTS
---------- Chapter 25:2.5.4

Government Management Issues (GAO/OCG-93-3TR, Dec. 1992).

ORG06: IDENTIFY AND CHANGE
LEGISLATIVE BARRIERS TO
CROSS-ORGANIZATIONAL
COOPERATION
---------- Chapter 25:2.6

As cross-organizational collaborations become an integral part of government operations, barriers to ready collaboration and funding should be removed.

ACTION ITEM

---------- Chapter 25:2.6.1

Identify restrictive regulations and laws that are barriers to cross-organizational cooperation and develop legislative proposals to eliminate them.

GAO COMMENTS

---------- Chapter 25:2.6.2

Generally Agree. We generally agree that legislative barriers should be removed whenever appropriate to facilitate cross-organizational cooperation. However, elimination of some of the specific statutes NPR cited in their accompanying report could have consequences other than the elimination of barriers to cooperation. For example, a long-standing restriction contained in the Treasury, Postal Service, and General Government Appropriations Acts (the "anti-pass-the-hat" provisions) prevents interagency financing of boards, commissions, councils, or other similar groups without specific statutory approval. Removal of this type of prohibition would significantly alter Congress' ability to control the use of appropriated funds. Before removing statutory barriers to cross-organizational cooperation, the intended purposes of the restrictions should be considered to determine if the negative consequences of removing them would outweigh the benefits that would be achieved. Also, it is unclear why the Intergovernmental Personnel Act of 1970, which was intended to improve federal-state-local government cooperation, was viewed by NPR in the accompanying report as a barrier to cross-organizational cooperation.

IMPLEMENTATION

---------- Chapter 25:2.6.3

Not Implemented--Action Taken. In its accompanying report, NPR identified four provisions that it believed inhibit interorganizational cooperation and customer focus. In the fiscal year 1995 budget, the President proposed the removal of one of these provisions (in the annual Treasury, Postal Service, and General Government Appropriations Act) that prohibits the funding of interagency organizations without congressional action. However, this provision was included in the fiscal year 1995 Treasury/Postal appropriation bill as passed by Congress and signed by the President on September 30, 1994. No bills have been introduced to change the other provisions NPR identified as barriers to interorganizational cooperation and we are not aware of any other actions taken to change them.

RELATED GAO PRODUCTS

---------- Chapter 25:2.6.4

None.

IMPROVING CUSTOMER SERVICES (ICS)

========== Chapter 26

OVERALL SUMMARY

---------- Chapter 26:1

The administration substantially implemented the NPR's recommendation to establish an overall policy for providing quality services to the public by issuing Executive Order 12862 "Setting Customer Service Standards" (September 1993). The order required all agencies that provided services directly to the public to, among other things, survey customers, establish service quality standards, measure performance against the standards, and address customer complaints. According to an NPR official and the NPR report Putting Customers First: Standards for Serving the American People, many agencies had surveyed their customers about their service needs and established standards for service delivery. The NPR official said that the next step for agencies will be to measure their performance against the standards and report the results to the public. The official could not verify that all agencies that provided services directly to the public had initiated customer service programs. However, the official said that NPR had coordinated with OMB to identify agencies with major service delivery programs.

In response to the NPR's agency-specific recommendations, the Social Security Administration (SSA), the Internal Revenue Service (IRS), and the Postal Service each had made progress. SSA surveyed its customers and posted service standards in each of its field offices. The SSA had plans to update its strategic plan based on its customer survey results. The IRS published customer service standards and planned to post these standards in field locations and include the standards in its January 1995 mailing to taxpayers. The IRS also worked to increase the electronic transmission of refund data to the Financial Management Service (FMS) to speed up the payment of tax refunds. Postal Service officials said that 75 percent of its post offices had posted the 5-minute wait standard. They also said that they encouraged post offices to display and promote the local telephone number for the 24-hour information line using brochures or other means. They said they were still planning how to display their first-class mail delivery standards. However, it should be noted that these recommendations involve publishing or displaying performance standards, not taking action to meet those standards.

Officials in OMB's Office of Information and Regulatory Affairs (OIRA) said they streamlined the approval process for over 20 agencies that sought to conduct voluntary surveys of their customers. OIRA officials said that under the streamlined process, OIRA reviewed and acted on agencies' applications for generic classes of voluntary customer surveys within 2 weeks compared to up to 90 days under the old process.

GAO CONTACT
---------- Chapter 26:1.1

William M. Hunt, Director, Federal Management Issues, General Government Division, (202) 512-8676.

RECOMMENDATION INFORMATION
---------- Chapter 26:2

ICS01: CREATE
CUSTOMER-DRIVEN PROGRAMS IN
ALL DEPARTMENTS AND AGENCIES
THAT PROVIDE SERVICES
DIRECTLY TO THE PUBLIC
---------- Chapter 26:2.1

Establish an overall policy for quality of federal services delivered to the public and initiate customer service programs in all agencies that provide services directly to the public.

ACTION ITEM
---------- Chapter 26:2.1.1

Establish an overall policy for the quality of federal services delivered to the public, and initiate customer service programs in all agencies that provide services directly to the public.

GAO COMMENTS
---------- Chapter 26:2.1.2

Agree. We strongly advocate the creation of such a policy, which could foster good public relations and timely service to citizens. We have recommended that a governmentwide focus on citizen's needs be the foundation for the government's management and reorganization. Further, we have supported a customer-oriented approach in individual federal agencies. Also, we have suggested incorporating the needs of the American public in developing information technology strategies.

It should be noted that many government services are provided to the public through third parties, such as housing administrations or medical insurance providers. Our ongoing work suggests that it may be appropriate to include requirements for ensuring or measuring customer service in the contracts or agreements with such third parties. A pertinent consideration in this regard is whether additional government funds would be needed if this were done.

IMPLEMENTATION
---------- Chapter 26:2.1.3

Partially Implemented. Executive Order 12862 established an overall policy for the quality of federal services to the public. The

executive order required that all agencies that provided significant services directly to the public should strive to provide customer service equal to "the best in the business."

Many federal agencies that provide services directly to the public have initiated customer service programs. According to an NPR official, 152 federal agencies published more than 1,500 customer service standards. NPR published these standards in the report Putting Customers First: Standards for Serving the American People. These agencies also published short, easy-to-read brochures that described the service standards customers could expect. The official said that nearly all of the customer service standards resulted from customer input obtained through surveys, focus groups, discussion groups, or complaint systems. The official could not verify that all agencies that provided services directly to the public had initiated customer service programs. However, the official said that NPR staff had worked with agencies and with OMB to ensure that most major programs had been covered.

The NPR official said that meeting all the requirements of Executive Order 12682 will take time but that agencies had made a good start by publishing their standards. The official said that the next step will be for agencies to measure their performance against these standards and to align their management systems to support a customer focus.

RELATED GAO PRODUCTS

---------- Chapter 26:2.1.4

Partnerships: Customer-Supplier Relationships Can Be Improved Through Partnering (GAO/NSIAD-94-173, July 19, 1994).

National Archives: A More Systematic Customer Focus Needed (GAO/GGD-94-3, Oct. 14, 1993).

Improving Government: Need to Reexamine Organization and Performance (GAO/T-GGD-93-9, Mar. 11, 1993).

U.S. Postal Service: Tracking Customer Satisfaction in a Competitive Environment (GAO/GGD-93-4, Nov. 12, 1992).

OPM Revolving Fund: Benchmarking Could Aid OPM's Efforts to Improve Customer Service (GAO/GGD-92-18, Jan. 21, 1992).

Office of Personnel Management: Better Performance Information Needed (GAO/GGD-90-44, Feb. 7, 1990).

Meeting the Government's Technology Challenge: Results of a GAO Symposium (GAO/IMTEC-90-23, Feb. 1990).

ICS02: CUSTOMER SERVICE PERFORMANCE STANDARDS--INTERNAL REVENUE SERVICE

---------- Chapter 26:2.2

As part of its participation in NPR, the Internal Revenue Service is publishing customer service performance standards. To speed the delivery of taxpayer refunds, the Secretary of the Treasury should delegate disbursing authority to IRS in 1993 and future tax seasons.

ACTION ITEMS

---------- Chapter 26:2.2.1

1. As part of its participation in the National Performance Review, IRS should publish customer service performance standards, to include the following examples.

-- A refund due on your paper return will be mailed within 40 days; a refund due on your electronic return will be mailed within 21 days when you request a check, or sent within 14 days when you specify direct deposit.

-- Our goal is to resolve your account inquires in a single contact; if you have a repeat problem you can contact the Problem Resolution Office, which will resolve the problem in an average of 21 days.

-- When you provide sufficient and correct information to an IRS tax assistor and get an incorrect answer, we will cancel related penalties.

-- Let us know where our tax forms or instructions are confusing or difficult--by 1995, we plan to boost the clarity of tax forms and instructions so that 90 percent of individual returns are error-free.

2. The Secretary of the Treasury should delegate disbursing authority to IRS for refunds made using electronic funds transfer and should, for all other disbursements, expedite efforts to transmit refund information electronically between IRS and FMS.

GAO COMMENTS

---------- Chapter 26:2.2.2

Insufficient Information. While we agree with the intent of publishing customer performance standards and of getting refunds to taxpayers in a timely manner, we are unsure whether delegation of disbursing authority to IRS is an appropriate means to that end. We would have to know more about the costs and implications of such a change.

IMPLEMENTATION

---------- Chapter 26:2.2.3

Partially Implemented. According to IRS officials, IRS has expanded the customer service standards listed in the NPR accompanying report on improving customer service from four to eight, and will publish the standards in the tax packages mailed to taxpayers in January

1995. The eight standards were included in the IRS Customer Service Plan, published in September 1994, and were to be displayed on a poster wherever possible in IRS offices and volunteer assistance sites. A communications strategy is being developed to provide news releases and fact sheets publicizing and explaining the standards.

Treasury Department officials said the IRS and the Treasury Department have agreed that the Treasury Department should not delegate disbursing authority to the IRS for refunds made using electronic funds transfer. The FMS within the Treasury Department currently provides the service of issuing both electronic and paper refunds to taxpayers on behalf of the IRS because the IRS does not have the resources to provide this service. FMS officials said that because they provide the service of obtaining funds from the Federal Reserve Bank and issuing payments to individuals for many federal agencies, they can provide this service more efficiently than could any individual agency. Beyond efficiency concerns, FMS officials said that individual agencies do not want the responsibility of certifying that the correct amount of money is issued to the correct recipient. FMS officials also said that the Federal Reserve Bank prefers to do business with one intermediary, such as the FMS, rather than with many individual agencies.

The IRS and the FMS have taken steps to speed up the electronic transmission of refund information from the IRS to the FMS to replace the practice of transmitting this data on tapes that have to be physically delivered. IRS and FMS officials said that this is an ongoing effort and could not provide a precise timeline as to when it would be completed.

RELATED GAO PRODUCTS

---------- Chapter 26:2.2.4

None.

ICS03: CUSTOMER SERVICE PERFORMANCE STANDARDS--SOCIAL SECURITY ADMINISTRATION

---------- Chapter 26:2.3

As part of its participation in NPR, the Social Security Administration is publishing customer service performance standards. SSA will also obtain customer opinions on all the goals and objectives of their strategic plan, using that input to revise the goals and objectives as needed, set priorities, and establish interim objectives.

ACTION ITEMS

---------- Chapter 26:2.3.1

1. As part of its participation in the National Performance Review, SSA should publish nationally and post in each of its offices performance standards for customer service.

-- You will be treated with courtesy every time you contact us.

-- We will provide you with all the information you need in order to understand SSA programs, including your own potential for benefits.

-- We will also provide you with information about other social service programs that may help you.

-- When you call our 1-800 service for information or help, you will reach us on the first call.

2. In addition, SSA should obtain customer opinions on all the goals and objectives of the strategic plan, using that input to revise the goals and objectives as needed, set priorities, and establish interim objectives.

GAO COMMENTS
---------- Chapter 26:2.3.2

Agree. We endorse SSA's efforts to improve its customer service performance. We have recently completed audit work suggesting that SSA put forth sustained effort to improve management and future plans.

IMPLEMENTATION
---------- Chapter 26:2.3.3

Partially Implemented. In February 1994, SSA instructed all of its field offices to post the recommended customer service standards on signs in both English and Spanish in a prominent, visible location. In September 1994, SSA published updated customer service standards. These standards were based on the results of SSA's customer survey activities, including focus groups, direct surveys, and comment cards.

SSA officials said that SSA used 26,000 customer comment cards as the primary means to survey its customers' opinions on the goals and objectives in its strategic plan. By July 1994, SSA had received 11,355 responses. The questions on the comment cards asked the respondent to fill in blanks with the amount of time that would represent good service for different types of SSA services, such as receiving a decision after applying for retirement benefits. SSA officials said the results of the survey were to be used to update SSA's strategic plan by the end of 1995.

RELATED GAO PRODUCTS
---------- Chapter 26:2.3.4

Social Security: Sustained Effort Needed to Improve Management and Prepare for the Future (GAO/HRD-94-22, Oct. 27, 1993).

Social Security: Need to Improve Post-Entitlement Service to the

Public (GAO/HRD-93-21, May 7, 1993).

Social Security: Telephone Busy Signal Rates at Local SSA Field Offices (GAO/HRD-93-49, Mar. 4, 1993).

Social Security: Measure of Telephone Service Accuracy Can Be Improved (GAO/HRD-91-69, Aug. 30, 1991).

Social Security Downsizing: Significant Savings But Some Service Quality and Operational Problems (GAO/HRD-91-63, Mar. 19, 1991).

Social Security: Little Overall Change in Telephone Accessibility Between 1985 and 1988 (GAO/HRD-88-129, Sept. 15, 1988).

Social Security: Staff Reductions and Service Quality (GAO/HRD-88-97, May 13, 1988).

ICS04: CUSTOMER SERVICE PERFORMANCE STANDARDS--POSTAL SERVICE

---------- Chapter 26:2.4

As part of its participation in NPR, the U.S. Postal Service will expand its plans to display customer service standards in post office retail lobbies.

ACTION ITEM

---------- Chapter 26:2.4.1

As part of its participation in the National Performance Review, the U.S. Postal Service should expand its plans to display the following standards in post office lobbies:

You can expect first-class mail delivered anywhere in the U.S. in 3 days, your local mail overnight;

you will receive counter service within 5 minutes;

and you can get postal information 24 hours a day by calling the following local number: (appropriate local numbers will be used).

GAO COMMENTS

---------- Chapter 26:2.4.2

Agree. We fully support the Postal Service's current initiative to develop standards to govern the provision of customer services and agree that those standards should be fully disclosed to the public.

IMPLEMENTATION

---------- Chapter 26:2.4.3

Partially Implemented. The Postal Service has made progress in

displaying the three service standards.

According to Postal Service officials, although The Postal Service has had internal service targets for the delivery of first class mail for over 20 years, these standards had not been prominently displayed to postal customers. An initiative to put large geographic maps depicting overnight, 2, and 3-day service areas is in the developmental stage. The Postal Service is planning initially to display these maps in the post offices, stations, and branches of the 96 cities currently covered by the External First-Class Measurement System--an independent customer satisfaction survey.

Officials told us that the Postal Service also is in the process of displaying the standard that customers will receive service at post office counters within 5 minutes. Postmasters are working toward achieving this standard and are posting the standard in each office where it has been attained. Postal Service officials said that to date 75 percent of main offices, stations, and branches had posted this standard.

Officials told us that the Postal Answer Line (PAL), an automated 24-hour information source, is available in 81 major metropolitan areas, serving over 110 million postal customers. The Postal Service is planning to expand this system to include customers with rotary telephones and customers who are hearing impaired. Postal Service officials said that current policies call for post offices to publicize the PAL number where it is available in the telephone book and in brochures placed in lobbies.

RELATED GAO PRODUCTS

---------- Chapter 26:2.4.4

U.S. Postal Service: Tracking Customer Satisfaction in a Competitive Environment (GAO/GGD-93-4, Nov. 12, 1992).

ICS05: STREAMLINE WAYS TO COLLECT CUSTOMER SATISFACTION AND OTHER INFORMATION FROM THE PUBLIC

---------- Chapter 26:2.5

For voluntary information collection requests directed at customers, OMB will delegate authority to approve such requests if departments certify that they will fully comply with Paperwork Reduction Act (PRA) requirements. OMB will also clarify rules on the use of focus groups and streamline renewals of previously approved survey requests.

ACTION ITEMS

---------- Chapter 26:2.5.1

1. For voluntary customer surveys, the Office of Management and Budget will delegate its survey approval authority under the Paperwork Reduction Act to departments that are able to comply with

the act.

2. The Administrator of OIRA should issue guidance on focus groups, specifically establishing under what circumstances group discussion activities would be excluded from OIRA review.

3. The Administrator of OIRA should greatly simplify and speed renewal of previously approved information collection requests (ICR) when the questions asked and the recipients of the ICR are unchanged.

GAO COMMENTS
---------- Chapter 26:2.5.2

Generally Agree. We agree with the thrust of this recommendation to streamline the collection of customer satisfaction information. However, OMB will need to continue to coordinate agency voluntary customer surveys to minimize duplicate requests for information from citizens.

IMPLEMENTATION
---------- Chapter 26:2.5.3

Partially Implemented. The directors of OMB and OIRA issued memoranda to department and agency heads and to OIRA Branch Chiefs and Desk Officers outlining initiatives to facilitate the clearance of customer surveys.

1. According to OIRA officials and memoranda, OIRA has not delegated its survey approval authority under the Paperwork Reduction Act to departments that are able to comply with the act. Instead, OIRA has implemented a streamlined process for providing "generic clearances" to classes of voluntary customer survey instruments proposed by agencies. For a survey to be voluntary it must be perceived as voluntary by the recipients. To obtain the generic clearance, agencies must provide OIRA with general details about the surveys it plans to do and certify that the surveys will comply with the requirements of the Paperwork Reduction Act. OIRA has committed to review agency requests for generic clearances within 2 weeks. OIRA grants the clearances for a 3 year period. However, as an agency issues a survey covered by the generic clearance, it must provide to OMB a copy of the survey, a description of how the survey will be used, and an estimate of the total hours recipients will spend completing the survey. OIRA officials said that during the past year more than 20 departments and agencies received generic clearances within two weeks compared to up to 90 days under the old process. Although OIRA initially excluded regulatory agencies from the new process, OIRA nevertheless has attempted to streamline the approval of customer surveys by regulatory agencies.

2. OMB issued guidance stating that focus groups fall within the coverage of PRA and require OMB clearance, but that a program of focus groups designed to elicit customer concerns would be a prime candidate for a generic clearance.

3. OIRA officials said that they are working to simplify and speed

the renewal of ICRs when the questions asked and the recipients of the ICR are unchanged. For example, OIRA has expressed a willingness to shorten the time it reserves for public comment on ICR renewals because they are generally uncontroversial.

RELATED GAO PRODUCTS

---------- Chapter 26:2.5.4

Paperwork Reduction: Mixed Results on Agency Decision Processes and Data Availability (GAO/PEMD 89-20, Sept. 7, 1989).

MISSION-DRIVEN, RESULTS-ORIENTED BUDGETING (BGT)

========== Chapter 27

OVERALL SUMMARY

---------- Chapter 27:1

Although management reform efforts (e.g., GPRA and performance agreements) have been partially implemented, action on recommendations specific to the budget process have been mixed. Congress has in several cases already addressed recommendations through specific agency appropriations requests, (e.g., multiyear and no-year appropriations, budget account restructuring, and roll over of unobligated balances). However, recommendations that call for governmentwide authorities or seek to change the nature or extent of legislative oversight have not been accepted, (e.g., biennial appropriations and elimination of earmarkings). Other recommendations, such as expedited rescission authority, biennial budget resolution, and biennial appropriations processes have been made and are awaiting final congressional action. Actions to revise executive branch internal processes have been taken, notably the executive budget formulation, although some pre-date NPR, (e.g., simplification of the apportionment process). Finally, some recommendations lack a strategy for implementation, (e.g., eliminate FTE controls and manage on the basis of operating costs).

GAO CONTACT

---------- Chapter 27:1.1

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RECOMMENDATION INFORMATION

---------- Chapter 27:2

BGT01: DEVELOP PERFORMANCE AGREEMENTS WITH SENIOR POLITICAL LEADERSHIP THAT REFLECT ORGANIZATIONAL AND POLICY GOALS

---------- Chapter 27:2.1

The President should develop performance agreements with agency heads, starting with the top two dozen. Agency heads should also use performance agreements within their agency to forge an effective team committed to achieving organizational goals and objectives.

ACTION ITEMS
---------- Chapter 27:2.1.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 27:2.1.2

Agree. Developing such agreements can help focus efforts on key priorities in each agency and help achieve the results-oriented environment that we believe is needed to improve effective delivery of government programs. It remains unclear, however, on how these agreements would operate or what Congress' role would be. Some members of Congress have expressed concern about agreements struck without congressional input.

IMPLEMENTATION
---------- Chapter 27:2.1.3

Partially Implemented. Eight agency heads had signed agreements with the President. These agencies were HHS, HUD, Interior, Labor, SBA, GSA, VA, and Transportation. According to an NPR official, all other cabinet level departments had prepared draft agreements.

RELATED GAO PRODUCTS
---------- Chapter 27:2.1.4

Government Management Issues (GAO/OCG-93-3TR, Dec. 1992).

BGT02: EFFECTIVELY
IMPLEMENT THE GOVERNMENT
PERFORMANCE AND RESULTS ACT
OF 1993
---------- Chapter 27:2.2

Accelerate planning and measurement efforts to improve performance in every federal program and agency. Designate as pilots under the act several multi-agency efforts that have related programs and functions. Develop common measures and data collection efforts for crosscutting issues. Clarify the goals and objectives of federal programs. Incorporate performance objectives and results as key elements in budget and management reviews.

ACTION ITEMS

---------- Chapter 27:2.2.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 27:2.2.2

Agree. We endorse the importance of agencies and Congress reaching agreement on (1) agency mission and realistic, outcome-oriented goals, (2) developing measures of performance in terms of those goals, and (3) publicly reporting results. We believe that this management framework--which is set forth in GPRA--could serve as the foundation for a broad range of efforts to improve federal management. Providing managers with the tools and incentives they need to achieve their missions will be critical if results-oriented management is to increase the effectiveness of federal programs. However, coming to agreement on outcome-oriented goals and objectives and indicators of performance will be difficult and take time. We strongly endorse the need for agencies to begin preparing now for implementation of GPRA by defining mission statements, developing strategic plans, and identifying and developing performance measures. The success of GPRA will depend in part, however, on achieving the goals of the CFO legislation for generating reliable financial information and accurate operating cost data.

We also endorse designating as pilots several multi-agency efforts with related programs and functions, and development of common measures and data collection efforts for crosscutting issues. In this way, various implementation strategies can be explored and lessons can be learned about best practices in forging critical crosscutting linkages across the federal government and with state and local governments as well.

IMPLEMENTATION

---------- Chapter 27:2.2.3

Partially Implemented. GPRA requires that the Office of Management and Budget (OMB) designate at least 10 agencies as pilot projects in performance measurement for fiscal years 1994, 1995, and 1996. However, as an indication of the widespread interest in results-oriented management, more than 70 pilots in 27 departments and agencies were designated for the 3-year performance measurement pilots. These pilot projects range in size from small programs to entire agencies, including the Internal Revenue Service, the Social Security Administration, and the Defense Logistics Agency.

OMB reviewed more than 50 performance plans prepared by designated GPRA pilots for fiscal year 1994 and provided feedback to agencies to improve the fiscal year 1995 plans. OMB, however, has not aggressively sought to develop common measures, a position we generally endorse as appropriate during a pilot phase. With agencies in the leadership role, OMB gives the agencies substantial discretion in defining goals and performance indicators and in carrying out their responsibilities under the act.

RELATED GAO PRODUCTS

---------- Chapter 27:2.2.4

Tax Policy: Tax Expenditures Deserve More Scrutiny (GAO/GGD/AIMD-94-122, June 3, 1994).

Management Reforms: Examples of Public and Private Innovations to Improve Service Delivery (GAO/AIMD/GGD-94-90BR, Feb. 11, 1994).

Improving Government: Measuring Performance and Acting on Proposals for Change (GAO/T-GGD-93-14, Mar. 23, 1993).

Budget Issues: Financial Reporting to Better Support Decision-making (GAO/AFMD-93-22, June 1993).

Improving Government: Need to Reexamine Organization and Performance (GAO/T-GGD-93-9, Mar. 11, 1993).

Performance Budgeting: State Experiences and Implications for the Federal Government (GAO/AFMD-93-41, Feb. 17, 1993).

BGT03: EMPOWER MANAGERS TO PERFORM

---------- Chapter 27:2.3

Restructure appropriations accounts to reduce overitemization and to align them with programs. Ensure that direct operating costs can be identified. Reduce overly detailed restrictions and earmarks in appropriations and report language. Simplify the apportionment process. Reduce the excessive administrative subdivision of funds in financial operating plans.

ACTION ITEMS

---------- Chapter 27:2.3.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 27:2.3.2

Insufficient Information. The degree of overitemization is a matter of interpretation and political judgment, potentially affecting the balance of power between the legislative and executive branches. Changing the account structure is not simply a matter of management flexibility. An examination of the structure and number of appropriation accounts, however, could provide useful information for consideration of changes in the current structure and how such changes would affect oversight. It also will be necessary--although conceptually difficult--to identify direct operating costs if the focus of government management is to be on cost-effective performance. Harmonizing this approach with existing program definitions and budgetary account structures will present difficult problems, which the administration and Congress will need to resolve.

IMPLEMENTATION
---------- Chapter 27:2.3.3

Insufficient Information. OMB has established a working group to study better ways to align program inputs with outputs through budget account restructuring. According to OMB, however, defining or identifying operating costs is not part of its task. As a result of its work, OMB's Circular A-11 requires agencies in their justification materials to show the relationship between major programs and budget account structures where they do not coincide. The agency may also describe in narrative statements the total costs and sources of funding for programs when the total financing needed to conduct a major program is not contained within a single budget account.

The NPR's September 1994 Status Report did not provide details on the approximately one-third of the agencies that reported that they had (1) restructured their budget accounts to reduce over-itemization and (2) identified direct operating costs. An NPR official said that the NPR relied on what agencies reported and did not verify the information or how it was derived.

OMB staff have been advised to work with the agencies to respond to concerns about the apportionment process. While no formal guidance has been issued, OMB for several years has offered some agencies a simplified apportionment approval process--letter apportioning--which reduces paperwork and gives agencies increased control over the rate in which they obligate funds.

According to OMB, agencies have the lead in (1) identifying and proposing changes to earmarks and restrictions in appropriations language and (2) reducing the complexity of their financial operating plans. OMB officials did not provide any evidence or examples of agency action.

RELATED GAO PRODUCTS
---------- Chapter 27:2.3.4

Budget Issues: Assessing Executive Order 12837 on Reducing Administrative Expenses (GAO/AIMD-94-15, Nov. 17, 1993).

Budget Issues: Financial Reporting to Better Support Decision-making (GAO/AFMD-93-22, June 1993).

BGT04: ELIMINATE EMPLOYMENT
CEILINGS AND FLOORS BY
MANAGING WITHIN BUDGET
---------- Chapter 27:2.4

Budget and manage on the basis of operating costs rather than full-time equivalents or employment ceilings. Request Congress to remove FTE floors.

ACTION ITEMS
---------- Chapter 27:2.4.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 27:2.4.2

Insufficient Information. This recommendation seeks to change the nature--and perhaps the extent--of legislative oversight. Pending development of alternatives, employment ceilings and floors are both means by which Congress expresses its intentions on priorities. Ceilings seek to affect total personnel resources whereas floors are directed at the allocation of resources. As NPR recognizes, implementation of this proposal is currently not possible because the Federal Workforce Restructuring Act of 1994 mandates reductions in the size of the federal workforce using FTEs as the measure. Additionally, there are conceptual and practical difficulties involved in defining operating costs. The Federal Accounting Standards Advisory Board is planning to issue an exposure draft on management cost standards in the fall of 1994, with final recommended standards planned to be released in Spring 1995.

It has consistently been GAO's position that workforce requirements and personnel management decisions should be based on appropriate and credible workforce planning systems and procedures. During times of increasing fiscal constraints, it is even more important that agencies develop well conceived implementation plans to achieve the agreed upon reductions in federal workforce levels to minimize the impact on agency and program effectiveness. However, until a tenable alternative is developed, monitoring by FTEs will continue to be necessary.

IMPLEMENTATION
---------- Chapter 27:2.4.3

Not Implemented--No Action Taken. No action has been taken to develop an alternative to FTEs for management of and budgeting for the federal workforce.

RELATED GAO PRODUCTS
---------- Chapter 27:2.4.4

Improving Government: GAO's Views on H.R. 3400 Management Initiatives (GAO/T-AIMD/GGD-94-97, Feb. 23, 1994).

BGT05: PROVIDE LINE
MANAGERS WITH GREATER
FLEXIBILITY TO ACHIEVE
RESULTS
---------- Chapter 27:2.5

Identify those appropriations that should be converted to multi- or no-year status. Permit agencies to roll over 50 percent of their unobligated year-end balances in annual operating costs to the next year. Expedite reprogramming of funds within agencies.

ACTION ITEMS
---------- Chapter 27:2.5.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 27:2.5.2

Insufficient Information. Multiyear availability of funds, where appropriate, makes sense. The impact of various proposed changes in the treatment of unobligated funds should be explored.

IMPLEMENTATION
---------- Chapter 27:2.5.3

Not Implemented--Action Taken. OMB has not identified those appropriations that should be converted to multi- or no-year status. Instead, OMB has included guidance in OMB Circular A-11 asking agencies to consider requesting appropriations with multiyear availability, particularly for fixed capital assets with long acquisition cycles.

A general provision in the fiscal year 1995 Treasury, Postal Service, and General Government Appropriations Act allows agencies covered by this act to roll over up to 50 percent of unobligated balances for salaries and expenses accounts to the next fiscal year. However, pre-approval by the House and Senate Committees on Appropriations is required prior to expending these funds. A proposal to make this provision governmentwide was deleted from H.R. 3400--the Government Reform and Savings Act of 1993--and omitted from the Senate bill, S. 2170.

An OMB official stated that while the agencies are responsible for expediting reprogramming actions within their agency, there has been no change in the OMB notification guidance on expediting reprogramming reviews. OMB Circular A-11, section 12.9 (b), states that OMB review of reprogrammings may take 5 days or longer depending on whether the reprogramming was coordinated in advance with OMB. Agencies may request oral clearance under exceptional circumstances.

RELATED GAO PRODUCTS
---------- Chapter 27:2.5.4

Budget Process: Biennial Budgeting for the Federal Government (GAO/T-AIMD-94-112, Apr. 28, 1994).

Budget Process: Some Reforms Offer Promise (GAO/T-AIMD-94-86, Mar. 2, 1994).

Budget Policy: Biennial Budgeting for the Federal Government (GAO/T-AIMD-94-4, Oct. 7, 1993).

BGT06: STREAMLINE BUDGET DEVELOPMENT

---------- Chapter 27:2.6

Begin the President's budget formulation process with a mission-driven Executive Budget Resolution process that will replace hierarchial budget development, delegate more decision making to agency heads, and promote a collaborative approach to crosscutting issues. In the process, eliminate multiple requirements for detailed budget justification materials. Negotiate a reduction in the detailed budget justification provided to Congress.

ACTION ITEMS

---------- Chapter 27:2.6.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 27:2.6.2

Insufficient Information. This recommendation addresses the way the President develops his budget. To the extent that agency budget preparation is seen to be duplicative, provision of targets to each agency at the beginning of the process may help.

IMPLEMENTATION

---------- Chapter 27:2.6.3

Partially Implemented. According to OMB, fiscal year 1995 budget formulation was a more collaborative process between OMB and the agencies than in prior years. An OMB official cited meetings with the President attended by the agency head and OMB to discuss funding decisions as evidence of this more collaborative process.

Guidance issued in April for the fiscal year 1996 budget set overall agency levels for discretionary budget authority and FTEs, which OMB characterized as offering substantial flexibility to agencies within Budget Enforcement Act limits. OMB Circular A-11, section 10.1, describes an expanded set of discussions between agencies and OMB for fiscal year 1996, including identifying major options for the fall budget review process.

Circular A-11, section 10.4, shows some revision to and elimination of budget justification requirements. According to OMB, more comprehensive changes will be considered next year.

RELATED GAO PRODUCTS

---------- Chapter 27:2.6.4

None.

BGT07: INSTITUTE BIENNIAL BUDGETS AND APPROPRIATIONS

---------- Chapter 27:2.7

Submit a legislative proposal to move from an annual to a biennial budget submission by the President. Establish biennial budget resolution and biennial appropriation processes. Evaluate program effectiveness and refine performance measures in the off-year.

ACTION ITEMS

---------- Chapter 27:2.7.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 27:2.7.2

Insufficient Information. We support those portions of the biennial budgeting proposal in the Legislative Reorganization Act of 1994 (H.R. 3801) that relate to multiyear authorizations and biennial budget resolutions. We have noted that a shift to a biennial appropriations process is not necessary to provide multiyear funds to those programs where Congress deems it appropriate, and that Congress routinely provides such multiyear monies. A shift from an annual to a biennial appropriations cycle would be a change in the nature--and perhaps in the degree--of congressional oversight.

IMPLEMENTATION

---------- Chapter 27:2.7.3

Not Implemented--Action Taken. Legislation to move from annual to biennial budgeting is pending before Congress. The Committee on House Administration held hearings July 14, 1994 on H.R. 3801, and the House Committee on Rules began mark-up of the bill on August 4, 1994. Its companion bill, S. 1824, was reported out by the Senate Committee on Rules and administration on July 1, 1994. This legislation provides for biennial budget resolutions but retains the annual appropriations cycle.

RELATED GAO PRODUCTS

---------- Chapter 27:2.7.4

Budget Process: Biennial Budgeting for the Federal Government (GAO/T-AIMD-94-112, Apr. 28, 1994). Budget Process: Some Reforms Offer Promise (GAO/T-AIMD-94-86, Mar. 2, 1994).

Budget Policy: Biennial Budgeting for the Federal Government (GAO/T-AIMD-94-4, Oct. 7, 1993).

BGT08: SEEK ENACTMENT OF EXPEDITED RESCISSION PROCEDURES

---------- Chapter 27:2.8

Pursue negotiations with the leadership of the House and Senate to gain enactment of expedited rescission authority.

ACTION ITEMS

---------- Chapter 27:2.8.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS

---------- Chapter 27:2.8.2

Insufficient Information. In two recent testimonies we concluded that current rescission procedures were working as originally intended by Congress. Rescissions can only have a relatively small influence on budgetary totals and deficits of today's magnitude. Therefore, in our testimonies we concluded that any change in the current rescission procedure should be viewed as a question of the relative balance of power between the President and Congress.

IMPLEMENTATION

---------- Chapter 27:2.8.3

Not Implemented--Action Taken. H.R. 1578, the Expedited Rescissions Act of 1993, passed the House on April 29, 1993. H.R. 4600, the Expedited Rescissions Act of 1994, passed the House on July 14, 1994. The Senate Budget Committee completed hearings on H.R. 4600 on Oct. 5, 1994.

RELATED GAO PRODUCTS

---------- Chapter 27:2.8.4

Budget Process: Use and Impact of Rescission Procedures (GAO/T-OCG-93-5, Mar. 10, 1993).

Budget Process: Use and Impact of Rescission Procedures (GAO/T-OCG-92-5, Sept. 25, 1992).

IMPROVING FINANCIAL MANAGEMENT (FM)

========== Chapter 28

OVERALL SUMMARY

---------- Chapter 28:1

Of the 13 NPR financial management recommendations, 5 have been

partially implemented and action has been taken on the remaining 8. Overall, these recommendations are in line with the thrust of the financial systems and information improvement actions our reports and testimonies have outlined and, if properly implemented, could result in strengthened government accountability.

Reliable financial reports that are easy to understand can help establish desperately needed accountability and provide the high-level credible information needed to help restore public confidence in government. The enactment of the Government Management Reform Act of 1994, Public Law 103-356, underscores the government's efforts to (1) establish accountability within federal agencies, (2) provide decisionmakers the tools to better understand the issues government faces as well as the implications of the decisions it makes, and (3) better manage scarce resources once those decisions are made. The financial statements of all executive agencies and activities required by this act will provide a wealth of critical information to Congress and the executive branch in assessing the government's financial status and making informed decisions.

GAO CONTACT

---------- Chapter 28:1.1

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RECOMMENDATION INFORMATION

---------- Chapter 28:2

FM01: ACCELERATE THE ISSUANCE OF FEDERAL ACCOUNTING STANDARDS

---------- Chapter 28:2.1

Issue a comprehensive set of federal financial accounting standards within 18 months. If all standards are not issued under the present advisory board structure, create an independent federal financial accounting standards board.

ACTION ITEMS

---------- Chapter 28:2.1.1

1. Issue a comprehensive set of federal financial accounting standards within 18 months.

2. Create an independent federal financial accounting standards board with the power to develop, publish, and interpret accounting principles and standards for the federal government, if a comprehensive set of accounting standards is not issued within 18 months.

3. Dedicate staff to the Federal Accounting Standards Advisory Board (FASAB) to develop a high-level set of cost accounting standards.

GAO COMMENTS
---------- Chapter 28:2.1.2

Generally Agree. We fully support the accelerated issuance of federal agency accounting standards. We would not, at this time, though, endorse the creation of an independent standards setting board. We have dedicated staff to FASAB to develop a high-level set of cost accounting standards.

IMPLEMENTATION
---------- Chapter 28:2.1.3

Partially Implemented. FASAB has recently made significant strides to accelerate its standard setting process and plans to have a substantially complete set of federal financial standards by the March 1995 deadline that NPR established. It has completed one concept statement and three statements on accounting. It has published an exposure draft on entity and display (August 1994), managerial cost accounting (October 1994), and liabilities (November 1994). Other projects are under way to complete a comprehensive set of accounting standards.

The amount of progress achieved during the next several months will be telling. The question is not only how quickly FASAB can come to agreement on the many controversial matters inherent in these difficult issues, but also what the reactions will be to the exposure drafts on these issues, which will be circulated widely for comment after the board has reached agreement.

RELATED GAO PRODUCTS
---------- Chapter 28:2.1.4

Financial Management Issues (GAO/OCG-93-4TR, Dec. 1992).

FM02: CLARIFY AND STRENGTHEN THE FINANCIAL MANAGEMENT ROLES OF OMB AND TREASURY
---------- Chapter 28:2.2

Develop a memorandum of understanding (MOU) to clarify the roles of OMB and Treasury in financial management. Create a governmentwide budget and financial information steering group to develop and provide guidance in implementing an integrated budget and financial information strategic plan. Shift review of the Financial Management Service's budget to the OMB Deputy Director for Management.

ACTION ITEMS
---------- Chapter 28:2.2.1

1. Develop an MOU to clarify central agency roles and

responsibilities for financial management.

2. Develop and publish a strategic plan for improving financial management.

3. Create a governmentwide budget and financial information steering group.

4. Develop and publish a definition of an integrated budget and financial system.

5. Develop an integrated budget and financial information strategic plan.

GAO COMMENTS
---------- Chapter 28:2.2.2

Generally Agree. OMB's and Treasury's roles are pivotal to federal financial management reform; thus, it is essential that their responsibilities be clearly delineated and they be provided commensurate resources. Also, we fully support the use of steering groups, such as the CFO Council and the Joint Financial Management Improvement Program (JFMIP), to improve financial management governmentwide. We have not, though, specifically addressed the issue of shifting the review of Treasury's Financial Management Service's budget to OMB's Deputy Director for Management.

Since the formulation of this recommendation, OMB has implemented OMB 2000 which will shift some of the financial oversight responsibilities within OMB. GAO has been requested to review OMB 2000 to determine its impact on, among other things, the oversight of federal financial management.

IMPLEMENTATION
---------- Chapter 28:2.2.3

Partially Implemented. While this recommendation has not been fully implemented, OMB, the CFO Council, and the JFMIP have taken steps towards achieving it.

We reviewed an April 18, 1994, draft of the MOU and found it does not include specifics for the roles and functions of Treasury and OMB. However, according to OMB, they are developing specific examples of OMB's and Treasury's functions that will be included as attachments.

OMB issued its third Federal Financial Management Status Report and 5-Year Plan in August 1994. The current status report details milestones for accomplishment of various areas needing attention as detailed in the CFO Act. Additionally, the CFO Council drafted and published a financial management vision with goals and strategies for governmentwide implementation. These strategies, once developed, should cascade to agency level plans and be supported by specific agency operating strategies and performance measures that will show how they are progressing annually toward meeting their goals. It is important that the next status report address the progress made in

achieving the goals included with the vision statement.

OMB has prepared a draft charter for the governmentwide budget and financial information steering group and the OMB Deputy Director for Management has been briefed. Steering group members, however, have not been named.

The JFMIP issued a Framework for Federal Financial Management Systems exposure draft document in September 1994. The document sets up a framework for integrating budget, financial and program information. A definition of an integrated financial system is included.

High level tasks and major initiatives of the governmentwide integrated budget and financial information strategic plan are contained in OMB's latest Federal Financial Management Status Report and 5-Year Plan, according to OMB. They plan to coordinate those initiatives with the CFO Council and specific agency initiatives are to be identified during the upcoming fiscal year 1996 budget process.

RELATED GAO PRODUCTS

---------- Chapter 28:2.2.4

Improving Government: Actions Needed to Sustain and Enhance Management Reforms (GAO/T-OCG-94-1, Jan. 1994).

Financial Management Issues (GAO/OCG-93-4TR, Dec. 1992).

FM03: FULLY INTEGRATE BUDGET, FINANCIAL AND PROGRAM INFORMATION

---------- Chapter 28:2.3

Ensure that agency financial systems are in compliance with a revised OMB Circular A-127, "Financial Management Systems," by September 1996. Provide interagency funding for the joint development of financial systems.

ACTION ITEMS

---------- Chapter 28:2.3.1

1. Ensure that agency financial systems are in compliance with the revised OMB Circular A-127.

2. Establish an innovation fund for financial systems development.

3. Provide interagency funding mechanisms for joint development financial systems projects.

4. Establish a clearinghouse of financial systems applications, cross-servicing, and best practices.

5. Dedicate a core of financial systems personnel to develop cost accounting systems requirements.

GAO COMMENTS
---------- Chapter 28:2.3.2

Generally Agree. We strongly endorse the concept of fully integrating budget, financial, and program information as mandated by the CFO Act and urge that agency financial systems be in compliance with OMB Circular A-127. While we have not specifically recommended that agencies jointly develop financial systems through interagency funding, we support the concept and have also suggested the possibility of agencies having standard systems and expanding the use of cross-servicing arrangements. Wise investments in sorely needed modern financial systems are critical to the federal government's improving financial program management.

We believe that existing working capital funds or other types of revolving funds could be used to fund agency efforts to promote innovations. Congress has already provided statutory authority to create budget accounts in all executive departments with the essential features of the franchise fund proposals contained in Public Law 103-356. These budget mechanisms are already being used, in select cases, to upgrade systems, including financial management systems.

Public Law 103-356 calls for the establishment of a franchise fund pilot program in six executive agencies. The funds can be used for, among other things, to acquire automated data processing systems, and financial management and management information systems. (See FM06 for more on franchise funds. See also FM07 for more on innovation funds.)

IMPLEMENTATION
---------- Chapter 28:2.3.3

Not Implemented--Action Taken. While the 24 CFO agencies have improvements under way, they will not be completed for quite a while. The need to upgrade the systems is a major point of emphasis in the CFO Act and has been a major point of concern on our audits.

OMB believes that the franchising fund proposals in Public Law 103-356 will provide an effective interagency funding mechanism for joint development of financial systems. However, these franchise funds will not be adequate to cover all of the needed system development costs. Therefore, OMB is pursuing other initiatives to set up funding for systems which will also include provisions for joint agency systems development.

JFMIP is working with the NPR FinanceNet Team to develop and implement an electronic clearinghouse via Internet. The clearinghouse will include key financial management laws, standards, policies, practices, and other guidance from the central agencies represented on JFMIP as well as content from program agencies. Current developments and "best practices," when identified, will be featured. A calendar of scheduled events and activities will be included. Implementation, which started in September 1994, is taking place on a phased-in basis as documents are received and placed in

FinanceNet. Some documents are already in the library and others will be added and updated on a continuing basis. Training on the use of FinanceNet is under development with training sessions slated to begin in the fall of 1994.

FASAB has issued the Exposure Draft for cost accounting standards. Funding for a dedicated core of systems personnel is not available, according to JFMIP. Therefore, a task force has been formed which will utilize existing GAO work on cost accounting system requirements. This work is sufficiently advanced that an exposure draft for systems requirements to implement the cost accounting standards is expected to be issued by March 1995.

RELATED GAO PRODUCTS

---------- Chapter 28:2.3.4

Financial Audit: Examination of Custom's Fiscal Year 1993 Financial Statements (GAO/AIMD-94-119, June 15, 1994).

Financial Audit: Examination of IRS' Fiscal Year 1993 Financial Statements (GAO/AIMD-94-120, June 15, 1994).

Working Capital Funds: Three Agency Perspectives (GAO/AIMD-94-121, May 20, 1994).

Improving Mission Performance Through Strategic Information Management and Technology (GAO/AIMD-94-115, May 1994).

Improving Government: GAO's Views on H.R. 3400 Management Initiatives (GAO/AIMD-94-97T, Feb. 23, 1994).

Budget Issues: A Comparison of Fiscal Year 1992 Budget Estimates and Actual Results (GAO/AIMD-94-68, Feb. 4, 1994).

Financial Management: Strong Leadership Needed to Improve Army's Financial Accountability (GAO/AIMD-94-12, Dec. 22, 1993).

Financial Management: Army Industrial Fund Did Not Recover Costs (GAO/AIMD-94-16, Nov. 26, 1993).

Financial Management: Army Real Property Accounting and Reporting Weaknesses Impede Management Decision-Making (GAO/AMID-94-9, Nov. 2, 1993).

Financial Management: Army Budgeting, Accounting, and Financial Management Reporting are Inconsistent (GAO/AIMD-94-10, Oct. 28, 1993).

Financial Management: First Financial Audits of IRS and Customs Revealed Serious Problems (GAO/T-AIMD-93-3, Aug. 4, 1993).

Budget Issues: Financial Reporting to Better Support Decision-Making (GAO/AFMD-93-22, June 1993).

Financial Audit: Examination of the Army's Financial Statements for Fiscal Years 1992 and 1991 (GAO/AIMD-93-1, June 30, 1993).

Financial Management Issues (GAO/OCG-93-4TR, Dec. 1992).

FM04: INCREASE THE USE OF TECHNOLOGY TO STREAMLINE FINANCIAL SERVICES

---------- Chapter 28:2.4

Use electronic funds transfer to pay and reimburse expenses for all federal employees, to handle all interagency payments, to make payments to state and local governments, and to pay for purchases from the private sector. Similarly, all payments to individuals should be done electronically.

ACTION ITEMS

---------- Chapter 28:2.4.1

1. Issue all federal employee pay and expense reimbursement through EFT.

2. Handle all interagency payments through the On-Line Payment and Collection (OPAC) System.

3. Handle all payments to state or local governments through EFT.

4. Include the EFT payment clause from the Federal Acquisition Regulations in all contracts.

5. Issue all payments to individuals through EFT or EBT.

6. Simplify, redirect, and reengineer agency financial processes to make them fully electronic and reduce the paperwork burden.

GAO COMMENTS

---------- Chapter 28:2.4.2

Generally Agree. Although we support electronic funds transfer, we have found that there are some barriers in the agencies' ability to fully implement electronic commerce. For example, GSA has encountered some limitations in its piloting of electronic data interchange (EDI). Through Vendor Express, GSA can electronically transfer funds to vendors, however some vendors who agreed to use Vendor Express have requested to be taken off Vendor Express because of the system's inability to match payments with invoices. Also, some of the smaller vendors with which the government is required to conduct business are not set up to handle Vendor Express.

Additionally, although a substantial amount of GSA's services are provided to DOD, DOD does not use the OPAC system which allows agencies to electronically transfer funds between Treasury accounts. Lastly, employee unions have worked to preserve employee rights to receive pay checks. For example, GSA has two separate employee unions that have voted against employee mandated EFT for payroll checks.

IMPLEMENTATION
---------- Chapter 28:2.4.3

Not Implemented--Action Taken. While this recommendation has not been implemented, OMB in conjunction with Treasury and other agencies has taken steps toward achieving it. For example, on August 16, 1994, OMB issued a policy (OMB Bulletin 94-09) that establishes and requires electronic funds transfer (EFT) as the federal government's standard method of payment. The bulletin directs federal agencies to use EFT to (1) pay its employees; (2) make interagency payments; (3) pay vendors; (4) make payments to state and local governments, educational institutions, and other not-for-profit organizations; and (5) disburse benefits and assistance to individuals, including military and civilian retirees, disabled veterans, social security recipients, and public assistance beneficiaries. The bulletin also encourages agencies to work with state and local governments to make EFT, along with electronic benefit transfer, an option for federal assistance programs administered by such nonfederal organizations. According to OMB, the next step is for Treasury--the lead agency for implementation of this initiative--to work with the other agencies to ensure these requirements are implemented to the greatest extent practicable. The Government Management Reform Act of 1994 (P.L. 103-356) requires recipients of federal wage, salary, or retirement payments, who begin to receive such payments on or after January 1, 1995, to be paid such amounts by EFT, unless another method has been determined by the Secretary of the Treasury to be appropriate.

Many agencies had fully electronic processes or plans in place for fully electronic processes prior to NPR's recommendation and have used the recommendation as an avenue to solicit cooperation from outside parties. As required by the Electronic Commerce Application Team schedule, OPM purchased software to accommodate the electronic commerce program. OPM plans to complete Vendor Express for accounts payable and Mainstreet for procurement by the end of fiscal year 1995.

About 95 percent of Commerce's interagency payments are being made through Treasury's OPAC System; and about 95 percent of Commerce's payments to state and local governments are being made by EFT. Commerce's plan calls for optimizing these two forms of payments through the CAMS, which is currently under development. CAMS is being designed to make these payments automatically, when appropriate.

GSA and OPM have electronic payroll systems. GSA's system includes electronic approval whereas OPM's does not. DOJ, GSA, and OPM encourage EFT for employee payroll checks. GSA's payroll system is designed to have funds deposited in the employees' account to coincide with the date when funds are available to employees who receive checks. National Finance Center's payroll system, which services numerous federal agencies, followed GSA's example and has changed the date of when funds are to be deposited in employee accounts. GSA is currently working with DOD to use the OPAC system on a limited basis.

Treasury modified the Treasury Financial Manual to encourage all agencies to use EFT. According to Treasury, it currently pays almost 90 percent of its employees via EFTs and all of its interagency payments are made via OPAC.

RELATED GAO PRODUCTS

---------- Chapter 28:2.4.4

Tax Administration: Electronic Filing Fraud (GAO/T-GGD-94-89, Feb. 10, 1994).

Food Assistance: Reducing Fraud and Abuse in the Food Stamp Program with Electronic Benefit Transfer Technologies (GAO/T-RCED-94-125, Feb. 2, 1994).

Defense IRM: Business Strategy Needed for Electronic Data Interchange Program (GAO/NSIAD-94-17, Dec. 9, 1993).

FM05: USE THE CHIEF FINANCIAL OFFICERS (CFO) ACT TO IMPROVE FINANCIAL SERVICES

---------- Chapter 28:2.5

Identify the set of financial management functions which should report to agency CFOs, and ensure that all financial management personnel are fully qualified when hired. Ensure that information being collected, disseminated, and reported on is useful, objective, timely, and accurate for the benefit of program managers.

ACTION ITEMS

---------- Chapter 28:2.5.1

1. Ensure that all financial management personnel are fully qualified.

2. Coordinate efforts to provide low-cost, effective training for financial management personnel.

3. Ensure that the information being collected, disseminated, and reported on is useful, objective, timely, and accurate for the benefit of program managers.

4. The OMB Deputy Director for Management should meet periodically with departmental deputy secretaries to discuss financial management issues.

5. Identify the set of financial management functions that should report to agency CFOs.

GAO COMMENTS

---------- Chapter 28:2.5.2

Agree. We strongly advocate these types of actions, which are critically needed to strengthen financial management leadership, attract and retain qualified financial management personnel, and develop useful and relevant financial reports that emphasize accountability and operating performance.

The CFO Act's objectives are integral to establishing accountability. We will begin to review CFO Act implementation at all 24 agencies in the act. Our reviews will focus on assessing each agency's progress towards implementing the act's requirements, the status of implementing the NPR recommendations, and progress in achieving the goals as outlined in the Vision for Financial Management contained in the OMB Status Report and 5-Year Plan.

The passage of Public Law 103-356, which requires audited agencywide financial statements for executive agencies, will provide a foundation for ensuring that the information being collected, disseminated, and reported on is useful, objective, timely, and accurate for the benefit of program managers.

IMPLEMENTATION
---------- Chapter 28:2.5.3

Partially Implemented. Some progress has been made on most of the action items, but work remains to be done. Qualification Standards established pursuant to the CFO Act for Chief Financial Officers and their Deputies were developed by OMB and distributed to all agencies in 1991. OMB considers the group of CFOs in place to be well-qualified.

We have been encouraged by the quality of the current appointments to many of the agency CFO positions. Strong CFO leadership is urgently needed to deal with the serious personnel and system weaknesses that are at the heart of the government's financial management problems. While OMB considers the current cadre of CFOs to be well qualified, it is also important that the agencies have qualified Deputy CFOs in place and that these officers have appropriate responsibilities as envisioned by the act. Because this area is so critical, our assessments of CFO implementation will review in detail the qualifications of financial management personnel (action item 1) and whether financial management functions, as identified by OMB, are reporting to agency CFOs (action item 5).

The CFO Council has begun identifying steps to ensure that all financial management personnel are fully qualified. In a recently published document they have defined the CFO's role in strengthening financial management at the component organization level. This document contains appendices with examples of position descriptions, critical job elements, and technical qualifications used for component CFOs. It also details selected actions taken or planned by CFOs to strengthen organizational and personnel activities.

JFMIP is working with the CFO Council Human Resources Committee on CPE and training issues. A jointly sponsored training symposium is scheduled to be held in November 1994. The Association of Government Accountants is developing a Certified Government Financial Manager

Program with specified CPE requirements for certificate holders. It could have potential to provide a base for CPE/training for government financial managers, according to JFMIP. There has been cross-agency training given by OMB, GAO and the Inspector General Auditor Training Institute on various topics during the past year, and this will be ongoing.

The new OMB Deputy Director for Management has met individually with departmental deputy secretaries to discuss financial management issues according to OMB. It is important that he and the recently appointed Controller have a continuing dialogue with departmental deputy secretaries on key financial management issues (action item 4).

On February 9 and June 10, 1993, memorandums to agency heads were issued by OMB outlining the requirements of the CFO Act. Emphasis was placed on the set of financial management functions that should report to agency CFO's in the June 10, 1993 memo from the OMB Director to agency heads. The functions reporting to the CFOs are detailed by agency in the Status Report and 5-Year Plan along with an indication of those agencies planning to reorganize to meet the OMB recommendation.

RELATED GAO PRODUCTS

---------- Chapter 28:2.5.4

Financial Audit: CFO Implementation at IRS and Customs (GAO/T-AIMD-94-164, July 29, 1994).

Financial Management: Status of CFO Act Implementation at the Department of Treasury (GAO/T-AIMD-94-157, July 13, 1994).

Financial Management: Status of CFO Act Implementation at the Department of Commerce (GAO-T-AIMD-94-150, June 28, 1994).

Examination of the Internal Revenue Service Fiscal Year 1993 Financial Statements (GAO/AIMD-94-120, June 15, 1994).

Examination of the U.S. Customs Service Fiscal Year 1993 Financial Statements (GAO/AIMD-94-119, June 15, 1994).

Coast Guard Issues Related to the Fiscal Year 1995 Budget Request (GAO/T-RCED-94-140, Mar. 22, 1994).

Improving Government: GAO's Views on H.R. 3400 Management Initiatives (GAO-T/AIMD/GGD-94-97, Feb. 23, 1994).

Financial Management: First Financial Audits of IRS and Customs Revealed Serious Problems (GAO/T-AIMD-93-3, Aug. 4, 1993).

Budget Issues: Financial Reporting to Better Support Decision-making (GAO/AFMD-93-22, June 1993).

Financial Audit: Examination of the Army's Financial Statements for Fiscal Years 1992 and 1991 (GAO/AIMD-93-1, June 30, 1993).

Financial Management Issues (GAO/OCG-93-4TR, Dec. 1992).

Financial Management: Immediate Actions Needed to Improve Army Financial Operations and Controls (GAO/AFMD-92-82, Aug. 7, 1992).

Financial Audit: Aggressive Actions Needed for Air Force to Meet Objectives of the CFO Act (GAO/AFMD-92-12, Feb. 19, 1992).

Government Management: Major Issues Facing the Congress (GAO/T-AFMD-92-4, Feb. 6, 1992).

The Qualifications for and Role of Agency Chief Financial Officers (GAO/T-AFMD-91-7, June 7, 1991).

Financial Audit: Air Force Does Not Effectively Account for Billions of Dollars of Resources (GAO/AFMD-90-23, Feb. 23, 1990).

FM06: "FRANCHISE" INTERNAL SERVICES

---------- Chapter 28:2.6

The President's Management Council should encourage agencies to purchase common administrative services, such as payroll, computer support, or procurement, competitively from other federal agencies that may be more responsive or offer better prices.

ACTION ITEMS

---------- Chapter 28:2.6.1

1. Implement franchising for service functions at the agency head's discretion.

2. Establish an implementation team under the President's Management Council (PMC).

GAO COMMENTS

---------- Chapter 28:2.6.2

Generally Agree. Congress has already provided statutory authority to create budget accounts in all executive departments to support centralized administrative services on a reimbursable basis. These accounts have the essential features of the franchise fund proposals contained in Public Law 103-356, the Government Management Reform Act of 1994. Absent a specific account, the Economy Act provides broad authority to all agencies to seek the most cost-effective means of procuring administrative services through interagency agreements.

IMPLEMENTATION

---------- Chapter 28:2.6.3

Not Implemented--Action Taken. The Government Management Reform Act (P.L. 103-356), signed into law on October 13, 1994, allows franchise funds to be tested through pilot projects. In addition, a

separate agency proposal to expand GSA's existing working capital fund was included in the Treasury, Postal Service, and General Government Appropriations Act for fiscal year 1995 (P.L. 103-329).

No action has been taken on the recommendation to establish a franchise implementation team under the President's Management Council. However, the CFO Council has established a franchise planning committee to discuss issues related to cross servicing operations.

RELATED GAO PRODUCTS

---------- Chapter 28:2.6.4

Working Capital Funds: Three Agency Perspectives (GAO/AIMD-94-121, May 20, 1994).

Improving Government: GAO's Views on H.R. 3400 Management Initiatives (GAO/T-AIMD/GGD-94-97, Feb. 23, 1994).

Financial Management: First Financial Audits of IRS and Customs Revealed Serious Problems (GAO/T-AIMD-93-3, Aug. 4, 1993).

Financial Management Issues (GAO/OCG-93-4TR, Dec. 1992).

Financial Management: Immediate Actions Needed to Improve Army Financial Operations and Controls (GAO/AFMD-92-82, Aug. 7, 1992).

Government Management: Major Issues Facing the Congress (GAO/T-AFMD-92-4, Feb. 6, 1992).

FM07: CREATE INNOVATION FUNDS

---------- Chapter 28:2.7

Allow agencies to create innovation capital funds from retained savings to invest in innovations that can improve service and provide a return on investment.

ACTION ITEMS

---------- Chapter 28:2.7.1

1. Allow agencies to create innovation capital funds.

2. Establish working capital funds (WCFs) for all federal agencies.

3. Convene a working capital fund (WCF) forum.

4. Allow agencies to match funds.

GAO COMMENTS

---------- Chapter 28:2.7.2

Insufficient Information. While making capital available for

innovation could help the government strengthen and modernize its support services, it is not clear how this recommendation would be implemented. Various budgetary mechanisms (working capital funds, business operating funds, etc.) are already available, and have been for many years, that allow accumulation of retained earnings. These mechanisms could be used to fund agency efforts to promote innovations. We did have concerns over the innovation fund proposal that the administration made as part of H.R. 3400. That proposal would have been a significant departure from current legislative-executive relationships, and it is not clear whether the budget mechanism, as proposed, would have been self-sustaining.

IMPLEMENTATION

---------- Chapter 28:2.7.3

Not Implemented--Action Taken. The House-passed version of the Government Reform and Savings Act of 1993 (H.R. 3400) would have allowed innovation funds to be created at the discretion of agency heads, with the concurrence of OMB. This provision was deleted from the Senate bill (S. 2170) and was not included in the Government Management Reform Act (P.L. 103-356). The fiscal year 1995 President's Budget proposed to establish a Reinvention Investment Fund--which would serve a similar purpose as an innovation fund--within the Department of Labor's working capital fund account. This proposal was deleted from the fiscal year 1995 appropriations act for the departments of Labor, Health and Human Services, and Education, and related agencies.

According to OMB officials, there were three legislative proposals that would have allowed agencies to match funds: (1) the franchise fund proposal in H.R. 3400, which was sharply curtailed in Public Law 103-356; (2) the innovation fund proposal in H.R. 3400, which was deleted in Public Law 103-356; and (3) section 527 of the Treasury, Postal Service, and General Government Appropriations Act for fiscal year 1995, a general provision to roll over 50 percent of unobligated balances in salary and expense accounts contained in the act, which was restricted by requiring pre-approval by the House and Senate Committees on Appropriations prior to expending these funds.

RELATED GAO PRODUCTS

---------- Chapter 28:2.7.4

Working Capital Funds: Three Agency Perspectives (GAO/AIMD-94-121, May 20, 1994).

Improving Government: GAO's Views on H.R. 3400 Management Initiatives (GAO/T-AIMD/GGD-94-97, Feb. 23, 1994).

FM08: REDUCE FINANCIAL REGULATIONS AND REQUIREMENTS

---------- Chapter 28:2.8

Eliminate timesheets and timecards and use technology to enter payroll data only on an exception basis. Allow use of commercial

checking accounts instead of third-party accounts. Create a threshold below which it is not cost-effective to resolve audit findings.

ACTION ITEMS
---------- Chapter 28:2.8.1

1. Allow the use of commercial checking accounts.

2. Give agency heads the flexibility to determine when to do alternative pay and work out any problems with the vendor.

3. Revise Circular A-50 to incorporate an audit resolution threshold. CFOs should establish these thresholds with their inspectors general or heads of audit.

4. Eliminate time sheets and time cards and use technology to enter payroll data on an exception basis.

GAO COMMENTS
---------- Chapter 28:2.8.2

Generally Agree. In principle, GAO supports actions to improve federal cash management practices regarding small payments and the use of alternative pay, prompt pay, and other practices wherever appropriate, as long as these practice and procedures are accompanied by strong internal control systems.

GAO has recommended that OMB Circular A-50, "Audit Followup," be revised to indicate when audit recommendations should be closed and what kind of documentation is sufficient to support closure of audit recommendations. We believe that much of the benefit from audit work is in the effective resolution of audit recommendations and that successful implementation should be the primary reason for closing them. We also believe that while all recommendations need to be followed up on, follow up efforts should be concentrated on those recommendations which have substantial potential impact in terms of improved government operations. Thresholds can provide a useful measure for determining, on a cost effective basis, the extent of follow-up and documentation required to close audit recommendations.

While we have not studied the elimination of time and attendance records, title 6 of GAO's Policy and Procedures Manual for Guidance of Federal Agencies allows employees' time to be recorded on an exception basis, which is consistent with NPR's recommendation.

IMPLEMENTATION
---------- Chapter 28:2.8.3

Not Implemented--Action Taken. Treasury representatives told us that the Department is against letting agencies establish commercial checking accounts because it would lose interest revenue and control over the funds held by agencies. It is, however, evaluating other options that would help agencies in making payments involving small

amounts of money. These options include the Fed Select Program and the use of electronic fund transfers.

A Treasury/Financial Management Service-led task force is examining ways to fold together alternative pay, prompt pay, and electronic commerce payment practices for payments of small amounts due vendors. The task force plans to develop options and distribute them to agencies for comment in early 1995.

OMB had planned to have a revision of Circular A-50, "Audit Follow-up", ready sometime during fall 1994. However, work on Circular A-50 has not been completed and OMB is considering combining Circular A-50 with Circular A-123, "Internal Control Systems".

Twenty-five agencies attended a June 6, 1994 meeting to discuss the status of agency implementation of automated time and attendance systems. A little more than half of these agencies (14) already use some kind of automated time and attendance system; 10 of the remaining agencies plan to develop or obtain such automated systems.

We independently contacted four federal departments (Justice, Commerce, Labor, and Agriculture) and two independent agencies (GSA and OMB). These departments/agencies are at various stages of addressing the recommendations on the use of timesheets, although several have already eliminated timesheets and enter time and attendance data on an exception basis. GSA and OMB appear to be fairly far along. OMB already enters time and attendance data on an exception basis to an automated system and approves the data electronically. GSA is in the process of phasing in such a system.

On September 28, 1994, GAO sent a letter to the NPR in response to its request on timesheets and the use of the exception basis of recording payroll data, as it relates to GAO's title 6, Policies and Procedures Manual for Guidance of Federal Agencies. Each of the applications proposed involved eliminating use of timesheets for full-time employees in a certain situation. The letter expresses our support for efforts to gain efficiencies by streamlining payroll operations, as long as such changes are made within a framework of adequate controls to insure that payroll related transactions are properly authorized and sufficient records of these transactions are maintained.

RELATED GAO PRODUCTS

---------- Chapter 28:2.8.4

Audit Resolution: Strengthened Guidance Needed to Ensure Effective Action (GAO/AFMD-92-16, Mar. 24, 1992).

NPR Recommendations on T&A Data (GAO/AIMD-94-193R, Sept. 28, 1994).

FM09: SIMPLIFY THE FINANCIAL REPORTING PROCESS

---------- Chapter 28:2.9

Grant OMB the flexibility to consolidate and simplify over a dozen

related statutory reports to Congress and the President. Require agency heads to provide two reports annually, a planning report and an accountability report. Ensure that any future financial management reporting requirements can be addressed in either the planning or accountability reports.

ACTION ITEMS
---------- Chapter 28:2.9.1

1. Propose legislation to permit OMB, in consultation with appropriate congressional committees, to have the flexibility to consolidate and simplify statutory reports to Congress and the President.

2. Require agency heads to provide two reports annually, a planning report and an accountability report.

3. Ensure that any future financial management reporting requirements be addressed in either the planning or accountability reports.

GAO COMMENTS
---------- Chapter 28:2.9.2

Generally Agree. We strongly support financial planning and accountability reporting as the cornerstone of improved federal financial reporting. We also fully support efforts to consolidate and streamline reporting, where needed, with the goal of more useful and meaningful reporting. However, the potential impact of this recommendation on specific reports to Congress and the President which agencies are required by law to prepare cannot be determined from the information provided. Accordingly, it would be essential that any changes be fully coordinated with and agreed to by cognizant congressional committees.

IMPLEMENTATION
---------- Chapter 28:2.9.3

Partially Implemented. The first action item has been completed with the passage of the Government Management Reform Act of 1994 (P.L. 103-356). The act allows OMB to adjust the frequency and due dates of or consolidate any statutorily required reports of agencies to OMB or the President and of agencies or OMB to Congress under any laws for which OMB has financial management responsibility. The act also has provisions for audited agency and governmentwide financial statements which will provide a foundation for the accountability report mentioned in the second and third action items. The agency planning report referred to in action item two is required for agencies beginning in 1997 under the Government Performance and Results Act of 1993. More action may be needed to ensure that any future financial management reporting requirements be addressed in either the planning or the accountability reports, as recommended in action item three.

RELATED GAO PRODUCTS
---------- Chapter 28:2.9.4

Financial Management: First Financial Audits of IRS and Customs Revealed Serious Problems (GAO/T-AIMD-93-3, Aug. 4, 1993).

Financial Audit: Examination of the Army's Financial Statements for Fiscal Years 1992 and 1991 (GAO/AIMD-93-1, June 30, 1993).

Financial Management Issues (GAO/OCG-93-4TR, Dec. 1992).

Financial Management: Immediate Actions Needed to Improve Army Financial Operations and Controls (GAO/AFMD-92-82, Aug. 7, 1992).

Financial Audit: Aggressive Actions Needed for Air Force to Meet Objectives of the CFO Act (GAO/AFMD-92-12, Feb. 19, 1992)

Financial Audit: Air Force Does Not Effectively Account for Billions of Dollars of Resources (GAO/AFMD-90-23, Feb. 23, 1990).

FM10: PROVIDE AN ANNUAL FINANCIAL REPORT TO THE PUBLIC
---------- Chapter 28:2.10

Provide a simplified version of a consolidated report on the finances of the federal government for distribution to the taxpayers by June 1995. Develop a method of identifying and budgeting for the expected costs of contingent liabilities of the federal government.

ACTION ITEMS
---------- Chapter 28:2.10.1

1. Provide a consolidated annual report on the finances of the federal government, including contingent liabilities.

2. Issue an annual financial report to the taxpayers.

3. Develop a method of identifying and budgeting for the expected costs of contingent liabilities of the federal government.

GAO COMMENTS
---------- Chapter 28:2.10.2

Generally Agree. We strongly believe that the public is entitled to be provided financial reports annually on the government's stewardship of taxpayer monies and that such financial statement information should be subjected to audit. Thus, we believe the Annual Financial Report to the Public should be derived from the proposed audited governmentwide financial statements to make this report more useful and credible. Also, we have generally advocated the inclusion in the budget of the expected costs of contingent liabilities, such as is done for credit programs under the Credit

Reform Act. The nature of the specific contingent liabilities to which NPR refers, though, is unclear.

IMPLEMENTATION

---------- Chapter 28:2.10.3

Not Implemented--Action Taken. The Government Management Reform Act, enacted in October 1994 (P.L. 103-356), requires consolidated governmentwide financial statements for all executive agencies and activities starting in fiscal year 1997. Treasury and OMB are working together to develop statements, and we plan to audit them as required by the act.

RELATED GAO PRODUCTS

---------- Chapter 28:2.10.4

Financial Audit: Examination of Customs' Fiscal Year 1993 Financial Statements (GAO/AIMD-94-119, June 15, 1994).

Financial Audit: Examination of IRS' Fiscal Year 1993 Financial Statements (GAO/AIMD-94-120, June 15, 1994).

Financial Management: First Financial Audits of IRS and Customs Revealed Serious Problems (GAO/T-AIMD-93-3, Aug. 4, 1993).

Financial Audit: Examination of the Army's Financial Statements for Fiscal Years 1992 and 1991 (GAO/AIMD-93-1, June 30, 1993).

Financial Management: Immediate Actions Needed to Improve Army Financial Operations and Controls (GAO/AFMD-92-82, Aug. 7, 1992).

Financial Audit: Aggressive Actions Needed for Air Force to Meet Objectives of the CFO Act (GAO/AFMD-92-12, Feb. 19, 1992).

Financial Audit: Air Force Does Not Effectively Account for Billions of Dollars of Resources (GAO/AFMD-90-23, Feb. 23, 1990).

FM11: STRENGTHEN DEBT COLLECTION PROGRAM

---------- Chapter 28:2.11

Propose legislation to allow debt collection activities to be funded by the revenues generated from collections and to allow the agencies to keep a certain percentage of any increased collection amounts. Propose legislation to lift restrictions on the use of private collection, and expand agency litigation authority for debt collection through the designation of special assistant U.S. Attorneys.

ACTION ITEMS

---------- Chapter 28:2.11.1

1. Enact legislation to allow (a) debt collection activities to be

funded by the revenues generated from collections and (b) the agencies to keep a certain percentage of any increased collection amounts, primarily for improvements in debt collection as well as other agency priorities.

2. Enact legislation to increase agencies' access to private collection contractors by eliminating any restrictions.

3. Expand agency litigation for debt collection through the special assistant U.S. attorney process.

4. Establish a credit management function.

5. Expand the Credit Alert Interactive Voice Response System (CAIVRS).

6. Improve estimates for the allowance for doubtful accounts.

7. Establish performance agreements on each major loan and debt collection program.

GAO COMMENTS
---------- Chapter 28:2.11.2

Generally Agree. While we have not examined all aspects of the impact these recommendations may have on individual agencies' operations, our work has shown the need for stronger governmentwide credit management and debt collection programs. We have specifically reported on the need for legislation to lift restrictions on the use of private collection agencies by the Customs Service. Also, we have proposed that agencies keep a portion of any increased collections to improve debt collection systems and practices. Further, we have supported the increased use of private sector attorneys to assist in collecting delinquent debt, which relates to the NPR recommendation involving expanded use of U.S. Attorneys.

IMPLEMENTATION
---------- Chapter 28:2.11.3

Not Implemented--Action Taken. S. 1843, the Government Downsizing, Performance, and Accountability Act of 1994 (Sec. 1107), would have authorized the appropriation of funds--based on the amount of delinquent debts collected--for improving agencies' debt collection activities. Also, regarding the special use of U.S. Attorneys, the Departments of Justice and Agriculture recently signed a memorandum of understanding whereby special U.S. Attorneys would be used to collect delinquent debts for the USDA.

While some progress has been made on other actions, these actions have not been fully implemented. Progress has been made, for example, on the expansion of CAIVRS to other agencies. As of June 1994, in addition to HUD, three other agencies (the Departments of Veterans Affairs, the Small Business Administration, and the Department of Agriculture) are using CAIVRS. Also, the Department of Education provides delinquent debt information to CAIVRS, and Justice

will participate in CAIVRS by providing HUD with data on judgments. However, the recommendation to establish a credit management function in the Chief Financial Organization has not yet been completed. OMB is developing a standard policy on how this will be implemented.

Also, agencies still need to improve their estimates of the allowance for doubtful accounts. While our audit of Customs' and IRS' fiscal year 1993 financial statements noted that these agencies developed reliable methodologies for determining the collectibility of their receivables, we found that their accounting systems do not routinely produce reliable information about valid and collectible accounts receivable.

Further, SBA and HUD have established performance agreements with OMB for their loan and collection programs and USDA and VA are in the process of developing agreements.

RELATED GAO PRODUCTS

---------- Chapter 28:2.11.4

Financial Audit: Examination of Customs' Fiscal Year 1993 Financial Statements (GAO/AIMD-94-119, June 15, 1994).

Financial Audit: Examination of IRS' Fiscal Year 1993 Financial Statements (GAO/AIMD-94-120, June 15, 1994).

Financial Audit: Examination of the Army's Financial Statements for Fiscal Years 1992 and 1991 (GAO/AIMD-93-1, June 30, 1993).

Financial Audit: Examination of Customs' Fiscal Year 1992 Financial Statements (GAO/AIMD-93-3, June 30, 1993).

Financial Management: Customs Needs to Establish Adequate Accountability and Control Over Its Resources (GAO/AFMD-92-30, Aug. 25, 1992).

Credit Management: Deteriorating Credit Picture Emphasizes Importance of OMB's Nine-Point Program (GAO/AFMD-90-12, Apr. 16, 1990).

Debt Collection: Billions Are Owed While Collection and Accounting Problems Are Unresolved (GAO/AFMD-86-39, May 23, 1986).

FM12: MANAGE FIXED ASSET INVESTMENTS FOR THE LONG TERM

---------- Chapter 28:2.12

Establish a long-term fixed asset planning and analysis process, and incorporate it into the federal budget process. Ensure there is no bias in the budget against long-term investments.

ACTION ITEMS

---------- Chapter 28:2.12.1

1. Establish a long-term fixed asset planning and analysis process.

2. Incorporate fixed asset long-term planning into the federal budget process.

3. Ensure that there is no budget bias against long-term investments.

4. Provide more flexible funding mechanisms for the acquisition of fixed assets.

5. Consider revisions to budget scoring.

GAO COMMENTS
---------- Chapter 28:2.12.2

Generally Agree. We support a neutral treatment of long-term investments in the budget consistent with budget scorekeeping principles that are meant to reflect the actual commitments made by the federal government.

IMPLEMENTATION
---------- Chapter 28:2.12.3

Partially Implemented. Action has occurred in some respect on all of the action items and some have been implemented. On July 27, 1994, OMB issued Bulletin No. 94-08, which established a long-term fixed asset planning and analysis process for the fiscal year 1996 budget, including guidance identifying potential budget biases. H.R. 2680, which was introduced on July 20, 1993, and reported out by the House Committee on Public Works and Transportation on June 14, 1994, proposed to revise budget scoring on public building transactions. The revision permits spreading budget authority and outlays for lease purchases over the period of the lease instead of up front in the budget in terms of their current economic costs. We understand that OMB is considering different funding mechanisms for capital assets.

RELATED GAO PRODUCTS
---------- Chapter 28:2.12.4

Budget Issues: Incorporating an Investment Component in the Federal Budget (GAO/AIMD-94-40, Nov. 9, 1993).

Public Buildings: Budget Scorekeeping Prompts Difficult Decisions (GAO/T-AIMD-GGD-94-43, Oct. 28, 1993).

Federal Budget: Choosing Public Investment Programs (GAO/AIMD-93-25, July 23, 1993).

Budget Policy: Federal Capital Budgeting (GAO/T-AFMD-93-7, May 26, 1993).

Budget Policy: Investment Budgeting for the Federal Government

(GAO/T-AIMD-94-54, Nov. 9, 1993).

Budget Policy: Budgetary Treatment of Investment Programs (GAO/T-AFMD-92-15, July 23, 1992).

Budget Policy: Prompt Action Necessary to Avert Long-Term Damage to the Economy (GAO/OCG-92-2, June 5, 1992).

Financial Audit: Aggressive Actions Needed for Air Force to Meet Objectives of the CFO Act (GAO/AFMD-92-12, Feb. 19, 1992).

Financial Audit: Air Force Does Not Effectively Account for Billions of Dollars of Resources (GAO/AFMD-90-23, Feb. 23, 1990).

FM13: CHARGE AGENCIES FOR THE FULL COST OF EMPLOYEE BENEFITS

---------- Chapter 28:2.13

Require all agencies to pay the full accruing cost of Civil Service Retirement and Pensions. OMB and the Office of Personnel Management should also research the possibility of charging agencies for civilian retiree health benefits.

ACTION ITEMS

---------- Chapter 28:2.13.1

1. Require all agencies to pay the full accruing cost of Civil Service Retirement System (CSRS) pensions.

2. Research the possibility of charging agencies the full accruing cost for civilian and military retiree health benefits.

GAO COMMENTS

---------- Chapter 28:2.13.2

Generally Agree. We have reported that budget reporting of the cost of most civilian personnel programs can be improved by including data on liabilities incurred, rather than on the cash basis. While we have not addressed all facets of charging agencies for civilian retiree health benefits, we have reported on payments for retiree health benefits that the Postal Service is required to make to the Civil Service Fund. Also, the accounting standards prescribed for use by the private sector require employers to recognize the cost of retiree health benefits when liable for making such payments.

IMPLEMENTATION

---------- Chapter 28:2.13.3

Not Implemented--Action Taken. OMB has initiated actions to require all agencies to pay and report the full accruing costs of Civil Service Retirement System Pensions but they are not near completion. OMB recommended that Congress require all agencies to pay the full

accruing cost of Civil Service Retirement System Pensions in the 1995 Budget. OMB is currently working with relevant agencies to draft legislation.

OPM is currently involved in framing legislation that would require agencies to pay the full cost of benefits without having major budgetary implications for the contributing agencies. In addition, OPM has been researching the possibility of charging agencies for the full accruing cost of civilian and retiree health benefits. This research involves studying how these calculations would be made and how the costs should be reported, both by OPM and the contributing agencies. According to OPM, no formal proposals have been developed but there are plans to have one developed by January 1995.

A Financial Accounting Standards Advisory Board (FASAB) exposure draft on accounting for liabilities of the federal government would require that agencies report the full normal cost of Civil Service Retirement System Pensions in their accounting systems, and require that they be reported in the annual financial statements.

RELATED GAO PRODUCTS

---------- Chapter 28:2.13.4

Financial Reporting: Accounting for the Postal Service's Postretirement Health Care Costs (GAO/AFMD-92-32, May 20, 1992).

Managing the Cost of Government: Proposals for Reforming Federal Budgeting Practices (GAO/AFMD-90-1, Oct. 1989).

REINVENTING HUMAN RESOURCE MANAGEMENT (HRM)

========== Chapter 29

OVERALL SUMMARY

---------- Chapter 29:1

Many of the NPR recommendations aimed at fundamental reforms of federal human resource management will require statutory changes, particularly in areas such as the hiring system, position classification, the labor-management relations program, and performance management. Responsibility for determining the specific changes needed to accomplish these recommendations' objectives was assigned to the National Partnership Council, established by Executive Order 12871 on October 1, 1993. The Council includes representatives of federal agencies, employee unions, and neutral organizations. Formation of the Council itself fully implemented the NPR recommendation to form labor-management partnerships for success. The Council issued its report on January 31, 1994, but as yet no legislative proposals have been prepared.

Legislation was enacted that partially implemented NPR's recommendation that the number of federal employees be reduced. The Federal Workforce Restructuring Act of 1994 required a reduction of 272,900 full-time equivalent positions during fiscal years 1994

through 1999 and authorized lump-sum payments of up to $25,000 to employees who resign or retire (subject to OPM approval of agency early retirement authorization requests). The legislation also adopted the NPR's recommendation calling for broadening agencies' authority to pay for employee training, but regulations to implement this part of the statute have not been completed.

Progress is being made in many areas where recommended changes can be accomplished administratively. For example, the Office of Personnel Management (OPM) has actions under way to abolish the Federal Personnel Manual and the federal job application form, and a presidential memorandum was issued in July 1994 directing agencies to establish programs to encourage and support the expansion of family-friendly work arrangements for their employees. OPM is also continuing its efforts to institute governmentwide employment information and job application systems accessible by computer and telephone. Working groups have been formed to determine how best to proceed in a number of other areas. However, for various reasons, consideration of some issues, such as allowing agencies to hire candidates directly when recruiting shortages exist and establishing agency productivity gainsharing initiatives with employees, have been deferred. No action has occurred to implement the NPR recommendation to improve accountability for equal opportunity goals and accomplishments.

GAO CONTACT
---------- Chapter 29:1.1

Nancy R. Kingsbury, Director, Federal Human Resource Management Issues, General Government Division, (202) 512-5074.

RECOMMENDATION INFORMATION
---------- Chapter 29:2

HRM01: CREATE A FLEXIBLE AND RESPONSIVE HIRING SYSTEM
---------- Chapter 29:2.1

Authorize agencies to establish their own recruitment and examining programs. Abolish centralized registers and standard application forms. Allow federal departments and agencies to determine that recruitment shortages exist and directly hire candidates without ranking. Reduce the types of competitive service appointments to three. Abolish the time-in-grade requirement.

ACTION ITEMS
---------- Chapter 29:2.1.1

1. Authorize agencies to establish their own recruitment and examining programs. Abolish central registers and standard application forms.

2. Allow federal departments and agencies to determine that

recruitment shortages exist and directly hire candidates without ranking.

3. Reduce the number of competitive service appointment types to three.

4. Permit nonpermanent employees to compete for permanent positions under agency procedures for internal placement.

5. Abolish the time-in-grade requirement. Create a general qualifications framework that permits agencies to augment or modify qualification standards for both internal and external placement actions.

6. Eliminate all statutory rules on detailing employees to temporary assignments.

7. Create a governmentwide employment information system to inform the public of job opportunities. Coordinate the development and operation of common automated systems to facilitate agency staffing policies and operations.

GAO COMMENTS
---------- Chapter 29:2.1.2

Generally Agree. We agree that reforms are needed to bring the federal hiring process more into line with the needs of agencies and job applicants, and we see merit in allowing agencies greater latitude in determining which job candidates they wish to hire. However, the specific NPR proposals represent significant departures from the traditional hiring process, and we have completed no work on which to base a determination of whether they are the best way to improve the hiring process. More importantly, the report gave no indication of how agencies would be held accountable for ensuring that merit system principles and other statutory requirements, such as veterans' preference in hiring, are followed under a complete decentralization of the hiring process.

IMPLEMENTATION
---------- Chapter 29:2.1.3

Not Implemented--Action Taken. Executive Order 12871, dated October 1, 1993, created the National Partnership Council (NPC) and charged it with proposing statutory changes consistent with this NPR recommendation. In its January 31, 1994, report, the NPC endorsed the NPR recommendation and outlined a framework for how a decentralized hiring system should work. However, no statutory language to change the federal hiring system has been proposed. According to NPR staff, action has been deferred on the issue of allowing agencies to directly hire candidates when recruiting shortages exist because of uncertainty about the criteria to be used in determining such shortages.

OPM has initiated two regulatory changes related to this recommendation. On June 15, 1994, it proposed in the Federal

Register to eliminate the regulatory time-in-grade restriction on promotion eligibility. On June 22, 1994, it proposed to abolish the SF-171 standard job application form effective December 31, 1994. OPM is continuing efforts begun before the NPR report was issued to institute governmentwide employment information and job application systems accessible by computer and telephone. In May 1994, OPM discontinued its central registers for entry level professional and administrative positions. Agencies, with OPM assistance, now rate and rank candidates for their own vacancies in these positions.

RELATED GAO PRODUCTS

---------- Chapter 29:2.1.4

Federal Employment: How Government Jobs Are Viewed on Some College Campuses (GAO/GGD-94-181, Sept. 9, 1994).

Federal Hiring: Testing for Entry-Level Administrative Positions Falls Short of Expectations (GAO/GGD-94-103, Mar. 30, 1994).

Federal Personnel Management: OPM Reliance on Agency Oversight of Personnel System Not Fully Justified (GAO/GGD-93-24, Dec. 8, 1992).

Personnel Practices: Schedule C and Other Details to the Executive Office of the President (GAO/GGD-93-14, Nov. 6, 1992).

Federal Employment: Poor Service Found at Federal Job Information Centers (GAO/GGD-92-116, July 28, 1992).

Federal Hiring: Does Veterans' Preference Need Updating? (GAO/GGD-92-52, Mar. 20, 1992).

Personnel Practices: Propriety of Career Appointments Granted Former Political Appointees (GAO/GGD-92-51, Feb. 12, 1992).

Federal Recruiting: College Placement Officials' Views of the Government's Campus Outreach Efforts (GAO/GGD-92-48BR, Jan. 31, 1992).

Federal Recruiting and Hiring: Authority for Higher Starting Pay Useful but Guidance Needs Improvement (GAO/GGD-91-22, Sept. 10, 1991).

Federal Workforce: Inappropriate Use of Experts and Consultants at Selected Civilian Agencies (GAO/GGD-91-99, July 17, 1991).

Federal Workforce: Selected Sites Cannot Show Fair and Open Competition for Temporary Jobs (GAO/GGD-90-106, Sept. 5, 1990).

Federal Recruiting and Hiring: Making Government Jobs Attractive to Prospective Employees (GAO/GGD-90-105, Aug. 22, 1990).

Personnel Practices: Questionable Personnel Practices at the U.S. Fish and Wildlife Service (GAO/GGD-90-43, Jan. 23, 1990).

Managing Human Resources: Greater OPM Leadership Needed to Address Critical Challenges (GAO/GGD-89-19, Jan. 19, 1989).

HRM02: REFORM THE GENERAL SCHEDULE CLASSIFICATION AND BASIC PAY SYSTEM

---------- Chapter 29:2.2

Remove all grade-level classification criteria from the law. Provide agencies with flexibility to establish broadbanding systems built upon the General Schedule framework.

ACTION ITEMS

---------- Chapter 29:2.2.1

1. Remove all grade-level classification criteria from the law while retaining the 15-grade structure.

2. Provide agencies with flexibility to establish broadbanding systems built upon the General Schedule framework.

3. Modify the standard 15-grade classification system that applies to those employees not covered by a broadbanding system.

4. Provide agencies under the standard 15-grade system with additional flexibilities in setting base pay rates.

5. Establish reporting requirements that apply to both the modified standard system and any broadbanding system.

GAO COMMENTS

---------- Chapter 29:2.2.2

Generally Agree. Similar to our position on the previous recommendation, we generally favor granting agencies increased prerogatives in managing their human resources, but are concerned about how they would be held accountable for their actions. The current job classification system evolved to implement the principle that there be equal pay for substantially equal work for all employees in each local pay area. The report gave no indication of how the integrity of the job classification and pay systems would be maintained if each agency were allowed to establish its own systems without central guidance and controls. Our examinations of the broadbanding approach to position classification have shown it was generally successful in the few instances in which it was used, but the tests were too limited for a conclusion that it would be appropriate in other locations. Salary costs also tended to be higher under a broadbanding system. Legislation to allow broadbanding in all agencies has been proposed in the past, but was not enacted because of congressional concerns that it had not been sufficiently tested.

IMPLEMENTATION

---------- Chapter 29:2.2.3

Not Implemented--Action Taken. No determination has yet been made on what changes will be proposed to the legislation governing the General Schedule classification and pay systems. Assignments to draft the necessary legislative changes have not been made.

In its January 31, 1994, report, the NPC endorsed classification reform and said labor-management partnerships should guide changes in classification and pay structures. It also suggested delaying legislative recommendations for changes to the General Schedule pay system until experience is gained with the pay flexibilities allowed under the Federal Employees Pay Comparability Act of 1990.

RELATED GAO PRODUCTS

---------- Chapter 29:2.2.4

Federal Personnel: Special Authorities Under the Demonstration Project at Commerce (GAO/GGD-92-124BR, July 13, 1992).

Federal Personnel: Review of Evaluation of Personnel Demonstration Project at Commerce (GAO/GGD-91-93, May 14, 1991).

Federal Pay: Special Rates Effect on Recruitment and Retention for Selected Clerical Occupations (GAO/GGD-90-118, Sept. 24, 1990).

Report of the National Advisory Commission on Law Enforcement (GAO/OCG-90-2, Apr. 25, 1990).

Federal Personnel: Observations on the Navy's Managing to Payroll Program (GAO/GGD-90-47, Mar. 27, 1990).

Federal Personnel: Observations on the Navy's Personnel Management Demonstration Project (GAO/GGD-88-79, May 3, 1988).

Description of Selected Systems for Classifying Federal Civilian Positions and Personnel (GAO/GGD-84-90, July 13, 1984).

Federal White-Collar Special Rate Program (GAO/GGD-84-54, Mar. 30, 1984).

Quality of Government-wide Classification and Position Management Practices (GAO/FPCD-78-41, Apr. 26, 1978).

Management of Civilian Personnel in the Federal Government: The Present Situation and Proposals for Improvement (GAO/FPCD-77-36, June 6, 1977).

Classification of Federal White-Collar Jobs Should Be Better Controlled (GAO/FPCD-75-173, Dec. 4, 1975).

HRM03: AUTHORIZE AGENCIES TO DEVELOP PROGRAMS FOR IMPROVEMENT OF INDIVIDUAL AND ORGANIZATIONAL PERFORMANCE

---------- Chapter 29:2.3

Authorize agencies to design their own performance management programs which define and measure success based on each agency's unique needs.

ACTION ITEM

---------- Chapter 29:2.3.1

Authorize agencies to design their own performance management programs.

GAO COMMENTS

---------- Chapter 29:2.3.2

Agree. Our reviews confirm that a prescribed "one size fits all" approach to performance management is too restrictive and does not allow agencies to use systems they find work best in their situations.

IMPLEMENTATION

---------- Chapter 29:2.3.3

Not Implemented--Action Taken. The September 30, 1993, enactment of the Performance Management and Recognition System Termination Act of 1993 (P.L. 103-89) was an important step toward accomplishing the objectives of this recommendation because it terminated the governmentwide performance management system for federal managers and supervisors. The act authorized agencies to include managers and supervisors, in whatever manner they deemed appropriate, under their performance management systems for employees in general. However, this act did not authorize agencies to design their own programs consistent with this recommendation. In its January 31, 1994, report, the NPC called for the law to be changed to allow each agency to design and implement its own performance management system and outlined the broad principles a decentralized program should meet. No legislative proposal to accomplish this change has been proposed.

RELATED GAO PRODUCTS

---------- Chapter 29:2.3.4

Performance Management: Comments on Reauthorization of the Performance Management and Recognition System (GAO/T-93-37, June 24, 1993).

Federal Performance Management: Agencies Need Greater Flexibility in Designing Their Systems (GAO/GGD-93-57, Feb. 24, 1993).

Federal Employment: How Federal Employees View the Government as a Place to Work (GAO/GGD-92-91, June 18, 1992).

Pay for Performance: State and International Public Sector Pay-for-Performance Systems (GAO/GGD-91-1, Oct. 12, 1990).

Performance Management: Appraisal and Promotion Results at the U.S. Customs Service (GAO/GGD-90-40, May 18, 1990).

Office of Personnel Management: Better Performance Information Needed (GAO/GGD-90-44, Feb. 7, 1990).

Pay for Performance: Agency Personnel Directors' Views (GAO/GGD-89-126FS, Sept. 15, 1989).

Pay for Performance: Interim Report on the Performance Management and Recognition System (GAO/GGD-89-69BR, May 18, 1989).

Blue Collar Workers: Appraisal Systems Are in Place, But Basic Refinements Are Needed (GAO/GGD-87-72, June 18, 1987).

HRM04: AUTHORIZE AGENCIES TO DEVELOP INCENTIVE AWARD AND BONUS SYSTEMS TO IMPROVE INDIVIDUAL AND ORGANIZATIONAL PERFORMANCE

---------- Chapter 29:2.4

Authorize agencies to develop their own incentive award and bonus systems. Encourage agencies to establish productivity gainsharing programs to support their reinvention and change efforts.

ACTION ITEMS

---------- Chapter 29:2.4.1

1. Authorize agencies to develop their own incentive programs.

2. Encourage agencies to establish productivity gainsharing programs called Federal Performance Sharing to support the reinvention and change effort.

GAO COMMENTS

---------- Chapter 29:2.4.2

Agree. Our reviews confirm that a prescribed "one size fits all" approach to incentive award and bonus systems is too restrictive and does not allow agencies to use systems they find work best in their situations.

IMPLEMENTATION

---------- Chapter 29:2.4.3

Not Implemented--Action Taken. In its January 31, 1994, report to the President, the NPC endorsed the proposal that agencies be authorized to develop their own incentive award and bonus systems and endorsed adoption of productivity gainsharing programs. However, no legislation has been submitted to authorize agencies to develop their own incentive systems.

The Federal Quality Institute (FQI) was assigned responsibility for helping agencies implement gainsharing initiatives. FQI has not begun work on gainsharing, however, because it is concentrating on designing and implementing training initiatives related to government reinvention.

RELATED GAO PRODUCTS

---------- Chapter 29:2.4.4

Performance Management: Comments on Reauthorization of the Performance Management and Recognition System (GAO/T-93-37, June 24, 1993).

Federal Performance Management: Agencies Need Greater Flexibility in Designing Their Systems (GAO/GGD-93-57, Feb. 24, 1993).

Federal Employment: How Federal Employees View the Government as a Place to Work (GAO/GGD-92-91, June 18, 1992).

Pay for Performance: State and International Public Sector Pay-for-Performance Systems (GAO/GGD-91-1, Oct. 12, 1990).

Performance Management: Appraisal and Promotion Results at the U.S. Customs Service (GAO/GGD-90-40, May 18, 1990).

Pay for Performance: Agency Personnel Directors' Views (GAO/GGD-89-126FS, Sept. 15, 1989).

Pay for Performance: Interim Report on the Performance Management and Recognition System (GAO/GGD-89-69BR, May 18, 1989).

Human Resource Management: Status of Agency Practices for Improving Federal Productivity (GAO/GGD-87-61FS, June 16, 1987).

Gainsharing: DOD Efforts Highlight an Effective Tool for Enhancing Federal Productivity (GAO/GGD-86-143BR, Sept. 26, 1986).

HRM05: STRENGTHEN SYSTEMS TO SUPPORT MANAGEMENT IN DEALING WITH POOR PERFORMERS

---------- Chapter 29:2.5

Develop a culture of performance which provides supervisors with the skills, knowledge, and support they need to deal with poor performers, and holds supervisors accountable for effectively managing their human resources. Reduce by half the time needed to terminate federal employees for cause.

ACTION ITEMS

---------- Chapter 29:2.5.1

1. Reduce by half the time required to terminate federal managers and employees for cause. Make other improvements in the systems for dealing with poor performers.

2. Develop a culture of performance that supports supervisors' efforts to deal with poor performers.

3. Improve supervisors' knowledge and skills in dealing with poor performers.

GAO COMMENTS
---------- Chapter 29:2.5.2

Generally Agree. A 1990 study we conducted indicated a need for agency management to focus on creating an environment within which supervisors are encouraged and motivated to deal with poor performers and are properly trained and supported when they attempt to deal with them. Thus, we agree with the general thrust of the recommendation. However, we have done no work on which to base an opinion on the reasonableness of the goal to reduce by half the time required to terminate employees for cause.

IMPLEMENTATION
---------- Chapter 29:2.5.3

Not Implemented--Action Taken. In its January 31, 1994, report, the NPC recommended that the required 30-day notice period for proposed adverse actions be reduced to 15 days. This 30-day notice period represents only a small part of the overall time it usually takes to terminate employees for cause. No other recommendation was made on how to cut the overall time needed to terminate federal employees for cause. An NPR representative said the legislation to be developed may call for agencies to look at other processes and review periods to see if they, too, could be cut.

OPM has convened focus groups of federal managers and supervisors to look at the relationship between performance and minority and nonminority discharge rates, and is developing training courses for managers and supervisors on dealing with poor performers scheduled to begin in the second quarter of fiscal year 1995.

RELATED GAO PRODUCTS
---------- Chapter 29:2.5.4

Performance Management: How Well Is the Government Dealing with Poor Performers? (GAO/GGD-91-7, Oct. 2, 1990).

Poor Performers: How Are They Identified and Dealt With in the Social Security Administration? (GAO/GGD-89-28, Jan. 27, 1989).

HRM06: CLEARLY DEFINE THE OBJECTIVE OF TRAINING AS THE IMPROVEMENT OF INDIVIDUAL AND ORGANIZATIONAL PERFORMANCE; MAKE TRAINING MORE MARKET-DRIVEN

---------- Chapter 29:2.6

Reduce restrictions on training to allow managers to focus on organizational mission and to take advantage of the available training marketplace.

ACTION ITEMS

---------- Chapter 29:2.6.1

1. Deregulate training and make it more responsive to market sources.

2. Give agencies the flexibility to use savings realized from reinvention to increase their investment in employee training and development.

GAO COMMENTS

---------- Chapter 29:2.6.2

Generally Agree. We agree completely that greater emphasis on federal employee training is needed. Training expenditures are often one of the first areas to be cut when agency budgets are reduced, and our work indicates that many employees are not receiving all of the training they believe they need. In a 1991 survey of federal employees, we asked about their training experiences and needs. Overall, the employees expressed fairly positive views about training, but sizeable numbers felt their training experiences left something to be desired.

Results of the survey illustrate the extent to which employees may have unmet training needs. About one-quarter of the respondents said they had no agency-paid training of any kind during the previous 2 years. When asked to what extent their agencies encouraged them to participate in training, about 36 percent checked some or little to no extent. About 20 percent said they needed a great deal to a very great deal of additional job-related training. Almost a quarter said they were treated fairly only some of the time or never when it came to training relating to their current jobs.

IMPLEMENTATION

---------- Chapter 29:2.6.3

Partially Implemented. On March 30, 1994, Congress passed Public Law 103-226, the Federal Workforce Restructuring Act of 1994, which broadened agencies' authority to pay for employee training. An agency may now pay for any training that assists it in achieving its mission and performance goals if it determines that the training is in the interest of the government. The act also removed the previous restriction on degree training, and eliminated limitations on training from nongovernment sources. Implementing regulations have not yet been completed. However, in June 1994, OPM notified agencies of the changes to the training law, and advised them to implement those changes immediately.

Because the legislation expanded the circumstances in which employees could receive agency-paid training, training costs could increase. On August 4, 1994, OMB advised agency chief financial officers that the law may allow agencies to transfer up to 2 percent of their appropriations among accounts, and that up to 3 percent of their fiscal year 1994 unobligated salary and expense funds could be used for employee training programs in fiscal year 1995.

RELATED GAO PRODUCTS

---------- Chapter 29:2.6.4

OPM Revolving Fund: OPM Sets New Tuition Pricing Policy (GAO/GGD-94-120, Apr. 6, 1994).

Federal Employment: How Federal Employees View the Government as a Place to Work (GAO/GGD-92-91, June 18, 1992).

Senior Executive Service: Training Development of Senior Executives (GAO/GGD-89-127, Sept. 29, 1989).

Report of the National Commission on the Public Service (GAO/T-GGD-89-19, Apr. 27, 1989).

Federal Workforce: Data on Training Received by Agency Executives, Managers, and Supervisors (GAO/GGD-88-18FS, Nov. 30, 1987).

Training Budgets: Agency Budget Reductions in Response to the Balanced Budget Act (GAO/GGD-86-98BR, July 16, 1986).

HRM07: ENHANCE PROGRAMS TO PROVIDE FAMILY-FRIENDLY WORKPLACES

---------- Chapter 29:2.7

Implement family-friendly workplace practices (flex-time, flexiplace, job sharing, telecommuting) while ensuring accountability for customer service. Provide telecommunications and administrative support necessary for employees participating in flexiplace and telecommuting work arrangements. Expand the authority to establish and fund dependent care programs. Allow employees to use sick leave to care for dependents. Allow employees who leave and then reenter federal service to be given credit for prior sick leave balances.

ACTION ITEMS

---------- Chapter 29:2.7.1

1. Implement family-friendly workplace practices while continuing to ensure accountability for quality customer service.

2. Provide telecommunications and administrative support necessary for employees participating in flexiplace and telecommuting work arrangements.

3. Expand the authority to establish and fund dependent care

programs.

4. Allow employees to use sick leave to care for dependents.

5. Give returning employees credit for previously accrued unused federal sick leave.

6. Expand the demonstration project authority to allow projects on employee benefits and leave.

7. Reauthorize voluntary leave transfer/bank programs.

GAO COMMENTS
---------- Chapter 29:2.7.2

Agree. The dramatic demographic changes occurring in the federal workforce signify the need to modernize federal employment policies to help employees balance their work and family responsibilities. Leading nonfederal employers have found that well-conceived work/family programs can improve employee recruitment, retention, and productivity. Our work shows that the government has not kept pace with these employers in the work/family area.

IMPLEMENTATION
---------- Chapter 29:2.7.3

Partially Implemented. In October 1993, Congress passed the Federal Employees Leave Sharing Amendments Act to provide continuing authorization for leave transfer and leave bank programs. Although such action was recommended by the NPR, action to reauthorize the programs was under way before the NPR report was issued. Congress also authorized agencies to provide telecommunications support for flexiplace participants during fiscal year 1994. Legislation being drafted by OPM and GSA would permanently authorize such support.

In an October 21, 1993, memorandum, OPM provided agencies with information to help them set up alternative workplace arrangements. A presidential memorandum was issued on July 11, 1994, directing agencies to establish programs to encourage and support the expansion of flexible family-friendly work arrangements, including job sharing, career part-time employment, alternative work schedules, telecommuting, and satellite work locations.

In May 1994, OPM proposed regulations to allow employees to use up to 5 days of sick leave a year to care for ill family members and for bereavement upon a family member's death. The proposed regulations also would remove the 3-year break-in-service limitation on the recredit of sick leave for former employees returning to federal service. The Federal Employees Family Friendly Leave Act of 1994, enacted on October 22, 1994, allows up to 13 days of sick leave each year to care for ill family members and for bereavement. Thus, OPM's proposed regulation will have to be changed accordingly.

According to OPM, it is drafting a legislative proposal to broaden agencies' authority to design flexible child care and dependent adult

care programs. According to NPR staff, action has been deferred on the proposal to expand the demonstration project authority to allow projects on employee benefits.

RELATED GAO PRODUCTS
---------- Chapter 29:2.7.4

Alternative Work Schedules: Many Agencies Do Not Allow Employees the Full Flexibility Permitted by Law (GAO/GGD-94-55, Mar. 29, 1994).

Federal Employment: How Federal Employees View the Government as a Place to Work (GAO/GGD-92-91, June 18, 1992).

The Changing Workforce: Comparison of Federal and Nonfederal Work/Family Programs and Approaches (GAO/GGD-92-84, Apr. 23, 1992).

The Changing Workforce: Demographic Issues Facing the Federal Government (GAO/GGD-92-38, Mar. 24, 1992).

Federal Personnel: Federal Agencies' Part-Time Employment Programs (GAO/GGD-86-103BR, July 7, 1986).

HRM08: IMPROVE PROCESSES
AND PROCEDURES ESTABLISHED
TO PROVIDE WORKPLACE DUE
PROCESS FOR EMPLOYEES
---------- Chapter 29:2.8

Eliminate jurisdictional overlaps. All agencies should establish alternative dispute resolution (ADR) methods and options for the informal disposition of employment disputes.

ACTION ITEMS
---------- Chapter 29:2.8.1

1. Eliminate jurisdictional overlaps.

2. All agencies should establish alternative dispute resolution (ADR) methods and options for the informal disposition of employment disputes.

GAO COMMENTS
---------- Chapter 29:2.8.2

Insufficient Information. Intuitively, the elements of this recommendation appear reasonable. We agree that improvements in the processes for resolving employment disputes should be sought, but we have done no work to form an opinion on the extent to which improvements are possible. In a 1983 report, we concluded there was no strong evidence that consolidating existing appeal and grievance systems would result in significant savings in time or money. We found that the individual systems were established to serve specific needs and that nothing had come to light to suggest that these needs

no longer existed.

IMPLEMENTATION
---------- Chapter 29:2.8.3

Partially Implemented. OPM held a conference on ADR in May 1994, issued an ADR resource guide, developed two training courses on dispute resolution, and is preparing regulations to eliminate governmentwide requirements for agency grievance and appeal procedures. Agencies will then be responsible for establishing their own procedures. According to an NPR representative, 20 agencies have completed or are making progress in establishing ADR methods and options.

RELATED GAO PRODUCTS
---------- Chapter 29:2.8.4

Federal Workforce: Agencies' Estimated Costs for Counseling and Processing Discrimination Complaints (GAO/GGD-92FS, Mar. 26, 1992).

Equal Employment Opportunity: EEOC and State Agencies Did Not Fully Investigate Employment Discrimination Charges (GAO/HRD-89-11, Oct. 11, 1988).

Survey of Appeal and Grievance Systems Available to Federal Employees (GAO/GGD-84-17, Oct. 20, 1983).

HRM09: IMPROVE
ACCOUNTABILITY FOR EQUAL
OPPORTUNITY GOALS AND
ACCOMPLISHMENTS
---------- Chapter 29:2.9

Charge all federal agency heads with the responsibility for ensuring equal opportunity and increasing representation of qualified women, minorities, and persons with disabilities into all levels and job categories, including middle and senior management positions.

ACTION ITEM
---------- Chapter 29:2.9.1

Charge all federal agency heads with the responsibility for ensuring equal opportunity and increasing integration of qualified women, minorities, and persons with disabilities into all levels and job categories, including middle and senior management positions.

GAO COMMENTS
---------- Chapter 29:2.9.2

Agree. Our work shows that progress is being made in making federal employment and advancement opportunities available to persons representative of all segments of society. However, some agencies

have made far greater progress than others. The changing composition of the workforce in general means the government cannot relax its efforts to accommodate and manage the increasing diversity of its own workforce.

IMPLEMENTATION

---------- Chapter 29:2.9.3

Not Implemented--No Action Taken. The NPR staff drafted an Executive Order on Equal Employment Opportunity matters and forwarded it to the Office of the Vice President. No action has occurred on the draft order. According to an NPR representative, it is anticipated that the order will reinforce the need for agency heads to carry out their existing responsibilities rather than prescribe new responsibilities. Until the order is issued, the extent to which it will address the NPR recommendation or help achieve the NPR's objective is unknown.

RELATED GAO PRODUCTS

---------- Chapter 29:2.9.4

Federal Affirmative Employment: Better Guidance Needed for Small Agencies (GAO/GGD-94-71, July 21, 1994).

Federal Personnel: The EEO Implications of Reductions-In-Force (GAO/GGD-94-87, Feb. 1, 1994).

EEOC: Federal Affirmative Planning Responsibilities (GAO/T-GGD-94-20, Oct. 13, 1993).

Federal Employment: Inquiry Into Sexual Harassment Issues at Selected VA Medical Centers (GAO/GGD-93-119, June 30, 1993).

Affirmative Employment: Assessing Progress of EEO Groups in Key Federal Jobs Can Be Improved (GAO/GGD-93-65, Mar. 8, 1993).

Health and Human Services: Update on Hispanic Representation in HHS Region VIII (GAO/GGD-93-47FS, Dec. 30, 1992).

The Public Service (GAO/OCG-93-7TR, Dec. 1992).

Federal Affirmative Employment: Status of Women and Minority Representation in Federal Law Enforcement Occupations (GAO/T-GGD-93-2, Oct. 1, 1992).

The Changing Workforce: Demographic Issues Facing the Federal Government (GAO/GGD-92-38, Mar. 24, 1992).

Federal Workforce: Continuing Need for Federal Affirmative Employment (GAO/GGD-92-27BR, Nov. 27, 1991).

Federal Affirmative Employment: Status of Women and Minority Representation in the Federal Workforce (GAO/T-GGD-91-32, May 16, 1991, and GAO/T-GGD-92-2, Oct. 23, 1991).

Federal Affirmative Action: Better EEOC Guidance and Agency Analysis

of Underrepresentation Needed (GAO/GGD-91-86, May 10, 1991).

Equal Employment: Minority Representation at USDA's National Agricultural Statistics Service (GAO/GGD-91-31BR, Mar. 18, 1991).

EEO at Justice: Progress Made But Underrepresentation Remains Widespread (GAO/GGD-91-8, Oct. 2, 1990).

Equal Employment Opportunity: Representation of Minorities and White Women at Fort Lee Army Post, Virginia (GAO/GGD-90-27, Jan. 17, 1990).

Disabled Veterans' Employment: Performance Standards Needed to Assess Program Results (GAO/GGD-89-45, Feb. 28, 1989).

Achieving Representation of Minorities and Women in the Federal Work Force (GAO/FPCD-81-5, Dec. 3, 1980).

HRM10: IMPROVE INTERAGENCY COLLABORATION AND CROSS TRAINING FOR HUMAN RESOURCE PROFESSIONALS

---------- Chapter 29:2.10

Establish an Interagency Equal Employment Opportunity and Affirmative Employment (EEO/AE) Steering Group under the joint chair of the Equal Employment Opportunity Commission (EEOC) and the Office of Personnel Management. Require appropriate cross training for human resource management professionals.

ACTION ITEMS

---------- Chapter 29:2.10.1

1. Establish an Interagency Equal Employment Opportunity and Affirmative Employment Steering Group under the joint chair of EEOC and OPM.

2. Require appropriate cross training for human resource management professionals.

3. Combine all equal opportunity and affirmative employment reports into one comprehensive assessment of the total workforce EEO/AE data.

4. Modify the Central Personnel Data File to enable total automation of the EEO/AE data reporting requirements.

GAO COMMENTS

---------- Chapter 29:2.10.2

Insufficient Information. This recommendation seems reasonable, but it is not an issue we have examined.

IMPLEMENTATION

---------- Chapter 29:2.10.3

Not Implemented--Action Taken. The preliminary steps taken toward implementation of this recommendation appear to be consistent with the recommendation's objectives. According to NPR staff, a draft presidential memorandum has been prepared establishing an Interagency Equal Employment Opportunity and Affirmative Employment Steering Group under the joint chair of EEOC and OPM. If approved, the steering group's objective would be to establish common goals for personnel and EEO functions.

OPM is working with EEOC to modify the personnel management training curriculum to incorporate a cross-training feature. According to OPM, several agencies have strategically linked cross-training initiatives with improved customer service and the changing role of the human resource professional.

In December 1993, a joint OPM/EEOC process was begun to combine equal employment and affirmative employment reports. OPM requested EEOC to implement the process through a new EEOC Management Directive issued for comment on May 19, 1994. An interagency group is also working to automate the equal employment and affirmative employment data reporting requirements for the Central Personnel Data File.

RELATED GAO PRODUCTS
---------- Chapter 29:2.10.4

None.

HRM11: STRENGTHEN THE SENIOR EXECUTIVE SERVICE (SES) SO THAT IT BECOMES A KEY ELEMENT IN THE GOVERNMENTWIDE CULTURE CHANGE EFFORT
---------- Chapter 29:2.11

Create and reinforce a corporate perspective within the SES that supports governmentwide culture change. Promote a corporate succession planning model to use to select and develop senior staff. Enhance voluntary mobility within and between agencies for top senior executive positions in government.

ACTION ITEMS
---------- Chapter 29:2.11.1

1. Create and reinforce a corporate perspective within the Senior Executive Service that supports governmentwide culture change.

2. Promote an agency corporate executive level succession planning model.

3. Enhance voluntary mobility within and between agencies for top senior executive positions in government.

GAO COMMENTS
---------- Chapter 29:2.11.2

Generally Agree. Although this recommendation is not very specific, it appears to be intended to achieve a more governmentwide approach to SES matters. We believe this idea may have merit. The SES has not been the highly mobile cadre of managers envisioned by the Civil Service Reform Act. Our work has also shown that relatively few SES appointees completed candidate development programs designed to enhance their managerial skills.

IMPLEMENTATION
---------- Chapter 29:2.11.3

Not Implemented--Action Taken. While many decisions remain to be made on how the SES will be managed and structured, actions are being taken toward implementing this recommendation. Among the actions OPM has taken are (1) establishing an Executive Resources Management Group as an interagency forum to share information and study governmentwide SES issues, (2) preparing new executive core qualifications, (3) delegating to agencies the authority to determine the training experiences appropriate for their SES candidate development programs using criteria established by OPM, (4) distributing background material on successful succession planning to agency personnel executives, (5) establishing a working group to develop succession planning models for use by agencies, and (6) preparing a draft brochure on executive mobility.

RELATED GAO PRODUCTS
---------- Chapter 29:2.11.4

Senior Executive Service: Opinions About the Federal Work Environment (GAO/GGD-92-63, May 1, 1992).

Senior Executive Service: Training and Development of Senior Executives (GAO/GGD-89-127, Sept. 29, 1989).

Senior Executive Service: The Extent to Which SES Members Have Used the Sabbatical Program (GAO/GGD-88-90, Aug. 4, 1988).

Senior Executive Service: Executives' Perspectives on Their Federal Service (GAO/GGD-88-109FS, July 20, 1988).

Senior Executive Service: Reasons the Candidate Development Program Has Not Produced More SES Appointees (GAO/GGD-88-47, Apr. 20, 1988).

Federal Workforce: Data on Training Received by Agency Executives, Managers, and Supervisors (GAO/GGD-88-18FS, Nov. 30, 1987).

Implementation of the Navy's Program to Rotate Career SES Members (GAO/GGD-88-4, Oct. 5, 1987).

Agencies' Use of the Candidate Development Program (GAO/GGD-86-93,

July 14, 1986).

HRM12: ELIMINATE EXCESSIVE RED TAPE AND AUTOMATE FUNCTIONS AND INFORMATION

---------- Chapter 29:2.12

Phase out the entire 10,000 page Federal Personnel Manual (FPM) and all agency implementing directives by December 1994. Replace the FPM and agency directives with automated personnel processes, electronic decision support systems and "manuals" tailored to user needs.

ACTION ITEMS

---------- Chapter 29:2.12.1

1. Phase out the entire Federal Personnel Manual and all agency implementing directives.

2. Replace the Federal Personnel Manual and agency directives with automated personnel processes, electronic decision support systems, and manuals tailored to user needs.

3. Identify and develop useful accountability measures that can be automated.

GAO COMMENTS

---------- Chapter 29:2.12.2

Insufficient Information. In general, the FPM and agency directives provide guidance to federal managers on how to interpret and apply the statutes pertaining to federal employment. To the extent that they can be simplified and automated, they could possibly better accomplish their purposes. While we believe the recommendation's objective is sound, we have no opinion on the amount of effort and cost it would take to automate and reengineer the work processes. Nor do we have an opinion on the prospects of developing and having replacement processes, systems, and manuals in place by December 1994. We note, however, that major automation initiatives tend to be costly.

IMPLEMENTATION

---------- Chapter 29:2.12.3

Not Implemented--Action Taken. Working with agency representatives, unions, the Interagency Advisory Group, and the National Partnership Council, OPM abolished the FPM in January 1994. Of the total manual, 30 chapters were abolished outright, 6 chapters were provisionally retained until December 1994, and 52 chapters were either retained in part or may be retained in some other format. OPM also published a notification in the Federal Register that it will be incorporating certain guidance previously in the FPM into regulation. Thus, while the FPM has been eliminated in form, it has not been completely eliminated in substance. According to an NPR representative, 23 agencies had initiatives under way to significantly reduce the amount

of their internal regulations.

Under the leadership of OPM and the Department of Defense, a Human Resources Automation Consortium was created to construct an automated governmentwide personnel network. The consortium opened a "model personnel office" incorporating currently available automated systems in Crystal City, Virginia. In addition, OPM is developing new electronic job application and applicant evaluation systems, electronic bulletin boards, and live satellite broadcasts as means of providing guidance and assistance to agencies. And, according to the NPR representative, 24 agencies have initiated personnel system automation projects.

OPM is working with an interagency advisory group to define accountability in a customer context. According to OPM, the work group will focus on customer service standards, benchmarks, and measurement methods, and will distribute a governmentwide human resources customer satisfaction survey.

RELATED GAO PRODUCTS
---------- Chapter 29:2.12.4

Federal Personnel Management: OPM Reliance on Agency Oversight of Personnel System Not Fully Justified (GAO/GGD-93-24, Dec. 8, 1992).

HRM13: FORM
LABOR-MANAGEMENT
PARTNERSHIPS FOR SUCCESS
---------- Chapter 29:2.13

Identify labor-management partnerships as a goal of the executive branch and establish the National Partnership Council.

ACTION ITEM
---------- Chapter 29:2.13.1

The President should issue an executive order that identifies labor-management partnership as a goal of the executive branch and establishes the National Partnership Council.

GAO COMMENTS
---------- Chapter 29:2.13.2

Agree. Based on our evaluation of the state of the federal labor-management relations program, we concluded that the program is not accomplishing its objectives. We recommended that a panel of nationally recognized experts in labor-management relations and participants in the federal program be convened to develop a proposal for comprehensive program reform. In our opinion, the National Partnership Council is an appropriate body to serve that purpose. It should be recognized that, depending on the matters made subject to collective bargaining in a revised program, considerable training for federal managers on bargaining strategies and methods could be

required since few matters are now subject to bargaining.

IMPLEMENTATION
---------- Chapter 29:2.13.3

Fully Implemented. Executive Order 12871, signed by the President on October 1, 1993, established the National Partnership Council. The Council is composed of representatives of the three largest federal employee unions, the Public Employee Department of the AFL-CIO, and seven federal agencies. Among the Council's responsibilities are advising the President on labor-management relations, supporting the creation of labor-management partnerships and promoting partnership efforts, and proposing legislative changes related to labor relations. The executive order also required federal agencies to create labor-management partnerships. The Council issued its report to the President on January 31, 1994. According to the report, the Council plans to pursue an active program of information gathering, guidance, and training related to partnership activities.

A number of agencies have formed national and local councils and signed partnership agreements with their employee unions. Some of the partnership agreements were the result of Quality Management and related initiatives that preceded Executive Order 12871.

RELATED GAO PRODUCTS
---------- Chapter 29:2.13.4

The Federal Labor-Management Relations Program (GAO/T-GGD-92-8, Nov. 19, 1991).

Federal Labor Relations: A Program in Need of Reform (GAO/GGD-91-101, July 30, 1991).

HRM14: PROVIDE INCENTIVES
TO ENCOURAGE VOLUNTARY
SEPARATIONS
---------- Chapter 29:2.14

Provide departments and agencies with the authority to offer separation pay. Decentralize the authority to approve early retirement. Authorize departments and agencies to fund job search activities and retraining of employees scheduled to be displaced. Limit annual leave accumulation by senior executives to 240 hours.

ACTION ITEMS
---------- Chapter 29:2.14.1

1. Provide departments and agencies with the authority to offer separation pay.

2. Decentralize the authority to approve early retirement.

3. Authorize departments and agencies to fund job search activities

and retraining of employees scheduled to be displaced.

4. Expand outplacement services.

5. Limit annual leave accumulation by senior executives to 240 hours.

GAO COMMENTS
---------- Chapter 29:2.14.2

Insufficient Information. This recommendation is based on the premise that the government has too many employees and should be reduced by offering employees opportunities and incentives to leave. The NPR report does not clearly indicate how many employees, if any, are excess or how the determination was made that agencies have more employees than they need to accomplish their missions. We have long maintained that the numbers and types of employees needed should be determined through sound workforce planning procedures. We see no apparent relationship between the downsizing issue and the accumulation of annual leave by senior executives.

IMPLEMENTATION
---------- Chapter 29:2.14.3

Partially Implemented. The Federal Workforce Restructuring Act of 1994 required a reduction of 272,900 full-time equivalent positions during fiscal years 1994 through 1999, and authorized payments of up to $25,000 to employees who take early or regular retirement or resign during periods specified by the employing agencies. Accordingly, the part of the recommendation calling for payments to separating employees has been adopted. The act also provided that agencies may train any employee for placement in another agency if the head of the losing agency determined that the training would be in the interest of the government. OPM also established a work group to examine job search issues.

While OPM retained the responsibility for approving agency early retirement authorization requests, it implemented procedures to approve them quickly and increased agency prerogatives on how early retirements could be administered. Legislation to implement the part of the recommendation calling for agencies to fund job search activities and retraining of employees scheduled to be displaced has not been approved.

OPM implemented the Interagency Placement Program (IPP) on December 1, 1993, to find jobs in other agencies for employees displaced by downsizing. When filling vacancies from competitive registers or through the use of direct hire authorities, agencies must consult the IPP before hiring applicants with no prior federal service.

The Government Management Reform Act, enacted on October 13, 1994, limits SES members' annual leave accumulation to 720 hours. Thus, it did not accomplish the NPR recommendation that the accumulation limit be 240 hours. We were advised that neither OPM nor NPR would push for further limitations.

RELATED GAO PRODUCTS
---------- Chapter 29:2.14.4

Federal Employment: The Results to Date of the Fiscal Year 1994 Buyouts at Non-Defense Agencies (GAO/T- GGD-94-214, Sept. 22, 1994).

Federal Employment: Displaced Federal Workers Can Be Helped by Expanding Existing Programs (GAO/GGD-92-86, May 5, 1992).

The Changing Workforce: Demographic Issues Facing the Federal Government (GAO/GGD-92-38, Mar. 24, 1992).

Federal Employees: Early Retirements in the Department of Defense (GAO/GGD-89-53FS, Feb. 23, 1989).

Federal Workforce: How Certain Agencies Are Implementing the Grade Reduction Program (GAO/GGD-86-33, Jan. 3, 1986).

Information on the Administration's Program to Reduce Grade 11-15 Positions (GAO/GGD-85-48, Mar. 28, 1985).

REINVENTING FEDERAL PROCUREMENT (PROC)
========== Chapter 30

OVERALL SUMMARY
---------- Chapter 30:1

Enactment of comprehensive procurement reform legislation in October 1994, coupled with notable executive agency initiatives in several areas, resulted in actions that we believe "fully implemented" 2 NPR recommendations and "partially implemented" 15 of the remaining 18 recommendations. Actions have been taken to implement the remaining three NPR recommendations in this section. To implement NPR's recommendation to incorporate such principles as customer focus in procurement, the administration issued Executive Order 12931 in October 1994. The Federal Acquisition Streamlining Act of 1994 fully implements the NPR recommendation to authorize multiyear contracts and allow contracts for severable services to cross fiscal years. The act made other legislative changes NPR recommended, which should improve procurement system operations, workforce, and culture. Specifically, the act will permit procurement officials to build an innovative workforce, test new procurement methods, use simplified acquisition procedures more frequently, amend certain protest rules, enhance programs for small and small disadvantaged businesses, increase use of purchase cards and federal supply schedules, make it easier to buy commercial items, establish a governmentwide electronic commerce program, encourage best value procurement, promote excellence in vendor performance, and conform requirements for civilian and defense agencies' procurements. The act did not include provisions to authorize use of a two-phase competitive source selection process for certain types of contracts, as recommended by NPR.

Executive agencies and departments addressed several NPR action items through various initiatives, particularly in the areas of simplified acquisition procedures, use of purchase cards, acquisition labor laws and regulations, information technology procurements, electronic commerce, commercial item procurements, best value buying, and buying for the environment. We strongly support procurement reform, the reform legislation, and agencies' reform actions. To sustain this noteworthy progress and translate the NPR and legislative reform goals into day-to-day operating realities will require government procurement officials to develop and implement long-term strategies and programs.

GAO CONTACT
---------- Chapter 30:1.1

David E. Cooper, Director, Acquisition Policy, Technology and Competitiveness Issues, National Security and International Affairs Division, (202) 512-4587.

RECOMMENDATION INFORMATION
---------- Chapter 30:2

PROC01: REFRAME ACQUISITION POLICY
---------- Chapter 30:2.1

Convert the 1,600 pages of the Federal Acquisition Regulation (FAR) from a set of rigid rules to a set of guiding principles.

ACTION ITEMS
---------- Chapter 30:2.1.1

1. Convert the Federal Acquisition Regulation from rigid rules to guiding principles.

2. Implement the procurement reform plan.

GAO COMMENTS
---------- Chapter 30:2.1.2

Insufficient Information. The Office of Federal Procurement Policy (OFPP), within the Office of Management and Budget (OMB), is reviewing several possible approaches to rewriting the FAR. Information on specific changes is not yet available.

IMPLEMENTATION
---------- Chapter 30:2.1.3

Not Implemented--Action Taken. OFPP established an interagency group of senior officials to implement this recommendation. OFPP published

(1) proposed guiding principles to define and guide the government's general vision for the acquisition process and (2) alternative approaches for rewriting the FAR. OFPP requested written comments and also held a public meeting to receive ideas and suggestions. OFPP is reviewing these comments, ideas, and suggestions. OFPP officials told us that a plan to rewrite the FAR has not yet been developed.

RELATED GAO PRODUCTS
---------- Chapter 30:2.1.4

None.

PROC02: BUILD AN INNOVATIVE PROCUREMENT WORKFORCE
---------- Chapter 30:2.2

Establish an interagency program to improve the governmentwide procurement workforce. Provide civilian agencies with authority for improving the acquisition workforce similar to that of the Defense Department's.

ACTION ITEMS
---------- Chapter 30:2.2.1

1. Establish an interagency program to improve the federal government's procurement workforce.

2. Provide civilian agencies with authority similar to DOD's for improving the acquisition workforce.

GAO COMMENTS
---------- Chapter 30:2.2.2

Agree. We strongly support efforts to improve the management, training, and career development of the procurement workforce governmentwide. We believe all agencies, civilian as well as military, should have the authority needed to improve acquisition workforce management and training. However, we have not specifically addressed the applicability to civilian agencies of the Defense Department's authority and initiatives in acquisition workforce issues.

IMPLEMENTATION
---------- Chapter 30:2.2.3

Partially Implemented. The NPR Accompanying Report calls for the Administrator, General Services Administration (GSA), to develop a plan to fund Federal Acquisition Institute (FAI) programs to improve the governmentwide procurement workforce. The OFPP Administrator is responsible for recommending a sufficient budget for the FAI to the GSA. OFPP recommended that the fiscal year 1996 GSA budget include a

one-time increment of $950,000 to enable FAI to (1) complete the courses in the competency-based skills development program for contract specialists, and (2) develop and pilot test instruction in procurement to be delivered via desktop computers so that contracting personnel can receive training and instruction on an interactive basis in their office environment. GSA forwarded the OFPP recommended FAI initiatives to OMB, but not as part of the GSA appropriations budget request. The FAI initiatives will not be funded unless OMB includes additional resources in the fiscal year 1996 GSA budget for them.

The Federal Acquisition Streamlining Act of 1994 provides civilian agencies with authority similar to DOD's for improving the acquisition workforce. Among other things, the act requires the Deputy Director for Management of OMB to: (1) establish policies and procedures for designating acquisition positions and managing employees (including the accession, education, training, and career development of employees) in the designated acquisition positions, and (2) review the incentives and personnel actions available for encouraging excellence in the federal acquisition workforce. In addition, Executive Order 12931, dated October 13, 1994, requires heads of executive agencies to establish career education programs and enhance development of the procurement workforce.

RELATED GAO PRODUCTS

---------- Chapter 30:2.2.4

Department of Energy: Challenges to Implementing Contract Reform (GAO/RCED-94-150, Mar. 21, 1994).

Acquisition Management: Implementation of the Defense Acquisition Workforce Improvement Act (GAO/NSIAD-93-129, Apr. 26, 1993).

Acquisition Management: Waivers to Acquisition Work Force Training, Education, and Experience Requirements (GAO/NSIAD-93-128, Mar. 30, 1993).

Weapons Acquisition: A Rare Opportunity for Lasting Change (GAO/NSIAD-93-15, Dec. 1992).

Defense Management: Implementation of the Defense Acquisition Workforce Improvement Act (GAO/NSIAD-92-97, Jan. 31, 1992).

Acquisition Reform: DOD's Efforts to Streamline Its Acquisition System and Reduce Personnel (GAO/NSIAD-90-21, Nov. 1, 1989).

Procurement Personnel: Information on the Procurement Workforce (GAO/GGD-88-7, Nov. 5, 1987).

PROC03: ENCOURAGE MORE PROCUREMENT INNOVATION

---------- Chapter 30:2.3

Provide new legislative authority to test innovative procurement methods. Establish a mechanism to disseminate information

governmentwide on innovative procurement ideas.

ACTION ITEMS
---------- Chapter 30:2.3.1

1. Provide new legislative authority to test innovative procurement methods.

2. Provide resources to the Federal Acquisition Institute to support innovative, new ideas and procurement techniques.

3. Identify a steering group for the Federal Acquisition Institute's research.

GAO COMMENTS
---------- Chapter 30:2.3.2

Generally Agree. We support agency testing of innovative procurement methods and believe that establishing means to publicize innovative ideas could be beneficial. Adequate controls and oversight over testing should be maintained, however.

IMPLEMENTATION
---------- Chapter 30:2.3.3

Partially Implemented. The Federal Acquisition Streamlining Act of 1994 authorizes the OFPP Administrator to test alternative and innovative procurement procedures. The act further stipulates that OFPP not take action to use the test authority at an agency before the date on which the agency head certifies to Congress that it has implemented full electronic commerce capability. In February 1994, the former Associate Administrator for Acquisition Policy, GSA, recommended funding Federal Acquisition Institute (FAI) initiatives to (1) develop and pilot test an electronic acquisition curriculum, and (2) determine the feasibility, costs, and benefits of establishing a research consortium, including both public and private sector research activities. There is no funding in the GSA fiscal year 1996 appropriations budget request for either of these initiatives. OFPP officials said the recommendation to establish a steering group to oversee and set strategy for FAI research has merit; however, OFPP has not yet identified the group.

RELATED GAO PRODUCTS
---------- Chapter 30:2.3.4

Department of Energy: Challenges to Implementing Contract Reform (GAO/RCED-94-150, Mar. 21, 1994).

Procurement Reform: Comments on Proposed Federal Acquisition Streamlining Act (GAO/T-OGC-94-1, Mar. 10, 1994).

Acquisition Reform: DOD Acquisition Law Advisory Panel's Operations and Report (GAO/NSIAD-94-5, Dec. 1, 1993).

Defense Inventory: Applying Commercial Purchasing Practices Should Help Reduce Supply Costs (GAO/NSIAD-93-112, Aug. 6, 1993).

Commercial Practices: DOD Could Save Millions by Reducing Maintenance and Repair Inventories (GAO/NSIAD-93-155, June 7, 1993).

Food Inventory: Using Private Sector Practices Can Reduce Costs and Eliminate Problems (GAO/NSIAD-93-110, June 4, 1993).

Procurement Reform: Comments on Proposed Acquisition Improvement Act of 1993 (GAO/T-OGC-93-1, May 25, 1993).

Government Management Issues (GAO/OCG-93-3TR, Dec. 1992).

Multiple Award Schedule Purchases: Improvements Needed Regarding Publicizing Agencies' Orders (GAO/NSIAD-92-88, May 12, 1992).

Procurement: DOD Efforts Relating to Nondevelopmental Items (GAO/NSIAD-89-51, Feb. 7, 1989).

PROC04: ESTABLISH NEW SIMPLIFIED ACQUISITION THRESHOLD AND PROCEDURES

---------- Chapter 30:2.4

Enact legislation to simplify small purchases by raising the threshold for the use of simplified acquisition procedures from $25,000 to $100,000 and raise the various thresholds for the application of over a dozen other statutory requirements that similarly complicate the process. To ensure small business participation, establish a single electronic bulletin board capability to provide access to information on contracting opportunities.

ACTION ITEMS

---------- Chapter 30:2.4.1

1. Enact legislation simplifying procurement.

2. Enact legislation simplifying Department of Defense unique procurement requirements.

3. Establish a single electronic bulletin board capability to provide access to information on contracting opportunities.

4. Revise agency acquisition-related regulations to eliminate internal barriers.

5. Develop a pamphlet on statutory acquisition requirements for distribution to small businesses.

GAO COMMENTS

---------- Chapter 30:2.4.2

Generally Agree. We support recommendations such as these which, if effectively implemented, can (1) increase the productivity of a shrinking federal workforce, (2) reduce costs for both the government and its suppliers, and (3) enhance federal contracting opportunities for small businesses. We believe that an electronic commerce (EC) capability that employs nationally accepted industry standards can help to achieve these reform goals.

IMPLEMENTATION

---------- Chapter 30:2.4.3

Partially Implemented. The Federal Acquisition Streamlining Act of 1994 establishes a new simplified acquisition threshold at $100,000, and waives numerous laws for purchases below that amount. Simplified acquisition procedures are initially authorized for all contracts below $50,000, subject to the requirement that notice of solicitation be published in the Commerce Business Daily for contracts above $25,000. Waivers of notice and use of simplified procedures for contracts up to $100,000 are permitted under the act for the next 5 years for agencies with an interim level of EC capability. After 5 years, however, the authorization for the use of simplified procedures reverts to $50,000 for any agency that has not achieved full electronic commerce capability.

On October 26, 1993, the President signed an executive memorandum on "Streamlining Procurement through Electronic Commerce," which requires, among other things, that electronic commerce be implemented for appropriate federal purchases as quickly as possible. In a September 21, 1994, memorandum, the OMB Acting Director provided guidance to the heads of executive departments and agencies to assist them in developing their long-range EC implementation plans. The guidance requires agencies and departments to focus their plans on small purchases, including milestones and estimated costs for integrating existing electronic small purchase systems and bulletin boards into the governmentwide EC program, to support a single face to industry. OMB began reviewing the agencies' implementation plans in October 1994.

The Federal Acquisition Regulatory Council has adopted an action plan that establishes regulation writing teams and milestones for developing the implementing regulations for the Federal Acquisition Streamlining Act of 1994. In addition, federal agencies have reported to the NPR that they are in the process of reviewing their internal regulations to ensure that they (1) do not impede the objectives of simplified purchasing, and (2) comply with the statutory requirements of the act.

OMB and the Small Business Administration are coordinating outreach and training activities to inform small businesses about changes in government procurement policies, including new statutory requirements applicable to purchases made using simplified acquisition procedures.

RELATED GAO PRODUCTS

---------- Chapter 30:2.4.4

Procurement Reform: Comments on Proposed Federal Acquisition Streamlining Act (GAO/T-OGC-94-1, Mar. 10, 1994).

Defense IRM: Business Strategy Needed for Electronic Data Interchange Program (GAO/AIMD-94-17, Dec. 9, 1993).

NASA Procurement: Planning for Pilot Test of New Procurement Procedures Is Adequate (GAO/NSIAD-94-67, Nov. 4, 1993).

NASA: Major Challenges for Management (GAO/T-NSIAD-94-18, Oct. 6, 1993).

Procurement Reform: Comments on Proposed Acquisition Improvement Act of 1993 (GAO/T-OGC-93-1, May 25, 1993).

Multiple Award Schedule Purchases: Improvements Needed Regarding Publicizing Agencies' Orders (GAO/NSIAD-92-88, May 12, 1992).

PROC05: REFORM LABOR LAWS AND TRANSFORM THE LABOR DEPARTMENT INTO AN EFFICIENT PARTNER FOR MEETING PUBLIC POLICY GOALS

---------- Chapter 30:2.5

Enact legislation to simplify acquisition labor laws such as the Davis-Bacon Act, the Copeland Act, and the Service Contract Act. Improve access to wage schedules through an on-line electronic system.

ACTION ITEMS

---------- Chapter 30:2.5.1

1. Enact legislation to simplify acquisition labor laws.

2. Amend Executive Order 11755 to incorporate convict labor provisions upon repeal of the Walsh-Healey Public Contracts Act.

3. Provide on-line access to Davis-Bacon Act wage schedules through an electronic system.

4. Revise labor regulations to improve service.

GAO COMMENTS

---------- Chapter 30:2.5.2

Generally Agree. We believe that simplification of acquisition labor laws is a step in the right direction. One step we support to further this simplification is to consolidate Davis-Bacon functions, now shared by the Department of Labor (DOL) and GAO, in DOL. While we have not specifically addressed the issue of access to wage schedules through on-line electronic systems, we believe it represents good business practices.

IMPLEMENTATION
---------- Chapter 30:2.5.3

Partially Implemented. In 1993, one bill to repeal the Davis-Bacon Act and other bills to amend it and the Copeland Act were introduced in Congress. A 1994 proposal (S. 2328) would have revised and simplified these two laws, as well as the Contract Work Hours and Safety Standards Act and the Service Contract Act.

A measure to repeal the Walsh-Healey Public Contracts Act (except for certain definitional provisions) was included in S. 1587, as passed by the Senate in June 1994. While this measure was not in the final version of the Federal Acquisition Streamlining Act of 1994, the act does amend Walsh-Healey to eliminate requirements that contractors certify themselves as manufacturers or regular dealers of items supplied to the federal government. Since the Walsh-Healey provisions on convict labor have not been repealed, there is no need to amend Executive Order 11755. In February 1994, Davis-Bacon Act wage determinations became available on an electronic bulletin board operated by the National Technical Information Service. To improve service, DOL (1) proposed making preaward equal employment opportunity compliance reviews optional and (2) is developing revised labor regulations to require hearings be held on substantial variance cases under the Service Contract Act and decisions rendered within 60 calendar days.

RELATED GAO PRODUCTS
---------- Chapter 30:2.5.4

Government Contractors: Measuring Costs of Service Contractors Versus Federal Employees (GAO/GGD-94-95, Mar. 10, 1994).

Changes to Davis-Bacon Act Regulations and Administration (GAO/HEHS-94-95R, Feb. 7, 1994).

The Congress Should Consider Repeal of the Service Contract Act (GAO/HRD-83-4, Jan. 31, 1983).

The Davis-Bacon Act Should Be Repealed (GAO/HRD-79-18, Apr. 27, 1979).

PROC06: AMEND PROTEST RULES
---------- Chapter 30:2.6

Change the standard of review at the General Services Board of Contract Appeals (GSBCA) to conform to that used in the relevant courts. Allow penalties for frivolous protests. Allow contract negotiation to continue up to the point of contract award, even though a protest has been filed with the General Services Board of Contract Appeals.

ACTION ITEMS

---------- Chapter 30:2.6.1

1. Establish a uniform standard of review for all protest forums by changing the standard of review at the GSBCA to conform to that used in the courts.

2. Allow penalties for frivolous protests.

3. Establish a single forum within the judicial branch to consider protests.

4. Allow continued performance of contracting functions up to the point of contract award as part of any preaward suspension of the delegation of procurement authority when a protest is filed with the GSBCA.

5. Identify costs to the government and contractors of responding to protests.

6. Identify and eliminate causes of protests and improve agency processes.

GAO COMMENTS

---------- Chapter 30:2.6.2

Insufficient Information. While we support efforts to enhance the fairness and efficiency of the protest process, we have no work specifically on these action items that would provide an adequate basis for comment.

IMPLEMENTATION

---------- Chapter 30:2.6.3

Partially Implemented. The Federal Acquisition Streamlining Act of 1994 allows contract negotiation up to the point of award, with certain limitations, even though a protest has been filed with the GSBCA; clarifies the authority of the GSBCA to review contracting officer decisions, but does not change the GSBCA standard of review; and authorizes GSBCA to impose appropriate procedural sanctions, including dismissal, for a frivolous protest. The act does not adopt language from an earlier House bill that would have explicitly authorized the GSBCA to impose on a protestor bringing a frivolous protest liability for the government's costs in defending against it.

We are not aware of any efforts to identify costs to the government and contractors of responding to protests. In March 1994, however, OFPP issued a report, based on a survey of senior agency procurement executives, addressing the effect of protest delay on the government's ability to acquire current computer technology. OFPP's survey results suggested that agencies are taking steps to ensure that they are not receiving outmoded technology as a result of protest delays. Also, OFPP's survey indicated that, at times, agencies may experience a cost impact from continuing to use outmoded technology while awaiting resolution of protests. The Federal Bar Association has offered its assistance to OFPP to conduct an analysis

of economic costs, as well as economic benefits, of the current protest process, if OFPP decides this information is needed.

With respect to identifying causes of protests, GSA officials told us that GSA's Office of General Counsel identified the most common bases of protests and is preparing multiple products. DOD officials told us they routinely scrutinize available protest statistics; DOD has not initiated a special study of the causes of protests.

RELATED GAO PRODUCTS

---------- Chapter 30:2.6.4

ADP Bid Protests: Better Disclosure and Accountability of Settlements Needed (GAO/GGD-90-13, Mar. 30, 1990).

PROC07: ENHANCE PROGRAMS FOR SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS

---------- Chapter 30:2.7

Repeal statutory limitations on subcontracting and substitute regulatory limitations to provide greater flexibility. Authorize civilian agencies to establish small disadvantaged business set-asides.

ACTION ITEMS

---------- Chapter 30:2.7.1

1. Repeal statutory limitations on subcontracting and substitute regulatory limitations to provide greater flexibility.

2. Authorize civilian agencies to conduct small disadvantaged business set-asides.

3. Permit state and local governments to substitute descriptions of their own programs for subcontracting and exempt monopolies regulated by governmental bodies.

4. Demonstrate the continued commitment to small and small disadvantaged businesses through issuance of a presidential directive.

GAO COMMENTS

---------- Chapter 30:2.7.2

Insufficient Information. Although we endorse efforts to improve small and small disadvantaged business participation in the federal marketplace, we have no work on these specific issues that would provide an adequate basis for comment.

IMPLEMENTATION

---------- Chapter 30:2.7.3

Partially Implemented. The Small Business Administration did not include a proposal to repeal statutory limitations on subcontracting in its 1994 legislative initiatives package. The Federal Acquisition Streamlining Act of 1994 authorizes civilian agencies to conduct small disadvantaged business set-aside competitions. The administration submitted draft legislation to congressional committees to (1) permit state and local governments to substitute descriptions of their own programs for subcontracting and (2) exempt utility monopolies regulated by governmental bodies from providing subcontracting plans. However, these proposals were never introduced as part of any acquisition reform bill. On September 16, 1994, the President issued Executive Order 12928, "Promoting Procurement With Small Businesses Owned and Controlled by Socially and Economically Disadvantaged Individuals, Historically Black Colleges and Universities, and Minority Institutions." Also, a presidential memorandum, dated October 13, 1994, demonstrated the administration's continued commitment to small, small disadvantaged, and small women-owned businesses in federal procurement.

RELATED GAO PRODUCTS

---------- Chapter 30:2.7.4

Small Business: SBA Cannot Assess the Success of Its Minority Business Development Program (GAO/T-RCED-94-278, July 27, 1994).

Small Business: Information on Participation in SBA's Bonding Activities (GAO/RCED-94-134, Mar. 24, 1994).

Energy Management: DOE Can Improve Distribution of Dollars Awarded Under SBA's 8(a) Program (GAO/RCED-94-28, Feb. 23, 1994).

Small Business: The Small Business Administration's Progress in Restructuring Its Business Development Program (GAO/T-RCED-93-56, Sept. 22, 1993).

Small Business: Problems Continue With SBA's Minority Business Development Program (GAO/RCED-93-145, Sept. 17, 1993).

DOD's Surety Bond Waiver Program (GAO/NSIAD-93-255R, Aug. 24, 1993).

Minority Contracting: DOD's Reporting Does Not Address Legislative Goal (GAO/NSIAD-93-167, July 27, 1993).

Small Business: The Small Business Administration's Progress in Restructuring Its 8(a) Business Development Program (GAO/T-RCED-92-35, Mar. 4, 1992).

Small Business: Problems in Restructuring SBA's Minority Business Development Program (GAO/RCED-92-68, Jan. 31, 1992).

PROC08: REFORM INFORMATION TECHNOLOGY PROCUREMENTS

---------- Chapter 30:2.8

Increase the delegation of authority to agencies to purchase information technology. For purchases less than $500,000 for products, and $2.5 million for services over the life of a contract, eliminate in-depth requirements for analyses of alternatives. Pilot test alternative ways of buying commercially available information technology items.

ACTION ITEMS

---------- Chapter 30:2.8.1

1. Establish an interagency team to develop a plan for improving federal information technology acquisitions.

2. Increase information technology delegation of authority to agencies.

3. Eliminate requirements and alternatives analyses for commodity information technology acquisitions.

4. Pilot test alternatives for commodity information technology acquisitions.

5. Identify and test innovative procurement strategies that reduce the costs for information technology items.

GAO COMMENTS

---------- Chapter 30:2.8.2

Generally Agree. We support increasing delegations of procurement authority to those agencies that have a good information technology acquisition track record. Given the history of widespread problems in government information technology acquisitions, however, we do not support increased delegations or relief from planning requirements for agencies that do not have proven track records. Proper evaluation of alternatives lessens the risk that agencies will select alternatives that do not fully meet user requirements or are unnecessarily complex and expensive. We believe the recommendation to "eliminate in-depth requirements for analyses of alternatives" for smaller acquisitions is unnecessary because the government's current policy states that agencies should vary the depth of their analyses based upon the size and complexity of their requirements. We support pilot-testing of alternative methods of acquisition.

IMPLEMENTATION

---------- Chapter 30:2.8.3

Partially Implemented. An interagency team to improve the federal information technology acquisition process delivered a final report to the GSA Administrator in May 1994. The report contains 42 comprehensive recommendations for improving and streamlining the information technology acquisition process. GSA drafted amendments to the Federal Information Resources Management Regulation to (1) increase delegation of authority to agencies to purchase information

technology and (2) adjust the requirements and alternatives analysis thresholds to an $100,000 level. According to a GSA official, both rules could be published in late 1994.

GSA (1) identified two pilot-test alternatives for commodity information technology acquisitions and (2) plans to publish information about innovative operational procurement strategies in the federal government. In an ongoing pilot, NASA uses an electronic bulletin board to disseminate advance procurement and solicitation information and receive vendor offers electronically for acquisitions between $25,000 and $500,000. In the other pilot, DOL plans to award personal computer and support service contracts with options for vendors to offer upgrades and repricing at 6-month intervals. To reduce information technology acquisition costs, GSA now requires software vendors to offer their complete line of software under right-to-copy licensing arrangements. GSA officials estimate that buying right-to-copy licensing will result in a minimum of 25 percent savings.

RELATED GAO PRODUCTS

---------- Chapter 30:2.8.4

Paperwork Reduction Act: Opportunity to Strengthen Government's Management of Information and Technology (GAO/T-AIMD/GGD-94-126, May 19, 1994).

Executive Guide: Improving Mission Performance Through Strategic Information Management and Technology (GAO/AIMD-94-115, May 1994).

Defense ADP Consolidation (GAO/AIMD-94-85R, Apr. 26, 1994).

Government Printing: Legal and Regulatory Framework Is Outdated for New Technological Environment (GAO/NSIAD-94-157, Apr. 15, 1994).

Federal Research: Interim Report on the Pilot Technology Access Program (GAO/RCED-94-75, Mar. 7, 1994).

DOD Computer Contracting: Inadequate Management Wasted Millions of Dollars (GAO/IMTEC-93-31, June 25, 1993).

Information Technology: An Audit Guide for Assessing Acquisition Risks (GAO/IMTEC-8.1.4, Dec. 1992).

Information Management and Technology Issues (GAO/OCG-93-5TR, Dec. 1992).

Perceived Barriers to Effective Information Resources Management--Results of GAO Panel Discussions (GAO/IMTEC-92-67, Sept. 1992).

Information Resources: Summary of Federal Agencies' Information Resources Management Problems (GAO/IMTEC-92-13FS, Feb. 13, 1992).

Major NIH Computer System: Poor Management Resulted in Unmet Scientists' Needs and Wasted Millions (GAO/IMTEC-92-5, Nov. 4, 1991).

ADP Procurements: GSA Needs to Improve Its Review Process to Enhance Its ADP Oversight (GAO/IMTEC-92-7, Oct. 28, 1991).

PROC09: LOWER COSTS AND REDUCE BUREAUCRACY IN SMALL PURCHASES THROUGH THE USE OF PURCHASE CARDS

---------- Chapter 30:2.9

Provide managers with the ability to authorize employees to purchase small dollar value items directly using a government purchase card. Require internal government supply sources to accept this card.

ACTION ITEMS

---------- Chapter 30:2.9.1

1. Provide managers with the ability to authorize employees who have a bona fide need to buy small dollar items directly using a purchase card.

2. Require all government supply sources to accept the purchase card.

3. Amend the Federal Acquisition Regulation to promote use of the purchase card.

4. Amend Department of Treasury regulations to authorize the use of the purchase card for cash advances.

GAO COMMENTS

---------- Chapter 30:2.9.2

Agree. We have reported that, with adequate internal controls, the small purchases credit card program can help agencies improve the efficiency of their purchasing and payment processes when used for purchases of $25,000 or less from both commercial and government sources. The credit card program offers several benefits, such as reduced paperwork, prompt receipt of items, improved management information and audit capability, and a reduction in the number of invoices and inquiries about payments.

IMPLEMENTATION

---------- Chapter 30:2.9.3

Partially Implemented. The government's commercial purchase card program began as a procurement reform initiative under Executive Order 12352. In most cases, the card may be used to pay for all commercially available goods and services under the small purchase limit. Since October 1993, an Interagency Purchase Card Council has been working to increase use of the card throughout the federal government. As of September 1994, GSA statistics show that over 82,800 cards have been issued to employees of over 60 federal

agencies.

As of September 1994, Treasury authorized the following federal supply sources to process purchase card transactions: GSA, Government Printing Office, Federal Prison Industries, and Office of Personnel Management. The Federal Acquisition Streamlining Act of 1994 simplifies procurement procedures for purchases of $2,500 or less, including exemptions from certain statutory provisions. Executive Order 12931, dated October 13, 1994, encourages executive agencies to take maximum advantage of this micro-purchase authority and to expand the use of government purchase cards. The current contract for purchase card services prohibits card use for cash advances. Treasury has deferred proposing regulations that would authorize purchase card use for cash advances by imprest fund cashiers because the need for such cashiers could be eliminated with electronic commerce.

RELATED GAO PRODUCTS

---------- Chapter 30:2.9.4

Cash Management: Benefits and Limitations of the Small Purchases Credit Card Program (GAO/AFMD-90-89BR, Sept. 11, 1990).

Cash Management: Diners Club Business Travel Management Program Needs Improvement (GAO/AFMD-90-66, Apr. 30, 1990).

PROC10: ENSURE CUSTOMER FOCUS IN PROCUREMENT

---------- Chapter 30:2.10

Revise Procurement Management Reviews to incorporate NPR principles such as "focusing on results" for the line managers.

ACTION ITEM

---------- Chapter 30:2.10.1

Revise Executive Order 12352 to conform to the new vision for federal procurement.

GAO COMMENTS

---------- Chapter 30:2.10.2

Agree. We advocate the use of procurement management reviews as an important tool in procurement planning, management, and oversight. Our work shows that procurement management reviews can provide useful information to improve agencies' procurement organizations and operations. These reviews can incorporate principles advocated by the NPR for greater effectiveness.

IMPLEMENTATION

---------- Chapter 30:2.10.3

Fully Implemented. On October 13, 1994, the President revoked Executive Order 12352 and issued Executive Order 12931, "Federal Procurement Reform." The new order directs heads of executive agencies to implement various principles advocated by the NPR, including ensuring that their procurement organizations focus on measurable results and give increased attention to understanding and meeting customer needs.

RELATED GAO PRODUCTS
---------- Chapter 30:2.10.4

Air Traffic Control: Observations on Proposed Corporation (GAO/T-RCED-94-210, May 12, 1994).

Air Traffic Control: Status of FAA's Modernization Program (GAO/RCED-94-167FS, Apr. 15, 1994).

Advanced Automation System: Implications of Problems and Recent Changes (GAO/T-RCED-94-188, Apr. 13, 1994).

Department of Energy: Challenges to Implementing Contract Reform (GAO/RCED-94-150, Mar. 21, 1994).

Government Management Issues (GAO/OCG-93-3TR, Dec. 1992).

NASA Contract Management (GAO/HR-93-11, Dec. 1992).

ADP Procurements: GSA Needs to Improve Its Review Process to Enhance Its ADP Oversight (GAO/IMTEC-92-7, Oct. 28, 1991).

PROC11: IMPROVE PROCUREMENT ETHICS LAWS
---------- Chapter 30:2.11

Create consistency across the government in the application of procurement ethics laws.

ACTION ITEM
---------- Chapter 30:2.11.1

Strengthen and simplify procurement ethics laws.

GAO COMMENTS
---------- Chapter 30:2.11.2

Generally Agree. We support the reasoned and equitable application of procurement ethics laws. Ethical conduct in the procurement area is governed by several statutes, some of which contain overlapping provisions. Some agencies, such as DOD, are subject to additional statutory restrictions or requirements not applicable elsewhere in the government. We have previously reported that agencies had difficulty implementing some of these provisions.

IMPLEMENTATION

---------- Chapter 30:2.11.3

Not Implemented--Action Taken. The Federal Acquisition Streamlining Act of 1994 makes very few changes in procurement ethics laws. The conference report accompanying the act states that the conferees anticipated "a thorough review and reform of the procurement integrity statutes in the next Congress." In the meantime, the act suspends one post-employment, or "revolving door," law that places special restrictions on retired military officers (18 U.S.C. 281) through December 31, 1996. The act repeals another post-employment law that restricted military officers (37 U.S.C. 801). The act contains some exemptions. Government officials authorized to make purchases of $2,500 or less, and totalling $20,000 or less annually, are not considered "procurement officials" and are exempted from certain controls which would otherwise have applied to them. In addition, contractors for commercial item procurements are exempted from some procurement integrity certification requirements.

OFPP officials told us that one of their current projects includes identifying and encouraging the use of best practices that are needed to balance (1) protecting the integrity of the acquisition process and (2) allowing communications between government agencies and industry that would improve procurements.

RELATED GAO PRODUCTS

---------- Chapter 30:2.11.4

Intelligence Programs: Inquiry Into Contracting Practices for a Classified Program (GAO/NSIAD-94-109, Feb. 28, 1994).

VA Health Care: Enforcement of Federal Ethics Requirements at VA Medical Centers (GAO/T-HRD-93-22, May 19, 1993).

VA Health Care: Inadequate Enforcement of Federal Ethics Requirements at VA Medical Centers (GAO/HRD-93-39, Apr. 30, 1993).

Postal Procurement: Ethics Violations Did Not Invalidate an Automation Contract (GAO/GGD-92-119, Aug. 13, 1992).

Superfund: EPA Has Not Corrected Long-Standing Contract Management Problems (GAO/RCED-92-45, Oct. 24, 1991).

Implementation of the Certification Requirements of the Procurement Integrity Law (GAO/T-NSIAD-91-05, Feb. 21, 1991).

PROC12: ALLOW FOR EXPANDED CHOICE AND COOPERATION IN THE USE OF SUPPLY SCHEDULES

---------- Chapter 30:2.12

Allow state and local governments, grantees, and certain nonprofit agencies to use federal supply sources. Similarly, allow federal agencies to enter into cooperative agreements to share state and

local government supply sources.

ACTION ITEMS
---------- Chapter 30:2.12.1

1. Allow state and local governments, grantees, and certain nonprofit agencies to use federal supply contracts.

2. Allow federal agencies to enter into agreements to share state and local government supply sources.

GAO COMMENTS
---------- Chapter 30:2.12.2

Insufficient Information. While we have not specifically analyzed this issue, we believe that allowing federal, state, and local governments to share supply sources may offer opportunities to increase the government supplier base and decrease costs of common supplies and services at all levels of government.

IMPLEMENTATION
---------- Chapter 30:2.12.3

Partially Implemented. The Federal Acquisition Streamlining Act of 1994 amended the Federal Property and Administrative Services Act to permit use of GSA's federal supply schedules by state or local governments, Puerto Rico, or Indian tribal governments. The entity using the federal supply schedule may be required to reimburse GSA for any administrative costs of using the schedule. There is no provision in the act to allow federal agencies to enter into cooperative agreements to share state and local government supply sources.

RELATED GAO PRODUCTS
---------- Chapter 30:2.12.4

Farm Credit System: Costs for Office Space, Equipment, and Furniture Compared to GSA's Costs (GAO/GGD-94-57, Jan. 7, 1994).

Multiple Award Schedule Contracting: Changes Needed in Negotiation Objectives and Data Requirements (GAO/GGD-93-123, Aug. 25, 1993).

PROC13: FOSTER RELIANCE ON
THE COMMERCIAL MARKETPLACE
---------- Chapter 30:2.13

Change laws to make it easier to buy commercial items. For example, revise the definition of commercial item. Revise governmentwide and agency regulations and procedures which preclude the use of commercial specifications.

ACTION ITEM
---------- Chapter 30:2.13.1

Make it easier to buy commercial items.

GAO COMMENTS
---------- Chapter 30:2.13.2

Agree. We strongly support efforts to promote and simplify commercial item acquisitions. We also fully support the use of commercial product descriptions, whenever they best satisfy the government's legitimate needs.

IMPLEMENTATION
---------- Chapter 30:2.13.3

Partially Implemented. The Federal Acquisition Streamlining Act of 1994 defines "commercial item" and "nondevelopmental item" and requires government buyers to conduct market research and give preference to commercial items. The act requires agencies to revise procurement policies, practices, and procedures to reduce impediments to the acquisition of commercial items.

For commercial items that are not acquired competitively, the act requires the contracting officer to seek information on prices at which the same or similar items have been sold in the commercial market. If the information is adequate to evaluate price reasonableness, the contracting officer must exempt the procurement from cost and pricing data requirements.

The Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council agreed on a final rule to amend the Federal Acquisition Regulation to clearly reflect the preference for use of voluntary standards, commercial item descriptions, and functional or performance specifications over design-type specifications. As a result, an interim rule was amended and finalized in March 1994.

The Secretary of Defense issued a memorandum in June 1994 directing DOD to use performance and commercial specifications and standards in lieu of military specifications and standards, unless no practical alternative exists to meet the user's needs. The Secretary's memorandum directed that regulatory language be developed within 60 days and made effective in 180 days.

GSA is implementing a Federal Specification Conversion Project with a targeted completion date of December 1996. GSA officials told us that of 869 federal specifications prepared by GSA, GSA expects to cancel about 24 percent, convert about 34 percent to commercial item descriptions, and retain 42 percent that cannot be converted because they are too complex or no similar commercial item is available.

RELATED GAO PRODUCTS
---------- Chapter 30:2.13.4

Army Acquisition: Commercial Components Used Extensively in Tactical Trucks (GAO/NSIAD-94-240, Sept. 26, 1994).

Commercial Practices: Leading-Edge Practices Can Help DOD Better Manage Clothing and Textile Stocks (GAO/NSIAD-94-64, Apr. 13, 1994).

Procurement Reform: Comments on Proposed Federal Acquisition Streamlining Act (GAO/T-OGC-94-1, Mar. 10, 1994).

Defense Transportation: Commercial Practices Offer Improvement Opportunities (GAO/NSIAD-94-26, Nov. 26, 1993).

Defense Inventory: Applying Commercial Purchasing Practices Should Help Reduce Supply Costs (GAO/NSIAD-93-112, Aug. 6, 1993).

Commercial Practices: DOD Could Save Millions by Reducing Maintenance and Repair Inventories (GAO/NSIAD-93-155, June 7, 1993).

DOD Food Inventory: Using Private Sector Practices Can Reduce Costs and Eliminate Problems (GAO/NSIAD-93-110, June 4, 1993).

Defense Inventory Management (GAO/HR-93-12, Dec. 1992).

DOD Medical Inventory: Reductions Can Be Made Through the Use of Commercial Practices (GAO/NSIAD-92-58, Dec. 5, 1991).

Commercial Practices: Opportunities Exist to Reduce Aircraft Engine Support Costs (GAO/NSIAD-91-240, June 28, 1991).

Procurement: DOD Efforts Relating to Nondevelopmental Items (GAO/NSIAD-89-51, Feb. 7, 1989).

PROC14: EXPAND ELECTRONIC COMMERCE FOR FEDERAL ACQUISITION

---------- Chapter 30:2.14

Establish a governmentwide program to use electronic commerce (EC) for federal procurements.

ACTION ITEMS

---------- Chapter 30:2.14.1

1. Establish a governmentwide acquisition program for engaging in electronic commerce.

2. Amend the Federal Acquisition Regulation (FAR) to facilitate electronic commerce.

GAO COMMENTS

---------- Chapter 30:2.14.2

Agree. We agree that automated technologies can be used to facilitate computer-to-computer exchange of routine information and

that such a capability could play a key role in greatly improving the federal government's business operations and processes, including procurement of products and services. Effective implementation of electronic data interchange (EDI) systems would help reduce the burdens of the paper-based processes now imposed on business and government and could increase small business participation in government procurements. Experience implementing EDI within large private sector companies and the Department of Defense shows that effective EDI implementation requires (1) business plans that clearly define how the technology will benefit the targeted business areas, (2) using a standard approach that concentrates on consistent electronic business forms for each business area and employs nationally accepted industry standards, and (3) a corporatewide telecommunications infrastructure to support electronic business within the agency and with external trading partners (other agencies, vendors, etc.).

IMPLEMENTATION

---------- Chapter 30:2.14.3

Partially Implemented. An October 26, 1993, presidential memorandum requires that the government implement an EC system that includes electronic payments and document interchange by July 1995, and complete governmentwide implementation, to the maximum extent possible, by January 1997. An interagency Electronic Commerce for Acquisition Program Management Office (ECA-PMO) is coordinating, monitoring, and reporting on EC implementation throughout the government. In September 1994, OMB tasked agencies to submit their long-range EC implementation plans covering fiscal years 1995 through 1997. These plans are to focus on small purchases and should include milestones and estimated costs for an outreach program, an internal training program, automated systems that support EC implementation of small purchases, integrating existing electronic small purchase systems and bulletin boards into the govenmentwide program, and streamlining and reengineering the small purchase process. OMB began reviewing the agencies' implementation plans in October 1994.

The Federal Acquisition Streamlining Act of 1994 provides for implementation of electronic commerce procedures in two phases over a 5-year period. Ongoing implementation actions coordinated by the ECA-PMO incorporate the EC capability and timeframes required in the act. OFPP officials said (1) FAR revisions are now being drafted to implement the act, and (2) these revisions will support full implementation of EDI and EC by the federal acquisition community.

RELATED GAO PRODUCTS

---------- Chapter 30:2.14.4

Procurement Reform: Comments on Proposed Federal Acquisition Streamlining Act (GAO/T-OGC-94-1, Mar. 10, 1994).

Defense IRM: Business Strategy Needed for Electronic Data Interchange Program (GAO/AIMD-94-17, Dec. 9, 1993).

NASA Procurement: Planning for Pilot Test of New Procurement

Procedures is Adequate (GAO/NSIAD-94-67, Nov. 4, 1993).

Defense Business Operations Fund (GAO/AIMD-94-7R, Oct. 12, 1993).

NASA: Major Challenges for Management (GAO/T-NSIAD-94-18, Oct. 6, 1993).

Procurement Reform: Comments on Proposed Acquisition Improvement Act of 1993 (GAO/T-OGC-93-1, May 25, 1993).

Information Management and Technology Issues (GAO/OCG-93-5TR, Dec. 1992).

Multiple Award Schedule Purchases: Changes Are Needed to Improve Agencies' Ordering Practices (GAO/NSIAD-92-123, June 2, 1992).

National Institute of Standards and Technology: Use of Electronic Data Interchange Technology to Create Valid Obligations (71 Comp. Gen. 109, Dec. 13, 1991).

PROC15: ENCOURAGE BEST VALUE PROCUREMENT

---------- Chapter 30:2.15

To recognize other factors besides price, define "best value" and provide regulatory guidance to implement a program for buying on a "best value" basis. Issue guide on the use of "best practices" source selection procedures.

ACTION ITEMS

---------- Chapter 30:2.15.1

1. Define "best value" and provide regulatory guidance to implement a program for buying on a best value basis.

2. Issue a guide on the use of "best practices" source selection techniques.

3. Train procurement officials on source selection techniques.

GAO COMMENTS

---------- Chapter 30:2.15.2

Generally Agree. We strongly support the use of best value procurement principles in federal procurement. The government should have the means to ensure that it gets the greatest value for the dollar. We also support the proposed improvements. Best value buying requires, however, that evaluation criteria be clear and that procurement personnel be properly trained.

IMPLEMENTATION

---------- Chapter 30:2.15.3

Partially Implemented. OFPP has several projects that focus on implementing best value buying and involve formal commitments by agencies to employ certain approaches and provide information to OFPP. Experience obtained from these projects is to be used to refine the concept of best value and develop governmentwide best practices guides. Existing guidance is found in the Federal Acquisition Regulation, OFPP Policy Letters, and agency guidance. Federal agencies are offering training on source selection techniques. The Federal Acquisition Institute has developed source selection training for procurement officials.

RELATED GAO PRODUCTS
---------- Chapter 30:2.15.4

General Services Administration: Actions Needed to Stop Buying Supplies From Poor-Performing Vendors (GAO/GGD-93-34, Jan. 11, 1993).

Army Acquisition: Contract for the Reserve Component Automation System (GAO/NSIAD-93-5, Nov. 5, 1992).

Tax Systems Modernization: IRS' Use of Consultants to Do the TMAC Price/Technical Tradeoff Analysis (GAO/IMTEC-93-4BR, Oct. 23, 1992).

Tax Systems Modernization: IRS Could Have Avoided Successful Protests of Major Computer Procurement (GAO/IMTEC-92-27, Mar. 13, 1992).

PROC16: PROMOTE EXCELLENCE
IN VENDOR PERFORMANCE
---------- Chapter 30:2.16

Establish an interagency Excellence in Vendor Performance Forum that would develop policies and techniques to measure contractor performance for use in contract decisions. Establish an award for contractor and government acquisition excellence.

ACTION ITEMS
---------- Chapter 30:2.16.1

1. Establish an interagency Excellence in Vendor Performance Forum.

2. Establish an award for contractor and government acquisition excellence.

GAO COMMENTS
---------- Chapter 30:2.16.2

Agree. We believe exceptional performance in the government contractor and acquisition employee communities should be recognized and promoted. We fully support programs that are designed to recognize past performance in selecting contractors. We support programs that emphasize quality and established performance, as well

as price, in awarding contracts. Also, we believe that increased emphasis should be placed on product quality and on-time delivery in assessing contractor performance.

IMPLEMENTATION
---------- Chapter 30:2.16.3

Partially Implemented. The Federal Acquisition Streamlining Act of 1994 provides for governmentwide awards to recognize and promote vendor excellence and excellence in officers and employees serving in procurement-related positions. OFPP is developing the criteria and procedures for these two award programs. OFPP has initiated two pilot programs involving more than 20 agencies to develop techniques to measure contractor performance and other information about past performance and customer satisfaction with performance on existing contracts. OFPP and the agencies will use the experience obtained from these projects to define governmentwide policies to recognize contractor performance in source selection decisions.

RELATED GAO PRODUCTS
---------- Chapter 30:2.16.4

Acquisition Reform: Role of Test and Evaluation in System Acquisition Should Not Be Weakened (GAO/T-NSIAD-94-124, Mar. 22, 1994).

Defense Procurement: Programs for Considering Vendor's Past Performance in Awarding Contracts (GAO/NSIAD-93-63, June 30, 1993).

General Services Administration: Actions Needed to Stop Buying Supplies From Poor-Performing Vendors (GAO/GGD-93-34, Jan. 11, 1993).

General Services Issues (GAO/OCG-93-28TR, Dec. 1992).

PROC17: AUTHORIZE A
TWO-PHASE COMPETITIVE SOURCE
SELECTION PROCESS
---------- Chapter 30:2.17

Authorize the use of a two-phase selection process for certain types of contracts so that an offeror does not incur a substantial expense in preparing a contract proposal.

ACTION ITEM
---------- Chapter 30:2.17.1

Authorize the use of a two-phase selection process for certain types of contracts.

GAO COMMENTS
---------- Chapter 30:2.17.2

Insufficient Information. We have not reported on this issue. However, we could support efforts to simplify the procurement process to reduce the cost of competing for government contracts provided that potential contractors are not rejected unreasonably.

IMPLEMENTATION
---------- Chapter 30:2.17.3

Not Implemented--Action Taken. Provisions to authorize two-phase source selection in defense and civilian procurements had been added to S. 1587 when the Senate Committees on Governmental Affairs and Armed Services reported out the bill. Two-phase source selection was discussed during floor debate in June, and a related amendment was offered. The Senate passed S. 1587 in June 1994 with provisions to authorize two-phase selection procedures for the acquisition of property or services (other than a construction contract). However, these provisions were not included in the Federal Acquisition Streamlining Act of 1994 as enacted.

RELATED GAO PRODUCTS
---------- Chapter 30:2.17.4

None.

PROC18: AUTHORIZE MULTIYEAR CONTRACTS
---------- Chapter 30:2.18

Authorize multiyear contracts and allow contracts for severable services to cross fiscal years.

ACTION ITEMS
---------- Chapter 30:2.18.1

1. Authorize multiyear contracts.

2. Allow contracts for severable services to cross fiscal years.

GAO COMMENTS
---------- Chapter 30:2.18.2

Agree. For many years, we have favored proposals to provide civilian agencies with statutory authority, similar to that of the Department of Defense, to enter into multiyear contracts. Such legislation could also include a provision enabling agencies to enter into severable service contracts across fiscal years, financed by annual appropriations.

IMPLEMENTATION
---------- Chapter 30:2.18.3

Fully Implemented. The Federal Acquisition Streamlining Act of 1994 includes provisions authorizing multiyear contracts and contracts for severable services to cross fiscal years. The act permits executive agencies to enter into multiyear contracts if (1) sufficient funds are available and obligated for the contract, and (2) the agency determines that the need for the property or services is reasonably firm and continuing over the period of the contract and serves the best interests of the Government. The act defines a multiyear contract as a contract not exceeding 5 years. It also requires a notice to Congress for any multiyear contract containing a cancellation ceiling in excess of $10,000,000. The act authorizes agencies to enter into contracts for severable services which cross fiscal years as long as the contract period does not exceed 1 year.

RELATED GAO PRODUCTS
---------- Chapter 30:2.18.4

Procurement: Assessment of DOD's Multiyear Contract Candidates for Fiscal Year 1991 (GAO/NSIAD-90-270BR, Aug. 31, 1990).

Procurement: Assessment of DOD's Multiyear Contract Candidates (GAO/NSIAD-89-224BR, Sept. 5, 1989).

Procurement: Assessment of DOD's Multiyear Contract Candidates (GAO/NSIAD-88-233BR, Sept. 1, 1988).

Procurement: Multiyear Contracting and Its Impact on Investment Decisions (GAO/NSIAD-88-125, May 10, 1988).

DOD Procurement: Multiyear and Annual Contract Costs (GAO/NSIAD-88-5, Oct. 30, 1987).

Comments on S.678, 99th Cong., 1st Sess. (B-214545, Aug. 7, 1985).

PROC19: CONFORM CERTAIN
STATUTORY REQUIREMENTS FOR
CIVILIAN AGENCIES TO THOSE
OF DEFENSE AGENCIES
---------- Chapter 30:2.19

Repeal requirements for commercial pricing certificates and authorize contract awards without discussions, where appropriate. Maintain the $500,000 threshold for cost and pricing data requirements for the Defense Department and establish the same threshold for civilian agencies.

ACTION ITEMS
---------- Chapter 30:2.19.1

1. Repeal the requirement for commercial pricing certificates and authorize contract awards without discussions.

2. Maintain the $500,000 threshold for cost and pricing data

requirements for DOD.

3. Establish a $500,000 threshold for cost and pricing data requirements for civilian agencies.

4. Authorize civilian agencies to use cooperative agreements for advanced research projects.

GAO COMMENTS
---------- Chapter 30:2.19.2

Agree. We agree that the laws and regulations governing civilian and defense agency acquisitions should be as consistent as possible, including authority for awards without discussions. We support a permanent $500,000 threshold for cost and pricing data. We have not done work on commercial pricing certificates.

IMPLEMENTATION
---------- Chapter 30:2.19.3

Partially Implemented. The Federal Acquisition Streamlining Act of 1994 implements this recommendation except for the action item to authorize civilian agencies to use cooperative agreements for advanced research projects. The act (1) repeals requirements in section 303E of the Federal Property and Administrative Services Act of 1949 for commercial pricing certificates in civilian procurements; (2) clarifies authority to allow contract awards without discussions similarly for civilian agencies and defense agencies; (3) maintains and makes permanent the $500,000 threshold for cost or pricing data requirements for DOD; and (4) establishes the same $500,000 threshold for civilian agencies.

RELATED GAO PRODUCTS
---------- Chapter 30:2.19.4

Procurement Reform: Comments on Proposed Federal Acquisition Streamlining Act (GAO/T-OGC-94-1, Mar. 10, 1994).

Procurement Reform: Comments on Proposed Acquisition Improvement Act of 1993 (GAO/T-OGC-93-1, May 25, 1993).

PROC20: STREAMLINE BUYING
FOR THE ENVIRONMENT
---------- Chapter 30:2.20

Develop "best practice" guides on buying for the environment. Encourage multiple award schedule contractors to identify environmentally preferable products. Provide energy efficiency information in government catalogs and automated systems.

ACTION ITEMS
---------- Chapter 30:2.20.1

1. Amend the Resource Conservation and Recovery Act (RCRA) to clarify procurement issues that impede achievement of its procurement objectives.

2. Develop best practice guides on buying for the environment.

3. Encourage multiple award schedule contractors to identify environmentally preferable products.

4. Provide energy efficiency information in GSA and DLA catalogs and automated systems.

5. Encourage multiple award schedule contractors to identify equipment that meets the EPA Energy Star requirements.

6. Encourage federal agency use of areawide utility contracts for energy audits.

7. Establish indefinite delivery contracts for energy retrofit services.

GAO COMMENTS

---------- Chapter 30:2.20.2

Agree. We support environmentally sound buying practices. Our work has shown that agencies can improve their efforts in this regard. NPR's recommendations have merit.

IMPLEMENTATION

---------- Chapter 30:2.20.3

Partially Implemented. Although legislation to amend RCRA was not introduced, Executive Order 12873, dated October 20, 1993, accomplishes some of the same environmental procurement reforms that NPR wanted and contains some additional requirements as well, according to OFPP officials. In late October 1994, the OFPP Administrator tasked the Department of Energy to develop "best practice" guides on contracting for the environment. In the interim, an OFPP memorandum encourages agencies' senior procurement executives to seek out creative ways to create markets for new energy-efficient products.

GSA provided energy efficiency and other information on environmentally beneficial products in government supply catalogs. In addition, a GSA and DLA combined effort produced a catalog listing a wide variety of lighting products that minimize energy consumption. A GSA rule, which OMB was reviewing in November 1994, would require multiple award schedule vendors to identify products' environmental attributes in their responses to GSA solicitations. GSA added information in its automated supply system about stock items and services with environmentally beneficial attributes. GSA accepts participation in programs, such as EPA's Energy Star computer program, to support vendor claims that items they manufacture are energy efficient.

GSA has undertaken several initiatives to promote energy audits in federal agencies including (1) encouraging agencies to request energy audits from utility firms having areawide utility service contracts with the federal government and (2) directing each of its 10 regional offices to make energy audits available through indefinite quantity contracts. In July 1994, GSA directed each of its regional offices to either (1) award new indefinite quantity contracts for retrofit services or (2) modify existing indefinite quantity repair and alteration contracts to include retrofit services as nonscheduled items.

RELATED GAO PRODUCTS

---------- Chapter 30:2.20.4

Energy Conservation: Contractors' Efforts at Federally Owned Sites (GAO/RCED-94-96, Apr. 29, 1994).

Energy Conservation: Federal Agencies' Funding Sources and Reporting Procedures (GAO/RCED-94-70, Mar. 30, 1994).

Department of Defense: Widespread Abuse in Recycling Program Increases Funds for Recreation Activities (GAO/NSIAD-94-40, Dec. 10, 1993).

Solid Waste: Federal Program to Buy Products With Recovered Materials Proceeds Slowly (GAO/RCED-93-58, May 17, 1993).

GSA's Energy Conservation Efforts (GAO/T-GGD-92-32, Apr. 8, 1992).

Solid Waste: Progress in Implementing the Federal Program to Buy Products Containing Recovered Materials (GAO/T-RCED-92-42, Apr. 3, 1992).

Federal Services Administration: A Status Report on Energy Conservation Efforts (GAO/GGD-92-22, Jan. 13, 1992).

Wastepaper Recycling: Programs of Civil Agencies Waned During the 1980s (GAO/GGD-90-3, Dec. 15, 1989).

Energy Conservation: Federal Shared Energy Savings Contracting (GAO/RCED-89-99, Apr. 17, 1989).

REINVENTING SUPPORT SERVICES (SUP)

========== Chapter 31

OVERALL SUMMARY

---------- Chapter 31:1

Four of the 11 NPR recommendations in this section have been partially implemented, and actions have been taken or are under way on the other 7 recommendations. Also, NPR's one overall recommendation in the General Services Administration (GSA) section of this report, which has been acted upon but not implemented,

relates directly to several NPR recommendations in this support services section; especially SUP03, SUP04, SUP08, SUP09, and SUP10. In addition, NPR's recommendations in the Reengineering through Information Technology, Reinventing Federal Procurement, and Improving Financial Management sections relate to this section.

The four support services recommendations that have been partially implemented are (1) SUP04--streamline and improve contracting strategies for the Multiple Award Schedule Program; (2) SUP05--expand agency authority and eliminate congressional control over federal fleet vehicle management; (3) SUP06--give agencies authority and incentive for personal property management and disposal; and (4) SUP08--give customers choice and create real property enterprises that promote sound real property asset management. On SUP04, one of seven action items have been completed, and efforts have been made or are under way to address the other six items. On SUP05, two of the four action items have been completed, another action item has been addressed, and one action item has not been addressed. On SUP06, one of three action items has been completed, another action item has been addressed, and one action item has not been addressed. SUP08 has been partially implemented in several respects, but 3 of the 11 action items have not been addressed. GSA has actions under way to address most of NPR's action items on the other seven recommendations. However several of these under way action items require legislation or special emphasis by the Office of Management and Budget, and little, if any, progress has been made in several of these areas.

GAO CONTACT

---------- Chapter 31:1.1

J. William Gadsby, Director, Government Business Operations Issues, General Government Division, (202) 512-8387.

RECOMMENDATION INFORMATION

---------- Chapter 31:2

SUP01: AUTHORIZE THE EXECUTIVE BRANCH TO ESTABLISH A PRINTING POLICY THAT WILL ELIMINATE THE CURRENT PRINTING MONOPOLY

---------- Chapter 31:2.1

Give the executive branch authority to make its own printing policy that will eliminate the mandatory printing source. Develop a new executive branch printing policy for the 21st century.

ACTION ITEMS

---------- Chapter 31:2.1.1

1. Give the executive branch the authority to make its own printing policy that will eliminate the mandatary printing source.

2. Develop an executive branch printing policy for the 21st century.

GAO COMMENTS
---------- Chapter 31:2.1.2

Generally Agree. We agree that the Government Printing Office's (GPO) monopoly-like status contributes to inefficiencies and ineffectiveness and that GPO's mandatory source status for executive branch agencies should be eliminated. We also agree that a new executive branch printing policy will be needed, but we have no basis to say who, within the executive branch, should be responsible for developing such a policy or what specific provisions should be included to ensure agencies have sufficient flexibility in meeting their printing needs.

IMPLEMENTATION
---------- Chapter 31:2.1.3

Not Implemented--Action Taken. Because existing legislation requires, with some exceptions, that agencies go through GPO to procure printing services, this legislation would have to be changed to alter GPO's role and implement this recommendation. The administration proposed legislative language (H.R. 3400) to accomplish this change, but the bill was not enacted. However, Congress included language in the fiscal year 1995 Legislative Appropriations Act that actually expanded GPO's role by amending the definition of printing to include duplication. Subsequently, the administration generally agreed to accept the amended printing and duplicating policy for fiscal year 1995 and to work with Congress to develop legislation to change the printing policy.

RELATED GAO PRODUCTS
---------- Chapter 31:2.1.4

Defense Management: Printing Operations at the Department of Defense (GAO/T-NSIAD-93-19, July 15, 1993).

Government Printing Office: Monopoly-Like Status Contributes to Inefficiency and Ineffectiveness (GAO/GGD-90-107, Sept. 26, 1990).

SUP02: ASSURE PUBLIC ACCESS
TO FEDERAL INFORMATION
---------- Chapter 31:2.2

Give the executive branch agencies responsibility for distributing printed federal information to depository libraries. Require agencies to inventory the federal information they hold, and make it accessible to the public.

ACTION ITEMS
---------- Chapter 31:2.2.1

1. Give the executive branch responsibility for the distribution of printed federal information to depository libraries.

2. Disseminate federal information effectively and efficiently to depository libraries.

3. Develop agency locators for public access to federal information.

4. Create one-stop shopping for the sale of federal documents.

GAO COMMENTS
---------- Chapter 31:2.2.2

Generally Agree. We agree with this recommendation's intent to assure public access to federal information. However, we have no basis to comment on how or who in the executive branch should implement it or bear the associated costs.

IMPLEMENTATION
---------- Chapter 31:2.2.3

Not Implemented--Action Taken. Under existing legislation, GPO is responsible for disseminating copies of new and revised government publications designated for distribution to libraries that are required to receive all or some of these materials. Thus, legislation transferring this role to the executive branch is required before this recommendation can be implemented. The administration proposed legislative language in (H.R. 3400) to implement this recommendation, but this bill was not enacted. The version that passed the House on November 22, 1993, did not authorize the executive branch to disseminate publications. The executive and congressional branches agreed in September 1994 to work together over the next fiscal year to resolve differences and draft needed legislation. An interagency effort is under way to establish an automated system that the public can use to access federal information. A standard for how this should be accomplished and an OMB Bulletin spelling out the responsibilities of federal agencies have been developed; the OMB Bulletin is with agencies for review and comment. No efforts have been made to implement the one-stop shopping part of the recommendation.

RELATED GAO PRODUCTS
---------- Chapter 31:2.2.4

Federal Information: Users' Current and Future Technology Needs (GAO/GGD-89-20FS, Nov. 30, 1988).

Federal Information: Agency Needs and Practices (GAO/GGD-88-115FS, Sept. 20, 1988).

SUP03: IMPROVE DISTRIBUTION
SYSTEMS TO REDUCE COSTLY

INVENTORIES
---------- Chapter 31:2.3

Permit customer choice in sources of supply. Compare depot distribution costs with commercial distribution systems. Take away the Federal Prison Industries' (FPI) status as a mandatory source of federal supplies and require it to compete commercially for federal agencies' business. Increase the use of electronic commerce for ordering from depot systems.

ACTION ITEMS
---------- Chapter 31:2.3.1

1. Permit customer choice in sources of supply.

2. Compare depot distribution costs with commercial distribution systems.

3. Allow the Federal Prison Industries to compete commercially.

4. Eliminate the Federal Prison Industries as a mandatory source.

5. Increase the use of electronic commerce for ordering from depot systems.

6. Increase the use of commercial item descriptions.

7. Provide agencies with parallel contracting authority.

8. Identify innovative logistics models.

GAO COMMENTS
---------- Chapter 31:2.3.2

Agree. We agree that the federal distribution systems need to be improved. Federal agencies should be allowed to choose the most cost-effective supply sources. This means that centralized federal supply entities like GSA and Federal Prison Industries, which now have mandatory source status, will have to compete directly with the private sector and others for federal agencies' business. Equipment and supply inventories in federally owned depots can and should be reduced under current operating procedures, and opportunities for reductions could increase if their mandatory source status is removed. While we support improving supply operations, existing barriers and obstacles likely would inhibit federal supply agencies' ability to compete because the playing field would not be level. These impediments need to be identified, examined, and resolved.

IMPLEMENTATION
---------- Chapter 31:2.3.3

Not Implemented--Action Taken. Although not implemented, GSA, Department of Veterans Affairs (VA), Department of Defense (DOD), and FPI have taken actions and have efforts under way to respond to this

recommendation. GSA (1) has drafted regulations to eliminate its mandatory supply source requirements and already begun converting its new Multiple Awards Schedules to nonmandatory use; (2) has outside experts trying to identify ways of improving the distribution system's cost-effectiveness; (3) has increased its use of commercial product descriptions and is trying to increase the availability of automated ordering and billing; and (4) is using reinvention labs and two collaborative efforts with other agencies and private sector organizations to test other logistic models. DOD is considering a change in its regulations that would allow components greater flexibility to use sources other than the central supply system and has developed a plan to increase the use of electronic commerce. DOD's Defense Logistics Agency is comparing DOD and commercial distribution costs. VA plans to close its depots and has commercialized most item descriptions. The executive branch drafted legislation to end the FPI's mandatory source status and force it to compete commercially for federal agencies' business. However, the Department of Justice and Bureau of Prisons objected to this change, and this proposed legislation has not been introduced in Congress. FPI is adding an electronic commerce capability to its operations. Finally, the House passed a bill authorizing parallel contracting, (H.R. 2238) but this provision was removed from the legislation that was eventually enacted (P.L. 103-355).

RELATED GAO PRODUCTS

---------- Chapter 31:2.3.4

General Services Administration: Increased Direct Delivery of Supplies Could Save Millions (GAO/GGD-93-32, Dec. 28, 1993).

Defense Inventory: Applying Commercial Practices Should Help Reduce Supply Costs (GAO/NSIAD-93-112, Aug. 6, 1993).

FPI Systems Furniture (GAO/GGD-93-51R, July 7, 1993).

Commercial Practices: DOD Could Save Millions by Reducing Maintenance and Repair Inventories (GAO/NSIAD-93-155, June 7, 1993).

General Services Issues (GAO/OCG-93-28TR, Dec. 1992).

General Services Administration: Actions Needed to Improve Protection Against Fraud, Waste, and Mismanagement (GAO/GGD-92-98, Sept. 30, 1992).

DOD Medical Inventory: Reductions Can Be Made Through the Use of Commercial Practices (GAO/NSIAD-92-58, Dec. 5, 1991).

Commercial Practices: Opportunities Exist to Reduce Aircraft Engine Costs (GAO/NSIAD-91-240, June 28, 1991).

SUP04: STREAMLINE AND IMPROVE CONTRACTING STRATEGIES FOR THE MULTIPLE AWARD SCHEDULE PROGRAM

---------- Chapter 31:2.4

Eliminate the use of mandatory supply schedules. Make the supply schedule system easier to use by reducing the administrative burden for acquisitions under $10,000. In addition, eliminate the announcement requirements and raise the maximum order limitations for the purchase of information technology items listed in supply schedules.

ACTION ITEMS
---------- Chapter 31:2.4.1

1. Eliminate mandatory supply schedules.

2. Eliminate the announcement requirements for information technology acquisitions from supply schedules.

3. Raise the maximum order limitations for information technology acquisitions from supply schedules.

4. Reduce the administrative burden for acquisitions under $10,000 from supply schedules.

5. Accelerate the improvements to the automated Multiple Award Schedule (MAS) system.

6. Identify and test innovative procurement strategies that reduce costs for goods under the Multiple Award Schedule program.

7. Pilot test innovative approaches under the Multiple Award Schedule program.

GAO COMMENTS
---------- Chapter 31:2.4.2

Generally Agree. We support efforts to improve the Multiple Award Schedule Program, including streamlining the solicitation, selection, and related requirements under the schedules. We have supported proposals to revise the dollar threshold for announcement requirements, but have not supported elimination of those requirements. Our work to date has not addressed eliminating the use of mandatory supply schedules.

IMPLEMENTATION
---------- Chapter 31:2.4.3

Partially Implemented. This recommendation has been partially implemented because one of the seven action items--raise the maximum order limitations for information technology acquisitions--has been completed. Beginning in January 1994, the GSA increased the maximum dollar amount for MAS information technology acquisitions from $300,000 to $500,000. According to a responsible GSA official, however, this change will not result in any significant improvements because the order limit was not really a problem. Rather, he stated that the problem is the time-consuming nature of the existing

requirement to advertise any purchases over $50,000. GSA has taken or is taking actions to address the other six action items under this recommendation, but these action items are still open. GSA (1) has drafted or proposed regulatory changes to remove mandatory source requirements and reduce cases requiring advertising and has already begun converting its new schedules to nonmandatory use; (2) is testing a new computer solicitation, revising MAS order instructions, trying to automate its MAS schedule for information technology systems, and working with a private sector association to identify the best design for an electronic bulletin board; (3) has two reinvention efforts under way looking for innovative and cost-effective MAS procurement strategies that will remove or simplify some agency and vendor paperwork requirements and decrease delivery time; and (4) has revised its solicitation for computer software to require that vendors allow the government to copy software that is purchased, which GSA estimates could save 25 percent over the previous arrangement. GSA planned to reduce the administrative burden for MAS purchases under $10,000, but the Department of Defense (DOD) disagreed with the idea because it removed MAS from Federal Acquisition Regulation coverage. GSA agreed to defer this change until all agency comments were received and considered.

RELATED GAO PRODUCTS

---------- Chapter 31:2.4.4

Multiple Award Schedule Contracting: Changes Needed in Negotiation Objectives and Data Requirements (GAO/GGD-93-123, Aug. 25, 1993).

Multiple Award Schedule Purchases: Changes Are Needed to Improve Agencies' Ordering Practices (GAO/NSIAD-92-123, June 2, 1992).

Multiple Award Schedule Purchases: Improvements Needed Regarding Publicizing Agencies' Orders (GAO/NSIAD-92-88, May 12, 1992).

SUP05: EXPAND AGENCY AUTHORITY AND ELIMINATE CONGRESSIONAL CONTROL OVER FEDERAL VEHICLE FLEET MANAGEMENT

---------- Chapter 31:2.5

Update vehicle replacement standards. Increase emergency repair limits to $150. Eliminate the monopoly on disposing of agency-owned vehicles.

ACTION ITEMS

---------- Chapter 31:2.5.1

1. Update vehicle replacement standards.

2. Eliminate appropriation language limitations on government vehicles.

3. Increase emergency repair limits.

4. Provide incentives and authorize agencies to dispose of agency-owned vehicles.

GAO COMMENTS
---------- Chapter 31:2.5.2

Generally Agree. Our ongoing work in this area indicates that this NPR recommendation has merit. This recommendation was originally proposed by the President's Management Improvement Council in 1992 and has been accepted by GSA, the Office of Management and Budget, and other agencies with motor vehicle fleets. However, actions should not be restricted to these operational matters. State governments and private firms have made additional strategic improvements to their fleets through benchmarking and improved information systems that might also be applicable to the federal vehicle fleet.

IMPLEMENTATION
---------- Chapter 31:2.5.3

Partially Implemented. Two of the four action items--update vehicle replacement standards and increase emergency repair limits--have been implemented. The General Services Administration (GSA) revised the Federal Property Management Regulations (FPMR) to (1) allow vehicle replacement on a 3-year instead of a 6-year basis and (2) increase emergency repair limits to $150. Completing the other two action items will require legislative changes; the administration has proposed one change, but taken no action on the other one. The administration proposed eliminating appropriation language limitations on the purchase price of new government vehicles in the Treasury, Postal Service, and General Government Appropriations Act of 1995, but both the Senate and House removed this language. The administration has not proposed legislation to provide incentives to agencies that dispose of their vehicles. However, GSA has solicited and is considering agencies' comments on another FPMR change that would allow agencies to dispose of personal property, including vehicles.

RELATED GAO PRODUCTS
---------- Chapter 31:2.5.4

General Services Administration: Actions Needed to Improve Protection Against Fraud, Waste, and Mismanagement (GAO/GGD-92-98, Sept. 30, 1992).

SUP06: GIVE AGENCIES
AUTHORITY AND INCENTIVE FOR
PERSONAL PROPERTY MANAGEMENT
AND DISPOSAL
---------- Chapter 31:2.6

Provide incentives to agencies to dispose of excess personal property. Automate the process and eliminate the monopoly on personal property disposal.

ACTION ITEMS
---------- Chapter 31:2.6.1

1. Eliminate the monopoly on personal property disposal services.

2. Automate the personal property screening process.

3. Provide incentives to agencies to dispose of excess personal property.

GAO COMMENTS
---------- Chapter 31:2.6.2

Generally Agree. We agree that property management and disposal policies and practices need improvement and that federal efforts to identify, manage, and dispose of unneeded or underutilized property have been largely ineffective. Most federal agencies have no incentive to give up such property because they generally get nothing for it. Thus, financial incentives could result in improvements. However, most federal agencies do not know the market value of their property and pay no penalty for using it inefficiently.

IMPLEMENTATION
---------- Chapter 31:2.6.3

Partially Implemented. One of the three action items--automate the personal property screening process--has been implemented. GSA adapted the Multi-Use File for Interagency News (MUFFIN) so that federal agencies can use it to screen available excess personal property. In October 1994, GSA changed the FPMR to allow agencies to dispose of their personal property. GSA has not drafted or proposed legislation to provide incentives to agencies to dispose of excess personal property.

RELATED GAO PRODUCTS
---------- Chapter 31:2.6.4

General Services Issues (GAO/OCG-93-28TR, Dec. 1992).

General Services Administration: Actions Needed to Improve Protection Against Fraud, Waste, and Mismanagement (GAO/GGD-92-98, Sept. 30, 1992).

NASA Property: Improving Management of Government Equipment Provided to Contractors (GAO/NSIAD-93-191, Sept. 9, 1993).

SUP07: SIMPLIFY TRAVEL AND
INCREASE COMPETITION

---------- Chapter 31:2.7

Increase choices for federal travelers and automate the travel process. Pilot test a tender system for airfares.

ACTION ITEMS
---------- Chapter 31:2.7.1

1. Streamline the travel regulations.

2. Increase choices for federal travelers.

3. Pilot test a tender system for airfares.

4. Automate the travel process.

GAO COMMENTS
---------- Chapter 31:2.7.2

Insufficient Information. We have done no recent work in this area and have no basis to comment on the merits of this recommendation.

IMPLEMENTATION
---------- Chapter 31:2.7.3

Not Implemented--Action Taken. Actions have been taken or are under way to address all four action items under this recommendation, but these actions have not been completed. GSA has arranged to work with the Joint Financial Management Improvement Project to improve federal travel regulations. GSA said it had also changed its criteria for awarding airline ticket contracts to provide more emphasis on customer service and less on cost which should give travelers more desirable options (e.g., nonstop flights at convenient times) while still getting a good value for the government. GSA has plans to begin experimenting, in December 1994 in seven domestic markets, with letting airlines set and adjust government ticket rates in lieu of the traditional contractually established rates. Under this pilot test, agencies plan to scan the rates offered and select the rate with the best combination of cost and services. GSA is developing a method to monitor the rates offered and determine within a year if this approach is benefiting the government. According to the NPR staff, all federal agencies, except one, have taken or plan to take action to automate their travel process.

RELATED GAO PRODUCTS
---------- Chapter 31:2.7.4

None.

SUP08: GIVE CUSTOMERS
CHOICES AND CREATE REAL
PROPERTY ENTERPRISES THAT

PROMOTE SOUND REAL PROPERTY ASSET MANAGEMENT

---------- Chapter 31:2.8

Give agencies greater authority to choose their sources of real property services. Create competitive enterprises within the government to provide real property services on a fee basis, and encourage federal managers to seek the best available source. Create an ownership enterprise for the sound management of federal real property assets. Establish a governmentwide policy for real property asset management. Manage the Federal Buildings Fund in a manner comparable to the commercial sector.

ACTION ITEMS

---------- Chapter 31:2.8.1

1. Give agencies greater authority to choose their sources of real property services.

2. Create competitive enterprises to provide real property services on a fee basis.

3. Create centers of expertise for real property services.

4. Create a customer service organization for real property services in GSA.

5. Provide agencies with information about all possible real property alternatives.

6. Create an enterprise for the sound management of federal real property assets.

7. Establish governmentwide policy for real property asset management.

8. Establish performance benchmarks for the real property enterprises.

9. Commercialize the Federal Buildings Fund.

10. Promote competition between existing real property service providers.

11. Eliminate statutory impediments to the ownership enterprises.

GAO COMMENTS

---------- Chapter 31:2.8.2

Agree. We support the overall thrust of this recommendation. It echoes our long-standing concerns about GSA's monopoly and conflicting roles and the unbusinesslike way the federal government's vast, valuable real estate assets are acquired and managed. While we support the concepts of ending GSA's office space monopoly and creating a new real property asset management enterprise to oversee

the federal real estate portfolio and help maximize its return on investment, barriers inhibiting effective asset management and GSA's ability to compete will need to be reexamined and resolved.

IMPLEMENTATION

---------- Chapter 31:2.8.3

Partially Implemented. This recommendation has been partially implemented in several respects. GSA has a new public buildings information system that contains information on available GSA and commercial space in the marketplace. Equipment and software needed to make the system operational have been delivered to all headquarters and most field users. GSA is completing system installation and training staff to use the system. Also, GSA is reorganizing its existing real estate activities now provided by the Public Buildings Service and Federal Property Resources Service. GSA has designated account officers for some agencies who will provide agencies a single contact point. GSA has developed a conceptual framework for a new organizational structure to perform its public buildings activities. This framework encompasses general components that are responsive to the concepts outlined in NPR's report and includes a governmentwide real property policy office, an enterprise for managing real property assets, and centers of expertise. The details of how these entities will operate and interact is still being developed. GSA's Denver Regional Office is conducting a 1-year pilot test that involves delegating acquisition authority for leases of 3,000 square feet or less to interested federal agencies, but no agency has requested a delegation of authority. To date, no actions have been initiated to commercialize the Federal Buildings Fund, promote competition between existing real property providers, or change the congressional prospectus authorization process.

RELATED GAO PRODUCTS

---------- Chapter 31:2.8.4

Budget Issues: Budget Scorekeeping for Acquisition of Federal Buildings (GAO/T-AIMD-94-189, Sept. 20, 1994).

Federal Real Property: National Performance Review Recommendations (GAO/T-GGD-93-47, Sept. 21, 1993).

Federal Real Property: Key Acquisition and Management Obstacles (GAO/T-GGD-93-42, July 27, 1993).

Federal Buildings Fund Limitations (GAO/GGD-93-34R, Apr. 5, 1993).

General Services Issues (GAO/OCG-93-28TR, Dec. 1992).

General Management Issues (GAO/OCG-93-3TR, Dec. 1992).

Federal Office Space: Obstacles to Purchasing Commercial Properties From RTC, FDIC, and Others (GAO/GGD-92-60, Mar. 31, 1992).

Real Property Management Issues Facing GSA and Congress (GAO/T-GGD-92-4, Oct. 30, 1991).

Federal Buildings: Actions Needed to Prevent Further Deterioration and Obsolescence (GAO/GGD-91-57, May 13, 1991).

Federal Office Space: Increased Ownership Would Result in Significant Savings (GAO/GGD-90-11, Dec. 22, 1989).

SUP09: SIMPLIFY PROCEDURES FOR ACQUIRING SMALL BLOCKS OF SPACE TO HOUSE FEDERAL AGENCIES

---------- Chapter 31:2.9

Simplify the procedures for acquiring small amounts of leased space under 10,000 square feet.

ACTION ITEM

---------- Chapter 31:2.9.1

Simplify the procedures for acquiring small amounts of leased space.

GAO COMMENTS

---------- Chapter 31:2.9.2

Generally Agree. Our work in the leasing area indicates that this recommendation has merit and may be beneficial for the entire leased space program. GSA now pays $2 billion annually for leased office space and these costs are projected to increase to $3 billion annually by 2002 unless the ratio of federally owned to leased space is increaed. Some private sector real estate professionals believe that the federal process may be contributing to higher federal lease costs.

IMPLEMENTATION

---------- Chapter 31:2.9.3

Not Implemented--Action Taken. The Federal Acquisition Streamlining Act of 1994, enacted on October 13, 1994, authorizes simplified acquisition procedures for leases having an average annual rent of $100,000 or less. GSA's Denver Regional Office has a reinvention lab under way to identify ways of simplifying the lease process. As a part of this effort, it empowered its lease specialists to analyze arising lease needs and identify ways of simplifying the process that make sense, given the specific circumstances. GSA's Denver Regional Office can delegate to interested federal agencies lease acquisition authority for office space of 3,000 square feet or less. Agencies will be encouraged to share successful strategies.

RELATED GAO PRODUCTS

---------- Chapter 31:2.9.4

Federal Real Property: National Performance Review Recommendations

(GAO/T-GGD-93-47, Sept. 21, 1993).

Federal Real Property: Key Acquisition and Management Obstacles (GAO/T-GGD-93-42, July 27,1993).

Federal Buildings Fund Limitations (GAO/GGD-93-34R, Apr. 5, 1993).

SUP10: ESTABLISH NEW CONTRACTING PROCEDURES FOR THE CONTINUED OCCUPANCY OF LEASED OFFICE SPACE

---------- Chapter 31:2.10

Simplify the procedures for renewing leases.

ACTION ITEM

---------- Chapter 31:2.10.1

Simplify the procedures for renewing leases.

GAO COMMENTS

---------- Chapter 31:2.10.2

Generally Agree. Our ongoing work in the leasing area indicates that GSA's leasing process has several inherent characteristics that seem to make it inefficient and time-consuming, discourage competition, and increase leasing costs. Since the same process is used for new as well as existing leases, this recommendation could result in a more efficient and effective process for renewing existing leases.

IMPLEMENTATION

---------- Chapter 31:2.10.3

Not Implemented--Action Taken. According to NPR, this recommended change requires legislation. The Federal Acquisition Streamlining Act of 1994, as originally proposed, included language to accomplish this recommendation, but the congressional conference committee dropped this language. As part of GSA's reinvention laboratory efforts, its regional offices in Denver, Colorado and Auburn, Washington are experimenting with different leasing acquisition procedures, including streamlined procedures for awarding succeeding leases. GSA has negotiated at least three succeeding leases using streamlined procedures.

RELATED GAO PRODUCTS

---------- Chapter 31:2.10.4

Federal Real Property: National Performance Review Recommendations (GAO/T-GGD-93-47, Sept. 21, 1993).

SUP11: REDUCE POSTAGE COSTS

THROUGH IMPROVED MAIL MANAGEMENT

---------- Chapter 31:2.11

Encourage postage savings through the implementation of mail management initiatives. Allow line managers to manage their own postal budgets.

ACTION ITEMS

---------- Chapter 31:2.11.1

1. Create workgroups to assist agencies with implementing postal worksharing programs.

2. Identify agencies to lead cooperative mail management initiatives.

3. Issue guidelines that encourage postage savings through the implementation of mail management initiatives.

4. Allow line managers to manage their postal budgets.

GAO COMMENTS

---------- Chapter 31:2.11.2

Agree. We support the pursuit of available postage discounts and other initiatives that would reduce federal agencies' mail costs.

IMPLEMENTATION

---------- Chapter 31:2.11.3

Not Implemented--Action Taken. GSA has developed plans to establish an Interagency Committee on Mail Management to identify and push needed mail management improvements. When it is established, this committee is to bring together agency mail managers so they can share cost-effective worksharing and mail management techniques. Also, GSA has drafted a mail management policy that, among other things, assigns line managers some responsibility for managing their mail budget. According to NPR, some federal agencies already have efforts under way to encourage mail management initiatives and allow line managers to manage their postal budgets.

RELATED GAO PRODUCTS

---------- Chapter 31:2.11.4

General Services Issues (GAO/OCG-93-28TR, Dec. 1992).

Mail Management: GSA Needs to Improve Support of Agency Programs (GAO/GGD-90-49, Aug. 7, 1990).

REENGINEER THROUGH THE USE OF INFORMATION TECHNOLOGY (IT)

========== Chapter 32

OVERALL SUMMARY

---------- Chapter 32:1

The recommendations in this section, which comprise an ambitious set of goals, are in their early stages of development. These recommendations, designed to create an "electronic government," could dramatically improve the type and level of service provided to citizens while reducing the cost of these services. While action has been taken on all of these recommendations, none has been fully implemented and most are still in the planning stage. Fortunately, the preliminary nature of these recommendations also creates an opportunity for the administration to address development concerns before plans are finalized and significant funding has been spent.

We believe three issues could adversely impact the successful implementation of these recommendations:

-- The administration has created interagency groups to implement many of these recommendations. These groups are a good mechanism for creating quick and meaningful involvement by diverse federal agencies. However, these groups rely upon the current administration for their existence and do not have independent funding sources. Thus, interagency cooperation may have to be strengthened and institutionalized to ensure the long-term success of these recommendations.

-- Effective information management is a significant challenge at most agencies. For these recommendations to succeed over the long term, agencies will need to improve their information technology management skills and implementation practices. If these skills and practices are not improved, the benefits promised from these recommendations may never be realized.

-- Policy makers should be aware that trade-offs may have to be made between different national policy goals to fully implement these recommendations.

GAO CONTACT

---------- Chapter 32:1.1

Christopher W. Hoenig, Director, Information Resources Management Policies and Issues, Accounting and Information Management Division, (202) 512-6406.

RECOMMENDATION INFORMATION

---------- Chapter 32:2

IT01: PROVIDE CLEAR, STRONG LEADERSHIP TO INTEGRATE INFORMATION TECHNOLOGY INTO THE BUSINESS OF GOVERNMENT

---------- Chapter 32:2.1

Create a Government Information Technology Services (GITS) Working Group to develop a strategic vision for the use of government information technology and to implement NPR's information technology recommendations.

ACTION ITEMS

---------- Chapter 32:2.1.1

1. Plan for effective use of information technology throughout government.

2. Coordinate and oversee implementation of information technology plans.

GAO COMMENTS

---------- Chapter 32:2.1.2

Generally Agree. We support the recommendation for developing a strategic vision for the use of government information technology. We have consistently cited poor management as a root cause of agencies' shortcomings in using information technology to streamline their operations and improve their service to the public. Specifically, top federal managers continue to overlook the strategic role of information technology in reengineering business practices. The working group has published a strategic vision and an implementation plan. Actual implementation of the NPR recommendations, however, would likely require resources beyond the working group.

IMPLEMENTATION

---------- Chapter 32:2.1.3

Not Implemented--Action Taken. The charter for the GITS Working Group was approved on Feb. 10, 1994. A draft statement of work has been developed to use contracted assistance to develop a governmental IRM enterprise model. In addition, a strategic vision document for improving the use of IT in the federal government was published in September 1994. GITS is continuing to meet with interagency teams to identify common IT implementation problems and solutions. GITS also provided input into OMB's revision of Circular A-130 that encourages the integration of IRM plans with agency strategic plans and budgets.

RELATED GAO PRODUCTS

---------- Chapter 32:2.1.4

Improving Mission Performance Through Strategic Information Management and Technology (GAO/AIMD-94-115, May 1994).

Defense Management: Stronger Support Needed for Corporate Information Management Initiative To Succeed (GAO/AIMD/NSIAD-94-101, Apr. 12, 1994).

Revision of OMB'S Circular A-130 (GAO/AIMD-94-60R, Dec. 12, 1993).

Veterans Benefits: Acquisition of Information Resources for Modernization Is Premature (GAO/IMTEC-93-6, Nov. 4, 1992).

Perceived Barriers to Effective Information Management: Results of GAO Panel Discussions (GAO/IMTEC-92-67, Sept. 1992).

Department of Energy: Better Information Resources Management Needed to Accomplish Missions (GAO/IMTEC-92-53, Sept. 29, 1992).

Transportation Safety: Information Strategy Needed for Hazardous Materials (GAO/IMTEC-91-50, Sept. 25, 1991).

Meeting the Government's Technology Challenge: Results of a GAO Symposium (GAO/IMTEC-90-23, Feb. 1990).

Tax System Modernization: IRS' Challenge for the 21st Century (GAO/IMTEC-90-13, Feb. 8, 1990).

IT02: IMPLEMENT NATIONWIDE, INTEGRATED ELECTRONIC BENEFIT TRANSFER

---------- Chapter 32:2.2

Design an integrated implementation plan for the use of electronic benefit transfer for programs such as food stamps and for direct payments to individuals without bank accounts.

ACTION ITEMS

---------- Chapter 32:2.2.1

1. Design an integrated EBT implementation plan.

2. Draft policies and/or legislation needed to facilitate nationwide implementation of EBT.

GAO COMMENTS

---------- Chapter 32:2.2.2

Generally Agree. We have not yet fully studied the issue of electronic benefit transfers within the context of these particular programs because such initiatives are relatively new. However, we believe this recommendation has merit and warrants further consideration because of its potential for simplifying the delivery of benefit payments.

IMPLEMENTATION

---------- Chapter 32:2.2.3

Partially Implemented. In November 1993, a federal EBT Task Force was chartered to implement this recommendation. Chaired by OMB, the

task force primarily consists of officials from the Departments of Agriculture, Treasury, Health and Human Services, and Education.

In May 1994, the task force issued an integrated EBT implementation plan as required by the first action item. This plan lays out the strategy, challenges, and milestones for nationwide implementation of EBT for a wide range of federal and state benefit programs. Standard EBT services are to be available to benefit recipients in all states by 1999.

The EBT Task Force is working with state officials to finalize a detailed implementation plan and to identify groups of states that will participate in EBT prototypes. Work also continues to (1) establish standard operating rules that govern the procedures, roles, and responsibilities of federal and state agencies, networks, card issuers/processors, and automated teller machine or point-of-sale terminal acquirers; and (2) select financial agents to provide standard settlement services including the transfer of funds from federal and state governments and the reconciliation of transactions and funds transfers. Further, the task force plans to work with Congress on any legislation and regulatory changes needed to implement the final plan.

Based on its cost assumptions, the EBT Task Force's plan estimates annual federal savings of $195 million. Cost studies of operational EBT projects do not show conclusively that EBT is cost-effective, and the EBT Task Force acknowledges a range of issues that must be resolved. The most significant of these issues is the Federal Reserve Board's decision to make EBT subject to its Regulation E which limits the liability of benefit recipients to $50 if they notify the government within 2 business days of learning of the loss or theft of their access card. The states may then have to replace these benefits--some estimate hundreds of millions of dollars--with no additional federal funding. Other cost issues include determining the number of free transactions allowed a benefit recipient and who will pay for providing point-of-sale terminals.

In February 1994, the Federal Reserve Board voted to apply the same legal framework of rights and responsibilities to EBT transactions as for other electronic funds transfers using debit or credit cards (Regulation E). Although provisions limiting the liability of cardholders for unauthorized transfers do not go into effect until March 1997, states consider the application of Regulation E to be a "show stopper" because requirements to reinstate benefits would result in an unfunded liability that falls chiefly on states. During the next 3 years, the federal government will evaluate the costs and impacts of these liability provisions.

RELATED GAO PRODUCTS

---------- Chapter 32:2.2.4

Food Assistance: Reducing Fraud and Abuse in the Food Stamp Program With Electronic Benefit Transfer Technologies (GAO/T-RCED-94-125, Feb. 2, 1994).

Child Support Enforcement: Timely Action Needed to Correct System

Development Problems (GAO/IMTEC-92-46, Aug. 13, 1992).

Welfare Programs: Ineffective Federal Oversight Permits Costly Automated System Problems (GAO/IMTEC-92-29, May 27, 1992).

IT03: DEVELOP INTEGRATED ELECTRONIC ACCESS TO GOVERNMENT INFORMATION AND SERVICE

---------- Chapter 32:2.3

Use information technology initiatives to improve customer service by creating a one-stop "800" calling service, integrated one-stop service "kiosks," and a governmentwide electronic bulletin board system.

ACTION ITEMS

---------- Chapter 32:2.3.1

1. Coordinate, recommend, and implement information technology initiatives to improve customer service.

2. Implement an integrated governmentwide national 800-number calling service.

3. Implement an integrated one-stop government services kiosk.

4. Implement an integrated governmentwide one-stop electronic bulletin board system.

5. Work with private industry to advance the implementation of technologies that provide citizens access to government information and services.

GAO COMMENTS

---------- Chapter 32:2.3.2

Insufficient Information. While wholeheartedly supporting the use of information technology initiatives to improve customer service, we cannot endorse these specific initiatives without knowing further details about them.

IMPLEMENTATION

---------- Chapter 32:2.3.3

Not Implemented--Action Taken. A draft implementation plan has been completed and the General Services Administration's Information Resources Management Service group has been designated as the lead agency for creating a one-stop 800 calling service. The U.S. Postal Service (USPS) has assumed the lead in defining a governmentwide kiosk utility and other electronic means of access to the federal government.

Work has also been done on integrated one-stop government services kiosks. The Social Security Administration, USPS, and the Veterans Administration have each had a prototype kiosk since September 1993. These three groups are meeting weekly to discuss three aspects of the kiosks--the type of applications that can be used, the technology to be used, and business issues (i.e., whether the potential applications will be cost beneficial). The group plans to submit a combined implementation plan by late 1994. Also, the National Technical Information Services has been designated as the lead agency to coordinate an effort to implement an on-line service (electronic bulletin board system). Finally, the National Communications System has assumed the lead role in developing partnerships with industry to assist the government in improving customer service through integrated electronic access.

RELATED GAO PRODUCTS

---------- Chapter 32:2.3.4

Paperwork Reduction Act: Opportunity to Strengthen Government's Management of Information and Technology (GAO/T-AIMD/GGD-94-126, May 19, 1994).

Improving Mission Performance Through Strategic Information Management and Technology (GAO/AIMD-94-115, May 1994).

Tax Systems Modernization: Input Processing Strategy Is Risky and Lacks a Sound Analytical Basis (GAO/T-IMTEC-92-15, Apr. 29, 1992).

Public Access: Two Case Studies of Federal Electronic Dissemination (GAO/IMTEC-90-44BR, May 14, 1990).

IT04: ESTABLISH A NATIONAL LAW ENFORCEMENT/PUBLIC SAFETY NETWORK

---------- Chapter 32:2.4

Establish a national law enforcement/public safety data network for use by federal, state, and local law enforcement officials.

ACTION ITEMS

---------- Chapter 32:2.4.1

1. Formalize the Federal Law Enforcement Wireless Users Group.

2. Establish a National Law Enforcement/Public Safety Wireless Network for use by federal, state, and local governments.

GAO COMMENTS

---------- Chapter 32:2.4.2

Insufficient Information. We support the concept of interoperability among the federal, state, and local law enforcement, public safety, and disaster response agencies. However, we cannot reasonably agree

or disagree with this recommendation without knowing more details, such as the requirements of the federal, state, and local agencies involved; the cost, feasibility, and security of the approach; the type of data that would be carried across the network; and how the data would be used.

IMPLEMENTATION

---------- Chapter 32:2.4.3

Partially Implemented. Initial actions have been taken to begin development of the National Law Enforcement/Public Safety Wireless Network. On April 20, 1994, the Secretary of the Treasury and the Attorney General co-signed a memorandum of understanding (MOU) formalizing the Federal Law Enforcement Wireless Users Group. While the charter and membership of the group are not defined in the MOU, the users group subsequently took action to complete them. Also, the Government Information Technology Services Working Group issued a memorandum in July 1994 directing the users group to coordinate the establishment of this intergovernmental wireless network. The users group has begun coordination with federal, state, and local agencies and funds have been requested to initiate this effort. However, the group has not defined cost and benefits, established budget strategies, or developed a plan for implementing the network over the next 10 years.

RELATED GAO PRODUCTS

---------- Chapter 32:2.4.4

None.

IT05: PROVIDE INTERGOVERNMENTAL TAX FILING, REPORTING, AND PAYMENTS PROCESSING

---------- Chapter 32:2.5

Integrate government financial filings, reporting, and payments processing, and determine ways to eliminate the need for filing routine tax returns.

ACTION ITEMS

---------- Chapter 32:2.5.1

1. Integrate government financial filings, reporting, and payments processing.

2. Determine ways to eliminate the need for filing routine income tax returns.

GAO COMMENTS

---------- Chapter 32:2.5.2

Generally Agree. We fully support the use of information technology to foster intergovernmental cooperation for processing tax returns and simplifying tax reporting. However, the infrastructure that would provide intergovernmental access to the system is a long-term goal of IRS' modernization and may not be feasible in the short term. We also believe that adequate protections to prevent tax filing fraud must be an integral part of the system's design. Finally, we testified in 1992 about a version of return-free filing called final withholding. Final withholding has the potential to eliminate the need for filing routine tax returns for many taxpayers and thereby reduce the burden on both the taxpayer and tax agency. IRS studied a different form of return-free filing in which IRS would use wage and financial information in its possession to prepare a return for the taxpayer.

IMPLEMENTATION

---------- Chapter 32:2.5.3

Not Implemented--Action Taken. Most of the completed work has been related to the first action item and has concentrated on underlying business issues through the Wage Reporting Simplification Project (WRSP). WRSP was begun in 1990, prior to the NPR inititative, and is a multi-agency effort to reduce the employment wage and tax reporting burden on employers. In December 1993, the MITRE Corporation completed a feasibility study that concluded wage simplification was feasible and recommended that IRS develop an automated wage reporting system. In May 1994, a working group began to define and standardize wage components for all states, and in June 1994, another working group began a wage reporting information system development effort to implement the WRSP concept.

Other actions completed to implement this recommendation include (1) a W-2 demonstration project to reduce duplicative W-2 reporting by employers and (2) approval of a digital signature standard to facilitate electronic filing of tax information.

RELATED GAO PRODUCTS

---------- Chapter 32:2.5.4

Tax Administration: Opportunities to Reduce the Burden of Filing and Processing Tax Returns (GAO/T-GGD-92-41, May 13, 1992).

Internal Revenue Service: Opportunities to Reduce Taxpayer Burden Through Return-Free Filing (GAO/GGD-92-88BR, May 8, 1992).

IT06: ESTABLISH AN INTERNATIONAL TRADE DATA SYSTEM

---------- Chapter 32:2.6

Develop and implement a U.S. Government International Trade Data System in the Treasury Department.

ACTION ITEM
---------- Chapter 32:2.6.1

Develop and implement a U.S. Government International Trade Data System.

GAO COMMENTS
---------- Chapter 32:2.6.2

Generally Agree. While the details for this system have not been established, we believe it is important to streamline the collection of data needed to support and facilitate trade, enforce trade laws, and collect customs revenues.

IMPLEMENTATION
---------- Chapter 32:2.6.3

Not Implemented--Action Taken. This recommendation has not been implemented. Specific action has not been taken to conceptionally design the International Trade Data System. However, in March 1994, OMB requested the U.S. Customs Service to chair an interagency task force whose mission will be to develop the data system in the Department of the Treasury. In August 1994, Customs formally agreed to lead the interagency task force. Customs has also established the Office of International Trade Data Exchange (INTRADEX) within its Office of Information Management to handle this project. INTRADEX members held an initial planning meeting in September 1994 and established a steering committee and working groups in a separate Sepetember 1994 meeting.

Customs has also conducted meetings with Canada Customs and Mexico Customs to implement a North American Free Trade Agreement (NAFTA) prototype which will lay the groundwork for the international trade data system development. The final agreement between the three Customs authorities to build a prototype is expected in early fiscal year 1995.

RELATED GAO PRODUCTS
---------- Chapter 32:2.6.4

Measuring U.S.-Canada Trade: Shifting Trade Winds May Threaten Recent Progress, (GAO/GGD-94-4, Jan. 19, 1994).

IT07: CREATE A NATIONAL
ENVIRONMENTAL DATA INDEX
---------- Chapter 32:2.7

Organize the implementation of a National Environmental Data Index in the Commerce Department.

ACTION ITEM
---------- Chapter 32:2.7.1

Organize the implementation of a National Environmental Data Index.

GAO COMMENTS
---------- Chapter 32:2.7.2

Generally Agree. Our work has shown a need to effectively share environmental data within and among agencies responsible for maintaining and using these data. We do not have enough detail on the proposed National Environmental Data Index to determine if it could facilitate such information sharing.

IMPLEMENTATION
---------- Chapter 32:2.7.3

Not Implemented--Action Taken. Initial steps have been taken and planning work has begun. On August 30, 1994, the White House issued a memorandum to the National Oceanic and Atmospheric Administration (NOAA) concerning the Index. Additionally, NOAA has taken a number of steps towards developing an implementation plan for the Index. These steps include identification of (1) agencies with relevant data and (2) efforts which will support the Index, or which the Index will support. Planned steps that still need to be completed to implement the Index include (1) completion of an implementation plan for the Index that includes establishment of data standards, (2) review of the plan by the White House Committee on Environment and Natural Resources, and (3) submissions to NOAA from as many as 34 agencies on standard descriptions of all relevant environmental databases.

RELATED GAO PRODUCTS
---------- Chapter 32:2.7.4

Environmental Protection: EPA's Plans to Improve Longstanding Information Resources Management Problems (GAO/AIMD-93-8, Sept. 16, 1993).

National Water Quality Assessment: Geological Survey Faces Formidable Data Management Challenges (GAO/IMTEC-93-30, June 30, 1993).

Creation of a Department of Environmental Protection (GAO/T-RCED-93-39, May 6, 1993).

Environmental Enforcement: EPA Needs a Better Strategy to Manage Its Cross-Media Information (GAO/IMTEC-92-14, Apr. 2, 1992).

Food Safety: USDA Data Program Not Supporting Critical Pesticide Decisions (GAO/IMTEC-92-11, Jan. 31, 1992).

IT08: PLAN, DEMONSTRATE,
AND PROVIDE GOVERNMENTWIDE
ELECTRONIC MAIL
---------- Chapter 32:2.8

Improve electronic mail and messaging among federal agencies.

ACTION ITEMS
---------- Chapter 32:2.8.1

1. Improve electronic mail and messaging among federal agencies.

2. Issue a governmentwide E-mail records management policy.

GAO COMMENTS
---------- Chapter 32:2.8.2

Generally Agree. We believe that electronic mail is rapidly becoming a fundamental tool for communications in all organizations, in both the private and public sectors. As a result, investment in this technology seems warranted.

IMPLEMENTATION
---------- Chapter 32:2.8.3

Not Implemented--Action Taken. The administration has begun planning for government-wide E-mail and a program management office has been established. The Electronic Mail Task Force published a report which evaluated the current state of federal government E-mail activity, outlined a program plan, selected four pilot projects, and identified issues that need to be resolved to permit governmentwide E-mail. As a result of this report, GSA established an E-mail Program Management Office. Additionally, an interagency working group recommended and OMB approved $3 million in initial funding for this initiative.

As for the second action item, the National Archives and Records Administration issued proposed rules for the handling and storage of E-mail records in March 1994.

RELATED GAO PRODUCTS
---------- Chapter 32:2.8.4

None.

IT09: ESTABLISH AN
INFORMATION INFRASTRUCTURE
---------- Chapter 32:2.9

Develop a government information infrastructure (GII) to use government information resources effectively and support electronic government applications. Consolidate and modernize government data processing centers.

ACTION ITEMS
---------- Chapter 32:2.9.1

1. Develop a Government Information Infrastructure(GII) to effectively use government information resources and support electronic government applications.

2. Consolidate and modernize government data processing centers.

3. Reengineer basic systems for improved delivery of government services.

4. Consolidate and integrate federal government private networks.

GAO COMMENTS

---------- Chapter 32:2.9.2

Generally Agree. Within the context of specific government functions, we have recommended that effective electronic infrastructures be developed. For example, our report War On Drugs: Information Management Poses Formidable Challenges recommended that the agencies involved establish a proper electronic infrastructure to carry out their coordinated drug interdiction efforts. Therefore, while we support the development of critical electronic infrastructures to support specific programs, we do not have enough information about "a government information infrastructure" to endorse it. However, it should be noted that an electronic infrastructure would likely involve state and local governments that have the primary delivery roles for computer-dependent welfare and health programs. We also generally support the concept of consolidating and modernizing government data processing centers.

IMPLEMENTATION

---------- Chapter 32:2.9.3

Not Implemented--Action Taken. The Government Information Technology Services Working Group has developed a draft plan/architecture for a government information infrastructure. The working group has established the Federal Data Center Consolidation Committee to identify opportunities for consolidating federal data processing centers. The committee expects to complete its action plan and deliver its recommendations to OMB by December 1994.

The Integrated Services Panel has been established to identify opportunities for consolidating and sharing the government's private networks. The panel is currently working with the FTS 2000 Interagency Management Council to identify federal agencies' networking resources and opportunities for consolidation. A list of consolidation opportunities is expected in December 1994. An action plan to reengineer basic government systems is expected in July 1995.

RELATED GAO PRODUCTS

---------- Chapter 32:2.9.4

Paperwork Reduction Act: Opportunity to Strengthen Government's Management of Information and Technology (GAO/T-AIMD/GGD-94-126, May

19, 1994).

Executive Guide: Improving Mission Performance Through Strategic Information Management and Technology (GAO/AIMD-94-115, May 1994).

Weather Forecasting: Systems Architecture Needed for National Weather Service Modernization (GAO/AIMD-94-28, Mar. 11, 1994).

Tax Systems Modernization: Status of Planning and Technical Foundation (GAO/T-AIMD-GGD-94-104, Mar. 2, 1994).

Perceived Barriers to Effective Information Management: Results of GAO Panel Discussions (GAO/IMTEC-92-67, Sept. 1992).

Geographic Information System: Forest Service Has Resolved GAO Concerns About Its Proposed Nationwide System (GAO/T-IMTEC-92-14, Apr. 28, 1992).

War On Drugs: Information Management Poses Formidable Challenges (GAO/IMTEC-91-40, May 31, 1991).

Meeting the Government's Technology Challenge: Results of a GAO Symposium (GAO/IMTEC-90-23, Feb. 1990).

IT10: DEVELOP SYSTEMS AND MECHANISMS TO ENSURE PRIVACY AND SECURITY

---------- Chapter 32:2.10

Establish a Privacy Protection Board. Establish uniform privacy protection practices and generally acceptable implementation methods for these practices. Develop a digital signature standard for sensitive, unclassified data by December 1994.

ACTION ITEMS

---------- Chapter 32:2.10.1

1. Establish a Privacy Protection Board.

2. Establish uniform privacy protection practices and generally acceptable implementation methods for these practices.

3. Develop standard encryption capabilities and digital signatures for sensitive unclassified data.

4. Develop generally accepted principles and practices for information security.

5. Develop a national crisis response clearinghouse.

6. Emphasize the need for information security in sensitive unclassified systems.

7. Reevaluate security practices related to national security data.

8. Foster the industry-government partnership for improving services and security in public telecommunications.

9. Implement the National Industrial Security Program.

10. Develop comprehensive Internet security plan.

11. Coordinate security research and development.

GAO COMMENTS
---------- Chapter 32:2.10.2

Generally Agree. We have identified agencies' inability to ensure the security, integrity, or reliability of information systems as one of the 10 managerial and operational problems most cited in our past work. Indeed, the scope of these problems is so large that establishment of such a board can only be regarded as a first step in resolving these issues. Therefore, we strongly agree with the fundamental principle that data used in federal systems must be adequately protected. However, without more details about the organization and functions of the proposed "Privacy Protection Board," we cannot fully endorse the proposal. Also, the Comptroller General has concluded that digital signatures can be used to meet the requirements of 31 U.S.C. 1501 for recording an obligation (71 Comp. Gen. 109, 1991). Further, the National Institute of Standards and Technology has issued a digital signature standard. The effective date for implementing this standard is December 1994.

IMPLEMENTATION
---------- Chapter 32:2.10.3

Not Implemented--Action Taken. None of the action items have been completed, but initial action has been taken on all of them. For example, (1) on May 25, 1994, the Information Infrastructure Task Force published for public comment its draft principles on uniform privacy protection as called for in action item two; and (2) as part of action item three, the National Institute of Standards and Technology expects to make the final digital signature standard effective in December 1994.

RELATED GAO PRODUCTS
---------- Chapter 32:2.10.4

Controlling Electronic Filing Fraud and Improper Access To Taxpayer Data (GAO/T-AIMD/GGD-94-183, July 19, 1994).

Benefits and Barriers to Automated Medical Records (GAO/T-AIMD-94-117, May 6, 1994).

Communications Privacy: Federal Policy and Actions (GAO/OSI-94-2, Nov. 4, 1993).

Tax Systems Modernization: Concerns Over Security and Privacy Elements of the Systems Architecture (GAO/IMTEC-92-63, Sept. 21,

1992).

Computers and Privacy: How the Government Obtains, Verifies, Uses, and Protects Personal Data (GAO/IMTEC-90-70BR, Aug. 3, 1990).

IT11: IMPROVE METHODS OF INFORMATION TECHNOLOGY ACQUISITION

---------- Chapter 32:2.11

(See PROC08, PROC09, PROC14, SUP04, and FM06.)

ACTION ITEMS

---------- Chapter 32:2.11.1

1. Conduct a 2-year pilot test of a modernized IT acquisition framework.

2. Increase delegation of authority to agencies.

3. Expand use of commercial credit cards.

4. Pilot test innovative approaches under the Multiple Award Schedule Program.

5. Expand electronic commerce.

6. Provide incentives for improved IT acquisition service efficiency.

GAO COMMENTS

---------- Chapter 32:2.11.2

Generally Agree. As discussed in our December 1992 transition series report on Information Management and Technology Issues, even well-planned efforts to modernize the use of information technology can be adversely affected by the federal acquisition management and budget processes. A fundamental dichotomy is at work in large-scale systems development projects: the acquisition management process demands certainty and is risk-averse, yet systems development is inherently uncertain and risk-intensive. The Federal Acquisition Streamlining Act of 1994 takes steps to address this problem by increasing the efficiency of the acquisition process. Recent GAO work indicates that procurement risks can be reduced by managing information technology as an investment, developing major projects in increments, and maintaining senior management oversight.

IMPLEMENTATION

---------- Chapter 32:2.11.3

Not Implemented--Action Taken. Some action has been taken on each of the above support recommendations, but none has been fully implemented. For example, (1) GSA is conducting pilot tests of

alternative IT acquisition methods at two agencies and other pilots are being considered, (2) a Federal Information Resource Management Regulation interim rule increasing delegation of procurement authority thresholds was published in October 1994 in the Federal Register, (3) senior officials from 10 federal agencies signed a pledge to significantly expand the use of purchase cards with a target of increasing the dollar volume and number of card holders 100 percent by October 1994, (4) two pilot tests of automated Multiple Award Schedule systems under 70B/C have been initiated, (5) the President issued a directive on October 26, 1993, requiring that the government implement an electronic commerce system by January 1997 (the resultant federal EC Acquisition Team has issued a draft report on streamlining procurement through electronic commerce), and (6) an ad hoc planning committee representing several agencies has met to discuss sharing resources through franchising issues that include IT-related services.

RELATED GAO PRODUCTS

---------- Chapter 32:2.11.4

OMB and GSA: Federal Procurement Data System Improvements (GAO/AIMD-94-178R, Aug. 19, 1994).

Executive Guide: Improving Mission Performance Through Strategic Information Management and Technology (GAO/AIMD-94-115, May 1994).

Paperwork Reduction Act: Opportunity to Strengthen Government's Management of Information and Technology (GAO/T-AIMD/GGD-94-126, May 19, 1994).

Information Management: Need for A Chief Information Officer for the General Services Administration (GAO/T-AIMD-94-98, Mar. 24, 1994).

Information Management and Technology Issues (GAO/OCG-93-5TR, Dec. 1992).

Information Technology: An Audit Guide for Assessing Acquisition Risks (GAO/IMTEC-8.1.4, Dec. 1992).

ADP Procurements: GSA Needs to Improve Its Review Process to Enhance Its ADP Oversight (GAO/IMTEC-92-7, Oct. 28, 1991).

Information Technology: A Model to Help Managers Decrease Acquisition Costs (GAO/IMTEC-8.1.6, Aug. 1990).

IT12: PROVIDE INCENTIVES FOR INNOVATION

---------- Chapter 32:2.12

Retain a portion of agency information technology savings to reinvest in information technology. Promote performance-based contracting for information technology. Establish a governmentwide venture capital fund for innovative information technology projects.

ACTION ITEMS
---------- Chapter 32:2.12.1

1. Retain a portion of agency information technology savings for reinvestment.

2. Promote performance-based contacting for information technology.

3. Use multiyear funding for agency information technology projects.

4. Establish a governmentwide venture capital fund for innovative information technology projects.

GAO COMMENTS
---------- Chapter 32:2.12.2

Insufficient Information. GAO agrees that making capital available for innovation could help the government use technology more effectively and strengthen and modernize its support services. However, it is not clear how this reinvestment would work. On the basis of recent work, we believe that the H.R. 3400 proposal to establish innovation funds raised serious questions about legislative oversight and would be a significant departure from current legislative/executive relationships. Furthermore, it is questionable whether the budget mechanism as proposed would be self-sustaining. Finally, we believe that existing working capital funds or other types of revolving funds could be used to fund agency efforts to promote innovation.

IMPLEMENTATION
---------- Chapter 32:2.12.3

Not Implemented--Action Taken. The administration is engaged in several activities designed to implement this recommendation. OMB's current budget guidance includes an explanation about identifying information technology derived savings for reinvestment in future years. Also, OMB has asked agencies to identify major new IT projects that require multiyear funding. Finally, a federal IT Acquisition Team has developed an action plan that, if implemented, would promote governmentwide, performance-based contracting for IT.

RELATED GAO PRODUCTS
---------- Chapter 32:2.12.4

Improving Government: GAO's Views on H.R. 3400 Management Initiatives (GAO/T-AIMD/GGD-94-97, Feb. 23, 1994).

Working Capital Funds: Three Agency Perspectives (GAO/AIMD-94-121, May 20, 1994).

IT13: PROVIDE TRAINING AND
TECHNICAL ASSISTANCE IN
INFORMATION TECHNOLOGY TO

FEDERAL EMPLOYEES

---------- Chapter 32:2.13

Establish a program to train nontechnical senior executives and political appointees in information technology. Require managers of information resources to meet certification standards. Promote collegial assistance in using information technology. Include training costs as part of all information technology purchases.

ACTION ITEMS

---------- Chapter 32:2.13.1

1. Establish a program to train nontechnical senior executives and political appointees in information technology.

2. Require minimum competency in information technology for Senior Executive Service candidates.

3. Require IRM managers to meet certification standards.

4. Promote collegial assistance for IT.

5. Include training as part of all information technology contracts and acquisitions.

GAO COMMENTS

---------- Chapter 32:2.13.2

Generally Agree. We agree and generally support effective efforts to raise the level of knowledge of information resources management in federal agencies. In 1991, participants in a GAO-sponsored roundtable identified a lack of skills or information on how to manage technology as a barrier to effective information management. Specifically, they believed that staff at all levels of government lacked the training, background, or education necessary to successfully implement--or even understand--information resources management.

IMPLEMENTATION

---------- Chapter 32:2.13.3

Not Implemented--Action Taken. This recommendation is comprised of five separate goals. No action has occurred on three of these goals. These goals were to (1) establish a program to train senior federal managers in information technology, (2) require managers of information technology to meet certification standards, and (3) promote collegial assistance for information technology. Limited progress has been made on the other two goals. OPM has taken initial steps to ensure that Senior Executive Service (SES) candidates have minimum competency in information technology. For example, OPM is reviewing SES vacancy announcements for IT competency requirements and is drafting IT qualification guidance for SES candidates. GSA and OPM are also developing guidelines for including training in information technology contracts.

RELATED GAO PRODUCTS
---------- Chapter 32:2.13.4

Perceived Barriers to Effective Information Management: Results of GAO Panel Discussions (GAO/IMTEC-92-67, Sept. 1992).

Management of HHS: Using the Office of the Secretary to Enhance Departmental Effectiveness (GAO/HRD-90-54, Feb. 9, 1990).

Managing IRS: Actions Needed to Assure Quality Service in the Future (GAO/GGD-89-1, Oct. 14, 1988).

RETHINKING PROGRAM DESIGN (DES)
========== Chapter 33

OVERALL SUMMARY
---------- Chapter 33:1

No progress has been made in implementing these four recommendations. These are the only body of recommendations where no progress has been made to date.

GAO CONTACT
---------- Chapter 33:1.1

William M. Hunt, Director, Federal Management Issues, General Government Division, (202) 512-8676.

RECOMMENDATION INFORMATION
---------- Chapter 33:2

DES01: ACTIVATE PROGRAM DESIGN AS A FORMAL DISCIPLINE
---------- Chapter 33:2.1

The President's Management Council should commission the development of a handbook to help federal managers understand the strengths and weaknesses of various forms of program design.

ACTION ITEMS
---------- Chapter 33:2.1.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 33:2.1.2

Generally Agree. We agree that substantial benefits can be gained through analysis of diverse program design methodologies as they relate to specific program goals or objectives. We have not studied the feasibility of a handbook as cited by NPR, but note that many benefits may be derived from program design guidelines and resources such as the handbook.

IMPLEMENTATION
---------- Chapter 33:2.1.3

Not Implemented--No Action Taken. There has been no progress on this recommendation.

RELATED GAO PRODUCTS
---------- Chapter 33:2.1.4

Partnership Projects: A Framework for Evaluating Public-Private Housing and Development Efforts (GAO/PEMD-90-9, May 22, 1990).

Federal Budget: Choosing Public Investment Programs (GAO/AIMD-93-25, Mar. 23, 1993).

DES02: ESTABLISH PILOT
PROGRAM DESIGN CAPABILITIES
IN ONE OR TWO AGENCIES
---------- Chapter 33:2.2

Test the usefulness of the program design handbook and the value of program design as a useful discipline.

ACTION ITEMS
---------- Chapter 33:2.2.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 33:2.2.2

Generally Agree. As discussed in the comment for DES01, we have not studied the feasibility of a handbook as cited by NPR. However, if a handbook is developed, pilot testing it in a few agencies would be an effective way to observe and analyze the feasibility of different program design methodologies.

IMPLEMENTATION
---------- Chapter 33:2.2.3

Not Implemented--No Action Taken. There has been no progress on this recommendation.

RELATED GAO PRODUCTS
---------- Chapter 33:2.2.4

Groundwater Protection: Validity and Feasibility of EPA's Differential Protection Strategy (GAO/PEMD-93-6, Dec. 9, 1992).

Rental Housing: Implementing the New Federal Incentives to Deter Prepayments of HUD Mortgages (GAO/PEMD-91-2, Apr. 30, 1991).

DES03: ENCOURAGE THE STRENGTHENING OF PROGRAM DESIGN IN THE LEGISLATIVE BRANCH
---------- Chapter 33:2.3

The President's Management Council should work with congressional support agencies to help them strengthen their program design capacities.

ACTION ITEMS
---------- Chapter 33:2.3.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 33:2.3.2

Generally Agree. Although we have not assessed specific mechanisms, we agree that it is important for executive branch and congressional support agencies to learn from one another to better assist decisionmakers in designing federal programs.

IMPLEMENTATION
---------- Chapter 33:2.3.3

Not Implemented--No Action Taken. There has been no progress on this recommendation.

RELATED GAO PRODUCTS
---------- Chapter 33:2.3.4

Public Health Service: Evaluation Set-Aside Has Not Realized Its Potential to Inform the Congress (GAO/PEMD-93-13, Apr. 8, 1993).

DES04: COMMISSION PROGRAM DESIGN COURSES
---------- Chapter 33:2.4

Develop training courses for managers and policymakers on various program design approaches.

ACTION ITEMS
---------- Chapter 33:2.4.1

No action items were published by NPR by September 7, 1994.

GAO COMMENTS
---------- Chapter 33:2.4.2

Generally Agree. Although we have not identified the scope or magnitude of specific training needs of managers and policymakers, we strongly agree that program design training is necessary to ensure that managers and policymakers fully understand the strengths and weaknesses associated with program design methodologies.

IMPLEMENTATION
---------- Chapter 33:2.4.3

Not Implemented--No Action Taken. There has been no progress on this recommendation.

RELATED GAO PRODUCTS
---------- Chapter 33:2.4.4

None.

STRENGTHENING THE PARTNERSHIP IN
INTERGOVERNMENTAL SERVICE DELIVERY
(FSL)
========== Chapter 34

OVERALL SUMMARY
---------- Chapter 34:1

Legislation has been enacted in selected areas to develop a framework for improved federal/state/local relations. Legislative actions such as the Goals 2000: Educate America Act, the Human Service Amendments, and the creation of the Empowerment Zones and Enterprise Communities Program foster bottom-up strategies to address the problem of grant proliferation and its accompanying red tape. While these initiatives address a small portion of the federal grant system, they could provide a body of knowledge about how the overall system should be reformed.

There has been little or no progress in areas such as reducing red tape through regulatory relief, simplifying reimbursement procedures for administrative costs of federal grant disbursement, simplifying the compliance certification process, and modifying the common grant rule on small purchases. Efforts to implement these recommendations will require modification of agency and governmentwide rules and regulations which are in various stages of drafting and review. Additionally, the administration and Congress need to agree on the

size and capacity of the Advisory Commission on Intergovernmental Relations (ACIR) if it is to serve as a catalyst for strengthening the intergovernmental service delivery partnership.

GAO CONTACT
---------- Chapter 34:1.1

Jane L. Ross, Director, Income Security Issues, Health, Education, and Human Services Division, (202) 512-7215.

RECOMMENDATION INFORMATION
---------- Chapter 34:2

FSL01: IMPROVE THE DELIVERY OF FEDERAL DOMESTIC GRANT PROGRAMS
---------- Chapter 34:2.1

Create flexibility and encourage innovation by designing a bottom-up solution to the problem of grant proliferation and its accompanying red tape. Also, support the pending proposal for Federal-State Flexibility Grants that has been developed by the National Governors Association and the National Conference of State Legislatures. Establish a Cabinet-level Enterprise Board to oversee new initiatives in community improvement.

ACTION ITEMS
---------- Chapter 34:2.1.1

1. Create flexibility and encourage innovation by designing a bottom-up solution to the problem of grant proliferation and its accompanying red tape.

2. Support proposals for Federal-State Flexibility Grants.

3. Establish a Cabinet-level Enterprise Board to oversee new initiatives in community empowerment.

GAO COMMENTS
---------- Chapter 34:2.1.2

Agree. We agree that new federal strategies need to be explored to assist state and local governments to develop solutions to improving service delivery. However, as we have reported, because states occupy an increasingly central place in the intergovernmental system, the combination of reduced federal support and increased requirements pose a special threat to states' leadership. We have also documented the efficacy of seeking service delivery solutions at points nearest to the client rather than through "top-down" efforts. While we have not done work evaluating specific strategies to improve the overall capacity of state and local governments to deliver domestic services, we agree that the federal role should be one that supports "local

solutions for local problems."

IMPLEMENTATION
---------- Chapter 34:2.1.3

Partially Implemented. Several laws have been enacted addressing this recommendation. The Goals 2000: Educate America Act (P.L. 103-227) encourages state and local agencies to develop comprehensive improvement plans, providing a framework for program integration, and gives the Education Secretary the authority to waive federal statutory and regulatory requirements. The Human Services Amendments (P.L. 103-227) created the Community Based Family Resource Program, which consolidated four HHS programs to assist states in developing and implementing a comprehensive system of social service resources for families. The Empowerment Zones and Enterprise Communities Program was created by Public Law 103-66 to assist poverty-stricken inner city and rural communities in identifying their assets and problems and structuring plans to improve conditions. Further, an executive order called for increased flexibility for state/local waivers. Per this order, agencies are to review and streamline their waiver application processes and consider waiver applications, where applicable, with the goal of increasing opportunities for utilizing regulatory approaches at the state/local levels. While these laws and orders provide some framework for addressing this recommendation, agencies still need to develop procedures and regulations to implement the legislative initiatives.

RELATED GAO PRODUCTS
---------- Chapter 34:2.1.4

Single Audit: Refinements Can Improve Usefulness (GAO/AIMD-94-133, June 21, 1994).

Long Term Care Forum (GAO/HRD-93-1-SP, July 13 & 14, 1993).

Integrating Human Services: Linking At-Risk Families with Services More Successful than System Reform Efforts (GAO/HRD-92-108, Sept. 24, 1992).

Services for the Elderly: Transportation Problems Need More Federal Attention (GAO/HRD-91-117, Aug. 29, 1991).

Effectiveness of Reporting Laws and Other Factors in Identifying, Preventing, and Treating Elder Abuse (GAO/T-HRD-91-27, May 15, 1991).

Elder Abuse: Effectiveness of Reporting Laws and Other Factors (GAO/HRD-91-74, Apr. 24, 1991).

Administration on Aging: More Federal Action Needed to Promote Service Coordination of the Elderly (GAO/HRD-91-45, Apr. 23, 1991).

FSL02: REDUCE RED TAPE
THROUGH REGULATORY AND
MANDATE RELIEF

---------- Chapter 34:2.2

Issue an executive order addressing the problems of unfunded federal mandates and regulatory relief and authorize cabinet secretaries and agency heads to obtain selective relief from regulations or mandates in programs they oversee.

ACTION ITEMS

---------- Chapter 34:2.2.1

1. Give cabinet secretaries and agency heads the flexibility to authorize selective relief from regulations or mandates.

2. Issue a regulatory executive order addressing the problems of unfunded federal mandates and regulatory relief.

GAO COMMENTS

---------- Chapter 34:2.2.2

Agree. While regulation of states and localities is an important tool for the federal government to attain its statutory objectives, tensions among levels of government have mounted over the years as regulatory requirements, preemptions, and mandates increased. The cumulative effect of these increases could force state and local governments to choose between meeting their service responsibilities and fulfilling national regulatory objectives.

IMPLEMENTATION

---------- Chapter 34:2.2.3

Partially Implemented. One law has been enacted related to this recommendation. The Goals 2000: Educate America Act encourages state and local agencies to develop comprehensive improvement plans, providing a framework for program integration, and gives the Education Secretary the authority to waive federal statutory and regulatory requirements. Other legislation has been proposed to address this recommendation, but most have not been passed. These other bills (H.R. 820, the Regulatory Flexibility Amendments Act of 1993; H.R. 3421, the Federal Mandate Reduction, Reform, and Budget Act of 1993; S. 165, Amendments to the Regulatory Flexibility Act; S. 490, the Regulatory Flexibility Amendments Act of 1993; S. 648, the Federal Mandates Relief Act of 1993, section 3; S. 993, the Community Regulatory Relief Act) would provide for changes to the federal regulatory rulemaking process. The proposed bills would impose either more thorough analysis of the impact of federal regulation or federal reimbursement to states and localities for the direct costs of federal rules and regulations.

The administration issued Executive Order 12875 in October 1993, which calls for increased flexibility for state/local waivers. The order directs federal agencies to review and streamline their waiver application processes with the goal of increasing opportunities for utilizing regulatory approaches at the state and local levels. In addition, OMB is convening quarterly meetings with intergovernmental

partners to identify actions to improve regulations affecting states and localities.

RELATED GAO PRODUCTS
---------- Chapter 34:2.2.4

Regulatory Flexibility Act: Inherent Weaknesses May Limit Its Usefulness for Small Governments (GAO/HRD-91-16, Jan. 11, 1991).

Federal-State-Local Relations: Trends of the Past Decade and Emerging Issues (GAO/HRD-90-34, Mar. 22, 1990).

Legislative Mandates: State Experiences Offer Insights for Federal Action (GAO/HRD-88-75, Sept. 24, 1988).

Discretionary Grants: Opportunities to Improve Federal Discretionary Award Practices (GAO/HRD-86-108, Sept. 15, 1986).

FSL03: SIMPLIFY
REIMBURSEMENT PROCEDURES FOR
ADMINISTRATIVE COSTS OF
FEDERAL GRANT DISBURSEMENT
---------- Chapter 34:2.3

Modify OMB Circular A-87, "Cost Principles for State and Local Governments," to provide a fixed fee-for-service option in lieu of costly reimbursement procedures covering actual administrative costs of grant disbursement.

ACTION ITEM
---------- Chapter 34:2.3.1

Modify OMB Circular A-87 to provide a fee-for-service option in lieu of cost reimbursement.

GAO COMMENTS
---------- Chapter 34:2.3.2

Insufficient Information. Simplifying administrative cost reimbursement procedures could be less costly and burdensome for state and local governments. We have not reviewed this issue to determine the extent of the problem or the potential cost savings.

IMPLEMENTATION
---------- Chapter 34:2.3.3

Not Implemented--No Action Taken. No action has been taken, to implement this recommentation.

RELATED GAO PRODUCTS
---------- Chapter 34:2.3.4

None.

FSL04: ELIMINATE NEEDLESS PAPERWORK BY SIMPLIFYING THE COMPLIANCE CERTIFICATION PROCESS

---------- Chapter 34:2.4

Simplify OMB's requirements to prepare multiple grant compliance certifications by allowing state and local governments to submit a single certification to a single point of contact in the federal government.

ACTION ITEM

---------- Chapter 34:2.4.1

Simplify grant compliance certifications by modifying OMB's requirements.

GAO COMMENTS

---------- Chapter 34:2.4.2

Generally Agree. We support efforts to reduce needless paperwork. However, a single point of contact in the federal government must be identified.

IMPLEMENTATION

---------- Chapter 34:2.4.3

Not Implemented--Action Taken. OMB is in the process of developing options to simplify state and local compliance certifications, which will result in a draft proposed rule. According to an OMB official, they have received comments and ideas from their meetings with key agency officials.

RELATED GAO PRODUCTS

---------- Chapter 34:2.4.4

None.

FSL05: SIMPLIFY ADMINISTRATION BY MODIFYING THE COMMON GRANT RULES ON SMALL PURCHASES

---------- Chapter 34:2.5

Modify OMB Circular A-102, "Grants and Cooperative Agreements to State and Local Governments," to increase the dollar threshold for small purchases by local governments from $25,000 to $100,000.

ACTION ITEM
---------- Chapter 34:2.5.1

Modify OMB Circular A-102 to require that the common grants management rules increase the dollar threshold for small purchases by local governments from $25,000 to $100,000.

GAO COMMENTS
---------- Chapter 34:2.5.2

Generally Agree. While we have not recently studied the issue of raising the thresholds with regard to small purchases by local governments, we have taken the stance that thresholds for small purchases for the federal government should be raised. Overall, we believe that grant administration can be simplified. However, we have no empirical evidence to suggest appropriate dollar thresholds for small purchases by local governments.

IMPLEMENTATION
---------- Chapter 34:2.5.3

Not Implemented--Action Taken. Draft regulations have been developed by OMB and circulated among executive agencies. These regulations would increase the dollar threshold for small purchases by local governments from $25,000 to the lesser of either $100,000 or a percentage of the purchase price.

RELATED GAO PRODUCTS
---------- Chapter 34:2.5.4

None.

FSL06: STRENGTHEN THE INTERGOVERNMENTAL PARTNERSHIP
---------- Chapter 34:2.6

Reinvent the Advisory Commission on Intergovernmental Relations (ACIR) and charge it with the responsibility for continuous improvement in federal, state, and local partnership and intergovernmental service delivery. Direct the ACIR to identify opportunities to improve intergovernmental service delivery and develop a set of benchmarks.

ACTION ITEMS
---------- Chapter 34:2.6.1

1. Reinvent the ACIR and charge it with responsibility for continuous improvement in federal, state, and local partnership and intergovernmental service delivery.

2. Develop appropriate benchmarks and performance measures to improve the understanding of public service delivery effectiveness.

3. Convene meetings which draw together leaders from federal, state, and local governments to review, refine, and advance the intergovernmental recommendations of the National Performance Review.

GAO COMMENTS
---------- Chapter 34:2.6.2

Generally Agree. We fully support strengthening intergovernmental partnerships to improve the delivery of services. Because state and local governments are often the frontline providers of services, their views on ways to improve program efficiency and effectiveness should be given the utmost consideration. While a reinvigorated ACIR could be the focal point for identifying opportunities to improve intergovernmental partnerships, we have not done work to support this expanded role and it is conceivable that other entities could also perform this function. For example, individual federal agencies must become more involved in pursuing opportunities for stronger partnerships with state and local governments within existing structures.

IMPLEMENTATION
---------- Chapter 34:2.6.3

Partially Implemented. The Goals 2000: Educate America Act calls for the establishment of benchmarks in state improvement plans. Also, the Community Enterprise Board included benchmark requirements in its application package to encourage communities to set real goals and performance benchmarks for measuring revitalization progress. A new ACIR executive director has been selected, members have been selected from federal, state, and local governments, and they are meeting on a quarterly basis to discuss the NPR recommendations.

However, due to ACIR's limited budget, the agency is looking for outside sources to develop performance benchmark research. ACIR noted that federal agencies will have to develop performance benchmarks because of their Government Performance Act requirements.

RELATED GAO PRODUCTS
---------- Chapter 34:2.6.4

Federal-State-Local Relations: Trends of the Past Decade and Emerging Issues (GAO/HRD-90-34, Mar. 22, 1990).

REINVENTING ENVIRONMENTAL
MANAGEMENT (ENV)
========== Chapter 35

OVERALL SUMMARY
---------- Chapter 35:1

The four recommendations for reinventing environmental management have been implemented in varying degrees. The recommendation to increase environmentally and economically beneficial landscaping has been fully implemented through the issuance of an executive order (ENV04). Two recommendations have been partially implemented: An executive order has been issued, an interagency working group has been established and legislation has been enacted to increase energy and water efficiency (ENV03), and an interagency task force has begun to develop cross-agency ecosystem planning and management (ENV02). Although steps have been taken to improve federal decisionmaking through environmental cost accounting, none of the action items for implementing this recommendation has been addressed directly (ENV01). Generally, action on the recommendations for reinventing environmental management appears to be slowed by the need for involvement across federal agencies.

GAO CONTACT

---------- Chapter 35:1.1

Peter F. Guerrero, Director, Environmental Protection Issues, Resources, Community, and Economic Development Division (RCED), (202) 512-6111 (for ENV01 and ENV04); James Duffus III, Director, Natural Resources Management Issues, RCED, (202) 512-7756 (for ENV02); and Victor S. Rezendes, Director, Energy and Science Issues, RCED (202) 512-3841 (for ENV03).

RECOMMENDATION INFORMATION

---------- Chapter 35:2

ENV01: IMPROVE FEDERAL DECISIONMAKING THROUGH ENVIRONMENTAL COST ACCOUNTING

---------- Chapter 35:2.1

Develop demonstration projects to test the applicability of environmental cost accounting. Based on project results, develop guidelines to implement environmental cost accounting throughout the federal government. Issue an executive order to encourage the use of environmental cost accounting by federal agencies.

ACTION ITEMS

---------- Chapter 35:2.1.1

1. Develop pilot projects to demonstrate the use of environmental cost accounting by the federal government.

2. Report on the demonstration projects and make recommendations on the use of environmental cost accounting in the federal government.

3. Issue a directive to implement environmental cost accounting in the federal government.

GAO COMMENTS
---------- Chapter 35:2.1.2

Generally Agree. We concur that environmental cost accounting has merit and could help federal agencies conduct their operations in a more environmentally sound manner. We have related work on environmental auditing at federal agencies under way.

IMPLEMENTATION
---------- Chapter 35:2.1.3

Not Implemented--Action Taken. Without directly addressing the action items under this recommendation, the Environmental Protection Agency (EPA) and the Department of Defense (DOD) have taken a number of steps to promote environmental cost accounting. For example, EPA has initiated a Design for the Environment program that works closely with private sector partners to incorporate environmental considerations at the front end of products and processes. Through a Management Accounting and Capital Budgeting for Environmental Costs project, this program's officials are encouraging businesses to fully account for environmental costs in their business decisions and budgeting practices. EPA also convened a workshop of key stakeholders, who developed an action agenda identifying steps that the business community, professional associations, academia, government, and small businesses can take to improve environmental accounting and integrate environmental cost information into decisionmaking. This agenda suggests, among other things, that EPA continue to facilitate environmental accounting. Grant funding is under way to support EPA's efforts to inform practitioners of available cost accounting methods. DOD is asking its military departments for volunteer pilot projects to test the applicability and effectiveness of environmental cost accounting in the federal government. DOD has also drafted a new standard for systems engineering that will include environmental cost considerations for acquisitions (action item 1). Efforts to address the second and third action items under this recommendation will depend on the lessons learned from the demonstration projects.

RELATED GAO PRODUCTS
---------- Chapter 35:2.1.4

None.

ENV02: DEVELOP CROSS-AGENCY ECOSYSTEM PLANNING AND MANAGEMENT
---------- Chapter 35:2.2

Issue an executive order to encourage sustainable economic development and ensure sustainable ecosystems through a cross-agency ecosystem management process. Begin phased-in implementation of the policy with selected ecosystem management demonstration projects.

Conduct management and budget reviews of the ecosystem management projects as part of the fiscal year 1995 budget process.

ACTION ITEMS

---------- Chapter 35:2.2.1

1. Issue an ecosystem management directive by September 1994.

2. Establish a high-level Interagency Ecosystem Management Task Force to begin development of a number of cross-agency ecosystem management demonstration projects.

3. Conduct management and budget reviews for the ecosystem management projects as part of the fiscal year 1995 budget process.

4. Establish Regional Ecosystem Management Teams for each of the cross-agency ecosystem management projects.

5. Develop initial ecosystem management plans for projects, report on progress, and begin implementation.

GAO COMMENTS

---------- Chapter 35:2.2.2

Agree. As we reported in August 1994, initiatives by the administration and individual agencies to implement a governmentwide approach to ecosystem management reflect a growing recognition that the current practice of managing individual politically or administratively established land units and individual natural resources is not adequately addressing two basic legislative mandates: (1) to sustain in perpetuity multiple uses of federal lands and (2) to provide minimum levels of protection for individual natural resources. Ecosystem management seeks to change the federal government's approach to fulfilling these stewardship responsibilities through a better scientific understanding of their relationship to one another. We concluded that although the administration's fiscal year 1995 budget proposes to fund the initial stage of a governmentwide approach to ecosystem management, additional actions are needed, including (1) clarifying the policy goal for ecosystem management, (2) taking certain practical steps to implement the principles set forth in the budget document, (3) testing the approach in certain geographic areas to identify barriers and options for resolving them, (4) establishing outcome-oriented and measurable objectives and milestones, and (5) becoming more accountable to Congress. The NPR recommendation's action items are consistent with these conclusions.

IMPLEMENTATION

---------- Chapter 35:2.2.3

Partially Implemented. In 1993, the White House Office on Environmental Policy established an Interagency Ecosystem Management Task Force to implement an ecosystem approach to environmental management. The task force was charged with establishing overarching

goals for all federal agencies; removing barriers that frustrate more effective, efficient interagency cooperation; and learning from large-scale ecosystem-based management efforts. The task force is chaired by the Director of the White House Office on Environmental Policy and is composed of assistant secretaries from 12 departments and agencies as well as representatives from OMB and the White House Office of Science and Technology Policy (action item 2).

Progress has also been made toward implementing the other four action items under this recommendation. For example, the task force prepared and approved a draft "Ecosystem Management Initiative Overview" that summarizes the efforts of the agencies to clarify goals, translate principles, and derive lessons from ongoing ecosystem management efforts that can be applied to other ecosystems (action item 1). The task force also developed the administration's fiscal year 1995 budget proposal to fund the initial stage of a governmentwide approach to ecosystem management, including four pilot projects. The task force formed an interagency work group to examine major factors that influence the effectiveness of ecosystem management--such as the budget process, legal authorities, and information management--and to make recommendations to the task force for improvements. During July and August, this group surveyed ongoing activities in seven ecosystems. The task force expects to issue a report on its findings and recommendations by the end of November and to use this report to identify the next steps to be taken in forging an ecosystem approach (action item 3). Regional teams have been established (action item 4), management plans have been developed, and implementation has begun (action item 5) in two of the pilot project ecosystems--the old-growth forests of the Pacific Northwest and south Florida, including the Everglades and Florida Bay.

RELATED GAO PRODUCTS

---------- Chapter 35:2.2.4

Ecosystem Management: Additional Actions Needed to Adequately Test a Promising Approach (GAO/T-RCED-94-308, Sept. 20, 1994).

Ecosystem Management: Additional Actions Needed to Adequately Test a Promising Approach (GAO/RCED-94-111, Aug. 16, 1994).

Forest Service Management: Issues to Be Considered in Developing a New Stewardship Strategy (GAO/T-RCED-94-116, Feb. 1, 1994).

ENV03: INCREASE ENERGY AND WATER EFFICIENCY

---------- Chapter 35:2.3

Issue an executive order to address energy efficiency and water conservation issues at federal facilities. Propose legislation to allow the Defense Department to retain savings from water efficiency projects. Develop appropriate mechanisms to allow facilities to retain rebates received from utility companies.

ACTION ITEMS

---------- Chapter 35:2.3.1

1. Issue a directive on energy and water efficiency in federal facilities.

2. Propose legislation to allow the Department of Defense (DOD) to retain savings generated through water efficiency projects.

3. Develop appropriate rules, procedures, or proposed legislation to allow rebates from utility companies to remain available beyond the fiscal year and to be used to fund additional energy efficiency water conservation projects or to reduce the facility's future utility bill.

GAO COMMENTS

---------- Chapter 35:2.3.2

Generally Agree. We generally support efforts to increase the efficiency with which federal facilities use energy and water. Our completed work shows that federal agencies should place greater emphasis on these efforts. We see merit in the National Defense Authorization Act for Fiscal Year 1994 that provides DOD with incentives to pursue water efficiency projects--for example, allowing the Department to retain the savings derived from such projects if the funds are used for additional conservation projects. We would also support efforts by all agencies to develop mechanisms that would enable them to retain rebates from utilities, as required by a March 1994 executive order.

IMPLEMENTATION

---------- Chapter 35:2.3.3

Partially Implemented. Several actions have been taken to partially implement this recommendation. Executive Order 12902--Energy Efficiency and Water Conservation at Federal Facilities--was issued on March 8, 1994, directing agencies to develop and implement a program to reduce energy consumption by 30 percent by the year 2005 and to implement cost-effective water conservation projects (action item 1). Section 502 of this order requires the Director of OMB, along with the Secretary of Energy, the Secretary of Defense, and the Administrator of the General Services Admistration, to develop guidelines and implement procedures that will allow an agency to retain utility rebates and incentives received by the agency, as well as savings from energy efficiency and water conservation efforts, as provided in section 152 of the Energy Policy Act of 1992 and 10 U.S.C. 2865 and 2866. To address the requirements of this order, an Interagency Energy Management Task Force's Retention of Savings Working Group, located in the Department of Energy's Federal Energy Management Program, was established. This working group has identified barriers to the retention of utility rebates and developed recommendations to address these barriers (action item 3). In addition, Public Law 103-160 was approved on November 30, 1993, allowing DOD to retain the savings generated through water efficiency projects (action item 2).

RELATED GAO PRODUCTS
---------- Chapter 35:2.3.4

Energy Conservation: Contractors' Efforts at Federally Owned Sites (GAO/RCED-94-96, Apr. 29, 1994).

Energy Conservation: Federal Agencies' Funding Sources and Reporting Procedures (GAO/RCED-94-70, Mar. 30, 1994).

Barriers to Installing Energy-Efficient Lighting in Federal Buildings (GAO/T-GGD-90-54, July 11, 1990).

ENV04: INCREASE ENVIRONMENTALLY AND ECONOMICALLY BENEFICIAL LANDSCAPING
---------- Chapter 35:2.4

Issue an executive order to require the use of environmentally beneficial landscaping techniques, including increased use of native species and reduced use of water and chemicals, at federal facilities and federally funded projects, where appropriate.

ACTION ITEM
---------- Chapter 35:2.4.1

Issue a directive to require the use of environmentally beneficial landscaping at federal facilities and federally funded projects, where appropriate.

GAO COMMENTS
---------- Chapter 35:2.4.2

Generally Agree. We support efforts to increase environmentally and economically beneficial practices at federal facilities. The increased use of native species and the reduced use of water and chemicals at federal facilities should help meet this goal.

IMPLEMENTATION
---------- Chapter 35:2.4.3

Fully Implemented. This recommendation was fully implemented by an April 26, 1994, presidential memorandum--Environmentally and Economically Beneficial Practices on Federal Landscaped Grounds--directing the heads of executive departments and agencies to implement landscape practices that will benefit the environment and generate long-term cost savings for the federal government. These practices include increasing the use of native species and reducing the use of water and chemicals at federal facilities.

As directed by the presidential memorandum, an interagency working

group has been established, headed by the Federal Environmental Executive. To date, the group has issued a notice and request for public comment on recommended guidance for environmentally and economically beneficial practices on federal landscaped grounds.

RELATED GAO PRODUCTS

---------- Chapter 35:2.4.4

None.

IMPROVING REGULATORY SYSTEMS (REG)

========== Chapter 36

OVERALL SUMMARY

---------- Chapter 36:1

Significant progress has been made during the past year to implement a number of the NPR regulatory recommendations using executive and agency action. Several of the recommendations were implemented or facilitated by the issuance of Executive Order 12866, "Regulatory Planning and Review," and several associated presidential memoranda on September 30, 1993. Federal regulatory agencies and the Office of Management and Budget (OMB) responded to the specific requirements of the executive order and the memoranda by, for example, participating in an interagency regulatory working group, developing plans to streamline their rulemaking processes, and focusing on ways to enhance public awareness and participation.

Gauging implementation of some of the NPR regulatory recommendations is difficult due to the broad scope of the recommendations and/or the lack of objective standards or baselines for measurement. For example, we were not able to determine whether public awareness and participation in the rulemaking process has been enhanced (REG04) because no baseline information exists on the pre-NPR level of public awareness or participation.

It is unclear whether one of the recommendations will be implemented, and whether some recommendation action items prompted implementation efforts in certain areas. One recommendation--that agencies formally establish a technical drafting service for Congress (REG09)--is not being implemented because agencies believe the current process of providing informal drafting services is sufficient. Implementation of some recommendation action items (e.g., the increased used of electronic information technology in the rulemaking process) may be the result of the normal process of using new tools when practical, and would likely have occurred even if there had been no recommendation.

GAO CONTACT

---------- Chapter 36:1.1

William M. Hunt, Director, Federal Management Issues, General Government Division, (202) 512-8676.

RECOMMENDATION INFORMATION

---------- Chapter 36:2

REG01: CREATE AN INTERAGENCY REGULATORY COORDINATING GROUP

---------- Chapter 36:2.1

Create an interagency Regulatory Coordinating Group (RCG) to share information and coordinate approaches to regulatory issues.

ACTION ITEM

---------- Chapter 36:2.1.1

Create an interagency Regulatory Coordinating Group to share information and coordinate approaches to regulatory issues.

GAO COMMENTS

---------- Chapter 36:2.1.2

Generally Agree. We generally agree with the creation of an interagency RCG. While we have done no work on the need for such a group, the RCG's purpose of sharing information and coordinating regulatory approaches could help reduce regulatory overlap. Having representatives from each federal regulatory agency with significant domestic regulatory responsibility, presidential and vice-presidential advisors on regulatory policy, and the Vice-President as members underscores the importance attached to this group's mission. The RCG's role as a forum for agencies to discuss common regulatory concerns could encourage coordination among the agencies within a more ordered and comprehensive environment.

IMPLEMENTATION

---------- Chapter 36:2.1.3

Fully Implemented. Executive Order 12866 on "Regulatory Planning and Review," issued September 30, 1993, established the Regulatory Working Group (RWG). According to the executive order, the RWG is to serve as a forum to assist agencies in identifying and analyzing important regulatory issues. The RWG created four subgroups for specific regulatory issues: (1) regulatory streamlining, (2) risk assessment, (3) benefit cost analysis, and (4) electronic information technology and rulemaking.

RELATED GAO PRODUCTS

---------- Chapter 36:2.1.4

None.

REG02: ENCOURAGE MORE INNOVATIVE APPROACHES TO REGULATION

---------- Chapter 36:2.2

Use innovative regulatory approaches and develop a Deskbook on Regulatory Design.

ACTION ITEMS

---------- Chapter 36:2.2.1

1. Establish use of innovative regulatory approaches as administration policy.

2. Develop a Deskbook on Regulatory Design.

GAO COMMENTS

---------- Chapter 36:2.2.2

Generally Agree. We generally agree on the need for more innovation in regulatory approaches. For example, states have used innovative measures related to long-term care in an effort to provide services within the constraints of regulatory burdens. Lessons learned from states and other countries may help the government change from process-oriented regulations to performance goals and outcomes, with more state and local latitude for determining how best to serve people requiring long-term care. A deskbook on regulatory design could draw from the experiences of all regulatory agencies at the federal and state levels and promote best practices.

IMPLEMENTATION

---------- Chapter 36:2.2.3

Partially Implemented. Executive Order 12866 established the use of innovative regulatory approaches as administration policy. A "deskbook on regulatory design" has not been developed, but some efforts are under way to address this part of the recommendation. The RWG's subgroup on regulatory streamlining collected agency guidebooks on regulatory issues. No decision has been made on how the information collected from these guidebooks will be used to develop the deskbook.

RELATED GAO PRODUCTS

---------- Chapter 36:2.2.4

Workplace Regulation: Information on Selected Employer and Union Experiences (GAO/HEHS-94-138, Volumes I and II, June 30, 1994).

Long-Term Care Reform: Rethinking Service Delivery, Accountability, and Cost Control (GAO/HRD-93-1-SP, July 13, 1993).

Thrift Examination Quality: OTS Examinations Do Not Fully Assess Thrift Safety and Soundness (GAO/AFMD-93-11, Feb. 16, 1993).

Bank Examination Quality: FDIC Examinations Do Not Fully Assess Bank Safety and Soundness (GAO/AFMD-93-12, Feb. 16, 1993).

Bank Examination Quality: FRB Examinations and Inspections Do Not Fully Assess Bank Safety and Soundness (GAO/AFMD-93-13, Feb. 16, 1993).

Bank Examination Quality: OCC Examinations Do Not Fully Assess Bank Safety and Soundness (GAO/AFMD-93-14, Feb. 16, 1993).

Bank and Thrift Regulation: Improvements Needed in Examination Quality and Regulatory Structure (GAO/AFMD-93-15, Feb. 16, 1993).

Bank Insurance Fund (GAO/HR-93-3, Dec. 1992).

REG03: ENCOURAGE CONSENSUS-BASED RULEMAKING

---------- Chapter 36:2.3

Encourage agencies to use negotiated rulemaking more frequently in developing new rules.

ACTION ITEM

---------- Chapter 36:2.3.1

Increase the use of negotiated rulemaking.

GAO COMMENTS

---------- Chapter 36:2.3.2

Generally Agree. We generally agree that a consensus-based approach to drafting regulations can provide a useful alternative to the traditional rulemaking process. It appears reasonable to require the regulatory agencies, that have not used negotiated rulemaking since the enactment of the Negotiated Rulemaking Act of 1990, to identify at least one rulemaking to draft using this process, or explain why using the process isn't feasible. The NPR accompanying report recognizes that negotiated rulemaking is not appropriate for all rules, and agencies are advised to consider advantages and disadvantages before they embark on a negotiated regulatory effort.

IMPLEMENTATION

---------- Chapter 36:2.3.3

Partially Implemented. Substantive efforts were made to implement the recommendation, and consensus-based methods were being used in some agencies to develop regulations. However, we were not able to determine whether there was a general increase in the use of negotiated rulemaking.

Section 6(a) of Executive Order 12866 (September 30, 1993) directed each federal regulatory agency to consider the use of consensual

mechanisms, including negotiated rulemaking, when developing regulations. The presidential memorandum on "Negotiated Rulemaking" (September 30, 1993) directed each federal regulatory agency to identify to OMB's Office of Information and Regulatory Affairs (OIRA), within 90 days of Executive Order 12866, at least one rulemaking in which it will use negotiated rulemaking in the upcoming year, or to explain why it wouldn't be feasible to use this process. Seventeen federal regulatory agencies responded to this directive, and 16 identified specific rulemakings that will use, or be considered for, a negotiated rulemaking. Early in calendar year 1994, the Department of Labor (DOL) combined information technology and consensus-based methods by using electronic bulletin boards to support the negotiated rulemaking it identified to OIRA.

RELATED GAO PRODUCTS

---------- Chapter 36:2.3.4

None.

REG04: ENHANCE PUBLIC AWARENESS AND PARTICIPATION

---------- Chapter 36:2.4

Use information technology and other techniques to increase opportunities for early, frequent, and interactive public participation during the rulemaking process and to increase program evaluation efforts.

ACTION ITEMS

---------- Chapter 36:2.4.1

1. Increase public participation during the rulemaking process.

2. Enhance public awareness and evaluation of programs.

3. Increase use of information technology.

GAO COMMENTS

---------- Chapter 36:2.4.2

Generally Agree. We generally agree with the recommendation's objectives of enhancing public awareness and participation during the rulemaking process. The recommended actions to increase public participation in the rulemaking process, enhance public awareness and evaluation of programs, and increase the use of information technology in rule development, hold great potential for improving the quality and equity of regulations. However, these activities may conflict with the goal of another NPR recommendation to streamline agencies' rulemaking procedures (REG05). Therefore, efforts to make the rulemaking process more inclusive and responsive must be carefully coordinated with actions taken to streamline agencies' rulemaking procedures.

IMPLEMENTATION

---------- Chapter 36:2.4.3

Partially Implemented. Several federal regulatory agencies took actions to increase and enhance public participation in the rulemaking process and to increase the use of information technology. However, we are not able to determine if public participation in the rulemaking process did, in fact, increase or become enhanced by these actions.

Section 6(a) of Executive Order 12866 (September 30, 1993) directed each agency to provide the public with meaningful participation in the regulatory process. According to OMB, OIRA's review of proposed rules indicates that the federal regulatory agencies are more sensitive to increasing and enhancing public participation since this executive order was issued. For example, OMB said the Department of Education has made an effort to enhance and increase public participation in its rulemaking. According to OMB, the Department (1) sent out to 400 affected parties and interest groups the draft of a significant regulation; (2) published the draft rule in various electronic bulletin boards; (3) sponsored several public conferences to give the affected parties and interest groups an opportunity to discuss the draft rule after allowing for a period of review; (4) developed its proposed rule for publication in the Federal Register; and (5) published a version of the proposed rule, showing deleted, edited and final wording, on the electronic bulletin boards. According to OIRA, the issue of increased and early consultation with affected government entities during the development of regulations was discussed in several meetings with state, local, and tribal governments.

A RWG subgroup is exploring the use of information technology in the regulatory process. The mission of the subgroup is to expand access to the federal regulatory process at all stages using advanced technology and to enhance public participation in the rulemaking process. Several agencies, such as the Department of Agriculture's Animal and Plant Health Inspection Service and the Nuclear Regulatory Commission, are accepting comments on proposed rules through electronic bulletin boards. The Department of Labor (DOL) used electronic bulletin boards to support a negotiated regulatory process developing rules to protect workers building steel structures.

RELATED GAO PRODUCTS

---------- Chapter 36:2.4.4

Workplace Regulation: Information on Selected Employer and Union Experiences (GAO/HEHS-94-138, Volumes I and II, June 30, 1994).

Thrift Examination Quality: OTS Examinations Do Not Fully Assess Thrift Safety and Soundness (GAO/AFMD-93-11, Feb. 16, 1993).

Bank Examination Quality: FDIC Examinations Do Not Fully Assess Bank Safety and Soundness (GAO/AFMD-93-12, Feb. 16, 1993).

Bank Examination Quality: FRB Examinations and Inspections Do Not

Fully Assess Bank Safety and Soundness (GAO/AFMD-93-13, Feb. 16, 1993).

Bank Examination Quality: OCC Examinations Do Not Fully Assess Bank Safety and Soundness (GAO/AFMD-93-14, Feb. 16, 1993).

Bank and Thrift Regulation: Improvements Needed in Examination Quality and Regulatory Structure (GAO/AFMD-93-15, Feb. 16, 1993).

Bank Insurance Fund (GAO/HR-93-3, Dec. 1992).

Environmental Protection: Meeting Public Expectations With Limited Resources (GAO/RCED-91-97, June 18, 1991).

REG05: STREAMLINE AGENCY RULEMAKING PROCEDURES

---------- Chapter 36:2.5

Streamline internal agency rulemaking procedures, use "direct final" rulemaking for noncontroversial rules, and expedite treatment of rulemaking petitions.

ACTION ITEMS

---------- Chapter 36:2.5.1

1. Streamline internal agency rulemaking procedures.

2. Use direct final rulemaking to reduce needless double review of noncontroversial rules.

3. Develop specifications for rulemaking petitions.

4. Evaluate and draft proposed legislative changes to speed the rulemaking process.

GAO COMMENTS

---------- Chapter 36:2.5.2

Generally Agree. We generally agree that streamlining agencies' internal rulemaking processes is a useful and beneficial goal. The timeliness of rule changes can be improved and unnecessary and duplicative reviews can be reduced if agencies identify significant and insignificant rules and then use a review track that is appropriate for each type. However, these streamlining activities may conflict with the goal of another NPR recommendation to enhance public awareness and increase public participation in the rulemaking process (REG04). Another concern is whether the decision process to determine what are significant and insignificant rules will be reasonable and applied consistently in all situations, within and among agencies.

IMPLEMENTATION

---------- Chapter 36:2.5.3

Partially Implemented. Some federal regulatory agencies, such as DOL, the Department of Transportation (DOT), and the Environmental Protection Agency (EPA), have streamlined their rulemaking process, and some agencies are using direct final rulemaking. According to the President's "Memorandum on Agency Rulemaking" (September 30, 1993), one of the main objectives of Executive Order 12866 (September 30, 1993) is to streamline the rulemaking process to reduce delay in developing and promulgating rules. The memorandum required federal regulatory agencies to examine their internal review procedures in their rulemaking process to determine areas for streamlining. The agencies were required to report the results of their examination to the President and the Vice President by March 31, 1994 and 14 agencies responded to the requirement. As a result of their examination, DOL developed a new rulemaking process and implemented it in January 1994. DOT also used the examination to identify areas in its rulemaking process to streamline, and described streamlining changes made to rulemaking classifications and delegations of authority in their report. EPA officially instituted a new rulemaking process in June 1994 designed to streamline the agency's regulatory development process, as called for in its report. According to an official in the RWG, EPA regularly uses direct final rulemaking in its regulatory process. DOT noted in its regulatory streamlining report that it used direct final rulemaking in some limited instances and planned to expand its use. We could not find evidence of activity addressing the third and fourth action items of this recommendation.

RELATED GAO PRODUCTS
---------- Chapter 36:2.5.4

None.

REG06: ENCOURAGE ALTERNATIVE DISPUTE RESOLUTION WHEN ENFORCING REGULATIONS
---------- Chapter 36:2.6

Increase the use of alternative means of dispute resolution.

ACTION ITEM
---------- Chapter 36:2.6.1

Increase use of alternative means of dispute resolution.

GAO COMMENTS
---------- Chapter 36:2.6.2

Generally Agree. We generally agree that an increase in the use of alternative means of dispute resolution (ADR) might reduce litigation, improve negotiated resolutions, and facilitate implementation of regulations. We have not, however, examined ADR

use in all the federal regulatory agencies. Presidential support for the ADR process alone probably does not assure an increase in its usage, but if federal regulatory agencies determine that this process could save them time and funds, they will be inclined to use it more frequently.

IMPLEMENTATION
---------- Chapter 36:2.6.3

Partially Implemented. On May 16, 1994, 24 federal agencies signed a pledge to use ADR techniques rather than litigation to resolve or avoid contract disputes. Six of the 24 agencies signed specific pledges to use ADR in a total of 60 contracts, valued at a total of $1.4 billion. OMB's Office of Federal Procurement Policy (OFPP) was the coordinating agency for the pledge effort. Subsequently, the Internal Revenue Service joined this ADR pledge effort with a contract valued at $1.3 billion. The Administrative Conference of the United States plans to form a project team with OFPP to assist agencies in using ADR. The Office of Personnel Management (OPM) also took steps to encourage ADR usage. It sponsored a conference on ADR, issued an ADR Resource Guide, and developed two ADR training courses. While ADR was used in some federal agencies prior to NPR, some new efforts are under way. For example, after a pilot test use of ADR in DOL's Philadelphia Region had positive results, DOL is planning to expand ADR usage throughout the agency.

RELATED GAO PRODUCTS
---------- Chapter 36:2.6.4

EEOC's Expanding Workload: Increases in Age Discrimination and Other Charges Call for New Approaches (GAO/HEHS-94-32, Feb. 9, 1994).

REG07: RANK RISKS AND
ENGAGE IN "ANTICIPATORY"
REGULATORY PLANNING
---------- Chapter 36:2.7

Rank the seriousness of environmental, health, or safety risks and develop anticipatory approaches to regulatory problems.

ACTION ITEMS
---------- Chapter 36:2.7.1

1. Rank the seriousness of environmental, health, or safety risks.

2. Develop long-range future plans and anticipatory approaches to regulatory problems.

GAO COMMENTS
---------- Chapter 36:2.7.2

Generally Agree. We generally agree that regulatory agencies should

assess the extent of risks facing the public in determining their regulatory agendas and anticipate future problems. For example, we recommended that the EPA Administrator work with Congress to identify opportunities to shift resources from problems of less severe risk to problems with greater risks. We also recommended that Congress consider incorporating the concept of relative risks to human health and environment in authorizing and appropriating funds for EPA. However, we are aware that the Office of Technology Assessment and the National Academy of Science's National Research Council issued reports in 1993 that discuss problems they have identified in the current risk assessment process.

IMPLEMENTATION

---------- Chapter 36:2.7.3

Partially Implemented. EPA published risk rankings for environmental problems in its 1987 report Unfinished Business: A Comparative Assessment of Environmental Problems and its Science Advisory Board reviewed them in 1990. DOT's Research and Special Programs Administration implemented a Risk Assessment Prioritization (RAP) process to rank Office of Pipeline Safety (OPS) actions according to their potential to reduce the risk of pipeline failures. OPS is categorizing and prioritizing the risks identified by the RAP process to develop a risk ranking. While these actions substantially address part of this recommendation, they do not cover all the federal regulatory agencies that have regulations incorporating environmental, health, or safety risks.

Executive Order 12881 (November 23, 1993) established the National Science and Technology Council (NSTC). The NSTC Subcommittee on Risk Assessment reviews ongoing federal risk assessment research to develop options for its enhancement.

The RWG is charged with exploring the methods, efficacy, and utility of comparative risk assessment. The RWG created a subgroup on risk assessment to examine issues and develop policy with respect to the use of risk analysis in the federal regulatory decisionmaking process. EPA has a Futures Studies Unit whose mission is to develop, support, and promote an anticipatory, systemic approach to environmental policymaking.

RELATED GAO PRODUCTS

---------- Chapter 36:2.7.4

Superfund: Improved Reviews and Guidance Could Reduce Inconsistencies in Risk Assessments (GAO/RCED-94-220, Aug. 10, 1994).

Environmental Protection: Meeting Public Expectations With Limited Resources (GAO/RCED-91-97, June 18, 1991).

REG08: IMPROVE REGULATORY SCIENCE

---------- Chapter 36:2.8

Create science advisory boards for those regulatory agencies that depend heavily on scientific information and judgments.

ACTION ITEM
---------- Chapter 36:2.8.1

Create science advisory boards.

GAO COMMENTS
---------- Chapter 36:2.8.2

Generally Agree. We generally agree that regulatory decisionmaking can be improved by ensuring that correct and current scientific information is available to the federal regulatory agencies. Science advisory boards could be the appropriate mechanism to provide the necessary scientific expertise, but other means may be available to achieve this goal.

IMPLEMENTATION
---------- Chapter 36:2.8.3

Not Implemented--Action Taken. Executive Order 12881 (November 23, 1993) established the National Science and Technology Council. Section 4 of the order states that one of the functions of the council is to "ensure science and technology are considered in development and implementation of Federal policies and programs." The President has not required the heads of regulatory agencies to create science advisory boards for their respective agencies. NPR noted that EPA and the Food and Drug Administration have functioning science boards that were established prior to the NPR report, but said other agencies should consider establishing such boards. We have no information that the other federal regulatory agencies have created in-house science advisory boards.

RELATED GAO PRODUCTS
---------- Chapter 36:2.8.4

None.

REG09: IMPROVE AGENCY AND CONGRESSIONAL RELATIONSHIPS
---------- Chapter 36:2.9

Encourage agencies to establish technical drafting services for congressional committees and subcommittees.

ACTION ITEM
---------- Chapter 36:2.9.1

Establish technical drafting services for congressional committees

and subcommittees.

GAO COMMENTS
---------- Chapter 36:2.9.2

Generally Agree. Although we have not examined the extent to which Congress needs technical drafting services from agencies, we believe that such services may be useful to Congress in certain circumstances and that agencies should provide such services to Congress upon request. It is not clear, however, that a formal system of technical drafting services would work better than the current informal system providing such services.

IMPLEMENTATION
---------- Chapter 36:2.9.3

Not Implemented--No Action Taken. We did not find evidence of federal regulatory agency action to formally establish technical drafting services for congressional committees and subcommittees. However, OMB said that agencies already provide technical drafting services, on an informal basis, to congressional committees and subcommittees. An official at EPA stated that the agency frequently provides technical drafting services to Congress and has done so for many years. According to this official, these drafting activities are informally done and are not centrally planned within the agency as suggested by the recommendation. DOT stated that DOT officials, including DOT's General Counsel and Assistant Secretary for Intergovernmental Affairs, recently discussed becoming more responsive to Congress' need for technical drafting services and encouraging better internal coordination within the department when providing these services. There was no plan to install a formalized system or process to implement these objectives. The Department of Defense (DOD) provides technical drafting services on an informal basis to Congress when requested by a committee or subcommittee. DOD is not planning to formalize this arrangement.

RELATED GAO PRODUCTS
---------- Chapter 36:2.9.4

None.

REG10: PROVIDE BETTER
TRAINING AND INCENTIVES FOR
REGULATORS
---------- Chapter 36:2.10

Establish a basic training program for presidential appointees assigned to regulatory agencies and expand existing training programs to cover career staff not currently being trained.

ACTION ITEMS
---------- Chapter 36:2.10.1

1. Establish a basic training program for presidential appointees to regulatory agencies.

2. Move training programs for agency regulatory lawyers back to Washington, D.C., and expand to cover other career staff.

3. Establish an "honors" rotation program for select mid-level career staffers.

4. Reward innovative regulators.

GAO COMMENTS
---------- Chapter 36:2.10.2

Insufficient Information. We agree that training is an important component of the performance of the federal workforce, including presidential appointees assigned to regulatory agencies. However, we cannot comment on this recommendation until we have more information on the extent of this problem for federal regulatory agencies.

IMPLEMENTATION
---------- Chapter 36:2.10.3

Not Implemented--Action Taken. No evidence exists that any of the specific action items were implemented, but there was some activity by OMB and the RWG that could facilitate implementation. The President has not directed political appointees to attend a comprehensive training program on regulatory development, or that a training program be established which would provide this training. However, the RWG asked the Administrative Conference of the United States (ACUS) to propose a design for such a training program and ACUS agreed to develop this proposal. We understand that no legislation was proposed to move the Legal Education Institute back to Washington, D.C. from Columbia, South Carolina. This year, the Administrator of OMB's OIRA instituted a program to rotate staff between OIRA and other federal agencies. An OMB official told us that while this is not officially an honors rotation program, the candidates selected for the OIRA program are accomplished, high-quality employees. We found no evidence that heads of federal regulatory agencies developed policies that recognize and reward achievements in innovative, consensus-based, and effective regulation.

RELATED GAO PRODUCTS
---------- Chapter 36:2.10.4

None.

GENERAL SERVICES ADMINISTRATION
(GSA)
========== Chapter 37

OVERALL SUMMARY

---------- Chapter 37:1

Actions have been taken or are under way on all six NPR action items under the one GSA recommendation. However, these actions have not been completed and the recommendation has not been implemented. Also, several of NPR's recommendations in the Reinventing Support Services section, which have been either partially implemented or acted upon but not implemented, relate directly to this GSA section; especially SUP03, SUP04, SUP08, SUP09, and SUP10. In addition, NPR's recommendations in the Reinventing Federal Procurement, Transforming Organizational Structures, Mission-Driven Results- Oriented Budgeting, and Improving Financial Management sections also relate to this GSA section.

GSA has committed itself to and developed plans for ending its longstanding support services monopolies, separating its policymaking and oversight responsibilities from service delivery, revising its organizational structure and improving how it interfaces with customer agencies, and using private sector practices as benchmarks to reengineer the way it does business. Also, GSA's "Time Out and Review" of nearly 200 approved major building construction, modernization, or leasing projects identified potential cost savings opportunities of at least $1.2 billion.

GAO CONTACT

---------- Chapter 37:1.1

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RECOMMENDATION INFORMATION

---------- Chapter 37:2

GSA01: SEPARATE POLICYMAKING FROM SERVICE DELIVERY AND MAKE THE GENERAL SERVICES ADMINISTRATION (GSA) A FULLY COMPETITIVE, REVENUE-BASED ORGANIZATION

---------- Chapter 37:2.1

Fund GSA service delivery from customer revenues, transfer activities not related to GSA's central mission to other agencies, and allow agencies to choose whether to purchase GSA services.

ACTION ITEMS

---------- Chapter 37:2.1.1

1. Separate policymaking and oversight from service delivery and fund policymaking from direct appropriations.

2. Allow agencies to choose whether to purchase GSA services, and fund GSA service delivery from customer revenues.

3. Transfer activities not related to GSA's central mission to other agencies.

4. Suspend acquisition of net new office space and courthouses.

5. Reduce procurement spending.

6. Improve GSA service delivery.

GAO COMMENTS

---------- Chapter 37:2.1.2

Agree. GAO supports these recommended reforms. To compete with private industry for federal agencies' business, however, GSA must be able to respond quickly and effectively to customer needs and market conditions. In this regard, Congress and the administration need to reexamine and resolve constraints and barriers, such as funding limitations and the real estate prospectus authorization processes, that would adversely affect GSA's ability to compete.

IMPLEMENTATION

---------- Chapter 37:2.1.3

Not Implemented--Action Taken. Actions have been taken and implementation is under way on all six NPR action items under this recommendation, but these actions have not been completed and the recommendation has not been implemented. GSA has developed plans to separate governmentwide policymaking and oversight of public buildings and federal supply activities from service delivery. GSA also plans to fund policy activities from direct appropriations; this proposal was included in the Treasury, Postal Service, and General Government Appropriations Act of 1995 (P.L. 103-329). In addition, GSA (1) has proposed eliminating mandatory service requirements in the public buildings, information technology, and federal supply areas so that agencies can choose where to acquire these services; (2) is trying to transfer the Indian Trust Fund, a function not related to its central mission, to the Interior or Justice Departments; (3) is streamlining its organizational structure and eliminating unneeded overhead positions; and (4) is studying ways to decrease procurement spending and improve its relations with customer agencies and service delivery. For example, GSA has established 14 reinvention laboratories aimed at reengineering organizational processes, eliminating unnecessary rules and regulations, and empowering employees to improve the services it provides to customer agencies. According to GSA officials, the administration drafted legislation to eliminate GSA's transportation audit function, another activity not related to its central mission, in August 1994, but the legislation was never introduced in Congress.

As early as July 1993, GSA committed itself to a "Time Out and Review" study of approved major building construction, modernization,

and leasing projects to determine if the federal housing option selected was the most appropriate, cost-effective alternative available. GSA took about 6 months to review nearly 200 projects. GSA reported in March 1994 that it had identified potential savings opportunities of about $1.2 billion, including $230 million in new federal courthouse projects. GSA expects to realize some of these identified savings by eliminating or cutting back on some projects, using value engineering to reduce costs, and reducing the size of some leases. GSA is still working to reengineer existing design, construction, and leasing projects and to renegotiate existing leases. Also, GSA has developed a baseline of office space inventory levels and plans to soon issue new space guidelines and policies to federal agencies.

RELATED GAO PRODUCTS

---------- Chapter 37:2.1.4

Budget Issues: Budget Scorekeeping for Acquisition of Federal Buildings (GAO/T-AIMD-94-189, Sept. 20, 1994).

Public Buildings: Budget Scorekeeping Prompts Difficult Decisions (GAO/T-GGD/AIMD-94-43, Oct. 28, 1993).

Federal Real Property: National Performance Review Recommendations (GAO/GGD-93-47, Sept. 21, 1993).

Federal Real Property: Key Acquisition and Management Obstacles (GAO/T-GGD-93-42, July 27, 1993).

Federal Buildings Fund Limitations (GAO/GGD-93-34R, Apr. 5, 1993).

General Services Administration: Increased Direct Delivery of Supplies Could Save Millions (GAO/GGD-93-32, Dec. 28, 1992).

General Services Issues (GAO/OCG-93-28TR, Dec. 1992).

Government Management Issues (GAO/OGC-93-3TR, Dec. 1992).

General Services Administration: Actions Needed to Improve Protection Against Fraud, Waste, and Mismanagement (GAO/GGD-92-98, Sept. 30, 1992).

FTS 2000 Overhead: GSA Should Reassess Contract Requirements and Improve Efficiency (GAO/IMTEC-92-59, Aug. 3, 1992).

Federal Office Space: Obstacles to Purchasing Commercial Properties From RTC, FDIC, and Others (GAO/GGD-92-60, Mar. 31, 1992).

Real Property Management Issues Facing GSA and Congress (GAO/T-GGD-92-4, Oct. 30, 1991).

GSA: A Central Management Agency Needing Comprehensive Congressional Oversight (GAO/T-GGD-92-3, Oct. 29, 1991).

ADP Procurements: GSA Needs to Improve Its Review Process to Enhance Its ADP Oversight (GAO/IMTEC-92-7, Oct. 28, 1991).

Federal Buildings: Actions Needed to Prevent Further Deterioration and Obsolescence (GAO/GGD-91-57, May 13, 1991).

General Services Administration: Status of Management Improvement Efforts (GAO/GGD-91-59, Apr. 3, 1991).

Facilities Location Policy: GSA Should Propose a More Consistent and Businesslike Approach (GAO/GGD-90-109, Sept. 28, 1990).

General Services Administration: Delegated Buildings Adequately Operated But Better GSA Oversight Needed (GAO/GGD-90-76, May 15, 1990).

Federal Office Space: Increased Ownership Would Result in Significant Savings (GAO/GGD-90-11, Dec. 22, 1989).

General Services Administration: Sustained Attention Required to Improve Performance (GAO/GGD-90-14, Nov. 6, 1989).

OFFICE OF PERSONNEL MANAGEMENT (OPM)

========== Chapter 38

OVERALL SUMMARY

---------- Chapter 38:1

OPM has completed a number of actions and has others under way to implement the NPR recommendations calling for OPM to change its role and functions in order to become a more effective leader of federal human resource management. Consistent with the recommendations, OPM announced that it has changed its role from that of a watchdog over other agencies to that of a consultant, with a strong focus on customer service. It is developing a plan for redesigning and restructuring the agency. Through a program of separation incentives, early retirements, and involuntary separations, OPM has already reduced its employment level by nearly 20 percent. It has delegated some operational work to the agencies, but believes delegation of many of its functions can be accomplished only through the legislative process.

OPM has developed a "good government framework" under which agencies themselves will be responsible for ensuring that their human resource management practices and monitoring systems are consistent with merit principles. While OPM says it plans to monitor agencies' internal accountability practices, the manner in which this will be done and how effective it will be are unknown.

GAO CONTACT

---------- Chapter 38:1.1

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RECOMMENDATION INFORMATION
---------- Chapter 38:2

OPM01: STRENGTHEN THE
OFFICE OF PERSONNEL
MANAGEMENT'S (OPM)
LEADERSHIP ROLE IN
TRANSFORMING FEDERAL HUMAN
RESOURCE MANAGEMENT SYSTEMS
---------- Chapter 38:2.1

Clearly define OPM's policy, service, and leadership role in addressing human resource problems and delegate operational work to the agencies.

ACTION ITEMS
---------- Chapter 38:2.1.1

1. Clearly define and publicize OPM's policy, service, and leadership role in addressing critical human resource problems and transforming human resource administrative systems.

2. Delegate operational work to the agencies.

3. Supplement agency accountability for policy and program implementation with a reinvented program of oversight and assessment.

GAO COMMENTS
---------- Chapter 38:2.1.2

Generally Agree. Our reports show the need for greater OPM leadership on federal human resource issues. While we agree that operational matters should be delegated to the agencies when appropriate, we have found that many agencies' personnel management evaluation programs are not sufficient to ensure that their personnel programs operate effectively and in compliance with merit system principles. OPM needs to exert greater leadership in strengthening agency evaluation programs if they are to be relied upon to oversee agency accountability for program management.

IMPLEMENTATION
---------- Chapter 38:2.1.3

Not Implemented--Action Taken. OPM issued a "Mission, Vision, and Values" statement in January 1994 outlining its new direction for federal human resource management. OPM characterized the statement as establishing OPM as the leading choice on all human resource management systems in the federal government. OPM said its role has changed from that of a watchdog over other agencies to that of a consultant, with a strong focus on customer service. While addressing the first action item, we do not believe this statement defines OPM's complete role in federal human resource management.

In December 1993, OPM delegated to agencies the responsibility for deciding who is entitled to coverage under the special retirement provisions for law enforcement officers and firefighters under the Civil Service Retirement System. In May 1994, OPM discontinued its central registers for entry-level professional and administrative positions; agencies, with OPM assistance, now rate and rank candidates for their own vacancies in those positions. OPM could cite no other operational work it has delegated to the agencies since the NPR report was issued. It believes delegation of many of OPM's functions can be accomplished only through the legislative process. However, no such legislation has been introduced.

In June 1994, OPM introduced a new "Good Government Framework For Merit System Accountability" that it said is intended to help agencies ensure that their human resource management accountability and monitoring systems are consistent with merit system principles. According to OPM, the framework provides agencies the flexibility to use any means they see fit to ensure effective accountability, including internal controls, systems assessments, and inspector general reviews. OPM is continuing to consult with agencies on the oversight issue, and is focusing on developing new measures of accountability. OPM said it will monitor agency success in using the framework to improve internal accountability.

RELATED GAO PRODUCTS

---------- Chapter 38:2.1.4

Federal Personnel Management: OPM Reliance on Agency Oversight of Personnel System Not Fully Justified (GAO/GGD-93-24, Dec. 8, 1992).

Office of Personnel Management: Better Performance Information Needed (GAO/GGD-90-44, Feb. 7, 1990).

Managing Human Resources: Greater OPM Leadership Needed to Address Critical Challenges (GAO/GGD-89-19, Jan. 19, 1989).

Retrenchment and Redirection at the Office of Personnel Management (GAO/GGD-83-95, Aug. 22, 1983).

OPM02: REDEFINE AND RESTRUCTURE OPM'S FUNCTIONAL RESPONSIBILITIES TO FOSTER A CUSTOMER ORIENTATION

---------- Chapter 38:2.2

Restructure and rightsize OPM to enhance and reflect its commitment to addressing its customers' needs.

ACTION ITEMS

---------- Chapter 38:2.2.1

1. Restructure OPM to reflect its commitment to meeting its customers' needs.

2. Downsize OPM to reflect its changed roles and functions.

GAO COMMENTS
---------- Chapter 38:2.2.2

Insufficient Information. Neither the NPR report nor the accompanying report gave a clear indication of the kind of restructuring and rightsizing this recommendation envisions. Thus, we cannot evaluate the recommendation. However, on the basis of a long history of GAO work, we agree that this issue needs attention; OPM needs to work with the agencies in preparing the government to meet future challenges, attack performance improvement issues with more vigor, and ensure more effective oversight of the government's key personnel areas.

IMPLEMENTATION
---------- Chapter 38:2.2.3

Not Implemented--Action Taken. OPM formed an Employee Task Force on Agency Redesign to develop a plan for redesigning and restructuring the agency. The task force reported its recommendations to the OPM Director on September 1, 1994, but as of September 7, 1994, he had not acted on them. OPM plans to reflect its new structure in its fiscal year 1996 budget submission. Until the OPM restructuring is in place, no judgment can be made on whether OPM has met this recommendation or will be better able to serve its customers' needs.

OPM also gave itself early-out retirement authority and authorized buyouts for employees GS-13 and above who resigned or retired between March 25, 1994, and March 31, 1994. OPM reduced the number of investigators and training personnel it employed by separating 656 employees through reduction-in-force procedures in fiscal year 1994. Overall, since March 1994, OPM's staff has been reduced from 6,943 to 5,663. However, the majority of these reductions were not made in response to this recommendation.

RELATED GAO PRODUCTS
---------- Chapter 38:2.2.4

OPM Revolving Fund: OPM Sets New Tuition Pricing Policy (GAO/GGD-94-120, Apr. 6, 1994).

OPM Revolving Fund: Benchmarking Could Aid OPM's Efforts to Improve Customer Service (GAO/GGD-92-18, Jan. 21, 1992).

Office of Personnel Management: Better Performance Information Needed (GAO/GGD-90-44, Feb. 7, 1990).

Managing Human Resources: Greater OPM Leadership Needed to Address Critical Challenges (GAO/GGD-89-19, Jan. 19, 1989).

Retrenchment and Redirection at the Office of Personnel Management (GAO/GGD-83-95, Aug. 22, 1983).

OPM03: CHANGE THE CULTURE OF OPM TO EMPOWER ITS STAFF AND INCREASE ITS CUSTOMER ORIENTATION

---------- Chapter 38:2.3

Use interagency groups to involve OPM's external stakeholders in changing federal human resource systems. Improve OPM's policy-making process through experimental use of negotiated rulemaking ("reg-neg") and broaden the customer focus of OPM and agency personnel specialists.

ACTION ITEMS

---------- Chapter 38:2.3.1

1. Use OPM's internal culture change effort as a model for the rest of government.

2. Use a variety of interagency groups to involve OPM's external stakeholders in changing federal human resource systems.

3. Improve OPM's policymaking process through experimental use of negotiated rulemaking.

4. Develop programs to help OPM and agency personnel specialists broaden their customer focus.

GAO COMMENTS

---------- Chapter 38:2.3.2

Insufficient Information. We believe it is reasonable to expect OPM to involve all stakeholders in determining how to better serve its customers. However, since we have done no work to identify how this could best be accomplished, we cannot comment further on this recommendation.

IMPLEMENTATION

---------- Chapter 38:2.3.3

Not Implemented--Action Taken. OPM began labor-management partnership training for its staff in the fall of 1993, and has signed partnership agreements with its two union locals. The Director initiated sessions with employees and union representatives to afford them the opportunity to provide input on the agency's operations. OPM said it developed a 2-day training course entitled "Partners in Change" which will be used to share partnership experiences and offer assistance to agencies in setting up partnership programs. OPM, unions, and an interagency group worked to sunset the Federal Personnel Manual. In addition, OPM says a major marketing effort is under way to inform potential customers that OPM is the "One Stop Shop for Human Resources Management."

According to OPM, the need to find other positions for employees displaced in OPM's downsizing efforts has limited its ability to broaden personnel specialists' customer focus through rotational assignments. OPM plans to use negotiated rulemaking to amend its training regulations to reflect the changes required by the Federal Workforce Restructuring Act of 1994.

Thus, although some action has taken place, it has not been enough to complete implementation of this recommendation.

RELATED GAO PRODUCTS

---------- Chapter 38:2.3.4

OPM Revolving Fund: Benchmarking Could Aid OPM's Efforts to Improve Customer Service (GAO/GGD-92-18, Jan. 21, 1992).

Office of Personnel Management: Better Performance Information Needed (GAO/GGD-90-44, Feb. 7, 1990).

Managing Human Resources: Greater OPM Leadership Needed to Address Critical Challenges (GAO/GGD-89-19, Jan. 19, 1989).

Retrenchment and Redirection at the Office of Personnel Management (GAO/GGD-83-95, Aug. 22, 1983).

NPR ACCOMPANYING REPORTS RELEASED AS OF SEPTEMBER 7, 1994\1

========== Appendix I

Strengthening the Partnership in Intergovernmental Service Delivery (FSL)

Department of Interior (DOI)

National Aeronautics and Space Administration (NASA)

National Science Foundation/ Office of Science and Technology Policy (NSF)

Improving Regulatory Systems (REG)

Rethinking Program Design (DES)

Improving Customer Service (ICS)

Improving Financial Management (FM)

Reinventing Environmental Management (ENV)

Reengineering Through Information Technology (IT)

Federal Emergency Management Agency (FEMA)

Office of Personnel Management (OPM)

Reinventing Human Resource Management (HRM)

Creating Quality Leadership and Management (QUAL)

Streamlining Management Control (SMC)

Transforming Organizational Structures (ORG)

General Services Administration (GSA)

Environmental Protection Agency (EPA)

Department of Agriculture (USDA)

Agency for International Development (AID)

Department of State and U.S. Information Agency (DOS)

Department of Housing and Urban Development (HUD)

Department of Veterans Affairs (DVA)

Department of Education (ED)

Small Business Administration (SBA)

Intelligence Community (INTEL)

Reinventing Support Services (SUP)

Department of Energy (DOE)

Department of Labor (DOL)

\1 We used these accompanying reports and their associated action items to assess the NPR recommendations because they were issued by September 7, 1994. We also used the "Reinventing Federal Procurement" report even though it was not formally released until released November 1994. Two other reports--"Department of Commerce" and "Mission-Driven, Results-Oriented Budgeting"--were issued after September 7 but were not used to assess the recommendations.