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GAO

Report to the Honorable
Lee H. Hamilton, Committee on Foreign
Affairs, House of Representatives

September 1989

ECONOMIC ASSISTANCE

Ways to Reduce the Reprogramming Notification Burden and Improve Congressional Oversight

GAO/NSIAD-89-202

GAO

United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-227530

September 21, 1989

The Honorable Lee H. Hamilton
Chairman, Subcommittee on Europe
and the Middle East
Committee on Foreign Affairs
House of Representatives

Dear Mr. Chairman:

You requested that we review the foreign assistance reprogramming notification procedures used by the Agency for International Development (AID) and the Department of Defense (DOD). Specifically, you asked us to determine if changes could be made to reduce the administrative burden associated with the notification process without unduly limiting congressional oversight.

We addressed these issues related to DOD in our report Military Assistance: Improving the Way Congress is Notified of Program Change, (GAO/NSIAD-89-4, Nov. 1988). This report presents the results of our work at AID.

Results in Brief

Our review of AID's reprogramming reporting procedures indicates that opportunities exist to reduce the number of submissions. Given the various needs and concerns of individual congressional members, however, there is no clear consensus on how best to change the system.

Specifically, reductions could be achieved without significantly changing the current approach to congressional oversight by eliminating notifications for actions that do not increase project funding, raising the current percentage threshold for reporting, or adopting a dollar-value reporting threshold. If the Congress would change its current approach of requiring the changes to be reported on a project basis and require notification for only those reprogramming changes that affect country spending levels, even greater reductions in the numbers of reprogramming notifications could be achieved. While this latter change would substantially reduce the amount of information that the Congress receives on various projects, project level information could still be required annually through budget justification documents updated to reflect appropriation outcomes.

Details on the results of our review are in appendix I. Our objectives, scope, and methodology are described in appendix II.

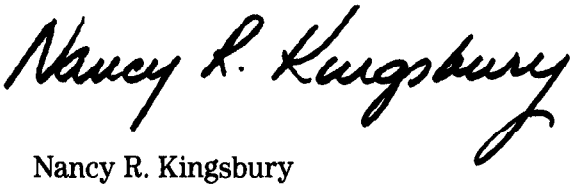
Agency Comments

AID stated that it agreed with the information and analyses in the report (see app. III).

Copies of the report are being sent to the Senate and House Committees on Appropriations; the Senate Committee on Foreign Relations; the House Committee on Foreign Affairs; the Acting Administrator, Agency for International Development; the Director, Office of Management and Budget; the Secretary of State; and other interested parties.

GAO staff members who made major contributions to this report are listed in appendix IV. If you have questions or need additional information, please call me on 275-5790.

Sincerely yours,



Nancy R. Kingsbury
Director, Foreign Economic
Assistance Issues

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Abbreviations

AID	Agency for International Development
DOD	Department of Defense
CPD	Congressional Presentation Document

Opportunities to Reduce Reprogramming Notifications

In January of each year, the Agency for International Development (AID) submits a Congressional Presentation Document (CPD) that contains its budget request for the following fiscal year and identifies the distribution of the budget request among individual assistance projects. Shortly after the appropriation for foreign assistance activities is signed by the President, AID submits a second document to the Congress, the 653(a) Report, which shows the planned allocation of appropriated funds on a country-by-country basis. Effective fiscal year 1988, within 30 days after the submission of the 653(a) Report, AID submits a third document, the Global Report, which updates the CPD estimates of planned spending for individual foreign assistance projects.

AID must report various program changes to responsible congressional committees.[1] For example, AID must notify the Congress whenever planned spending for individual assistance projects, as shown in the CPD or the Global Report, is increased more than a specified percentage amount. If there are concerns about the change, any of the committees may, within a 15-day period, request that AID "hold" or withdraw the proposed change.

In fiscal year 1987, AID submitted 700 notifications to the committees. This represented 1,171 reprogramming actions because a notification may include more than one action. These reported actions involved (1) increases in proposed project spending; (2) increases in expected spending over the life of the project, including spending increases in subsequent fiscal years; (3) new projects not listed in the CPD baseline document; (4) proposed spending changes among projects (reobligation of unused funds); (5) shifting of proposed project spending from one functional account to another;[2] (6) allocation of project funds among subactivities within a single project; (7) new projects listed in the baseline but not funded; or (8) shifts in type of funding instrument for a project from, for example, loans to grants. Only 47 proposed changes, or about 4 percent, were held; none of these changes were subsequently withdrawn by AID. Table I.1 shows the number of fiscal year 1987 reprogramming actions reported by category of notification and number of holds requested by committees.

[1]Senate and House Committees on Appropriations, Senate Committee on Foreign Relations, and the House Committee on Foreign Affairs.

[2]AID appropriations are allocated and accounted for, internally by AID, within functional categories or accounts representing basic economic assistance efforts such as agriculture, nutrition, energy, health, and population projects.

Table I.1: Fiscal Year 1987 Change Actions Resulting in Reprogramming and Congressional Holds by Notification Categories

	Actions			Holds
Notification category	Number	Percent	Cumulative percent	Number
Fiscal year increases	615	52.5	52.5	20
Life-of-project increases	185	15.8	68.3	7
New projects not in baseline	123	10.5	78.8	16
Deobligation/ reobligation	102	8.7	87.5	2
Account shifts	45	3.9	91.4	1
Shifts in subactivities	38	3.3	94.7	0
New funding of projects in baseline	32	2.7	97.4	0
Loan/grant shifts	12	1.0	98.4	1
Other	19	1.6	100.0	
Total	**1,171**	**100.0**		**47**

According to congressional staff and AID officials, reprogramming reporting requirements create a substantial administrative burden on AID and oversight burdens for Congress. The House Foreign Affairs Committee Task Force on the Foreign Assistance Act recently observed that the "level of notifications focuses congressional attention on project changes, which are inevitable, rather than on policy . . . ."

Our April 1988 survey of congressional staff members on alternative reprogramming reporting options to meet their oversight needs showed no consensus on (1) the circumstances under which a reprogramming notification should be submitted, (2) whether the present system satisfies information needs, or (3) how the present process can be improved.[3] Determining the most advantageous means to reduce submissions is difficult because of the widely diversified congressional interests.

In an effort to reduce the number of notifications submitted, the Congress recently changed AID's reporting requirements. Under a 1985 amendment to the Foreign Assistance Act, AID is required to submit notifications if fiscal year increases for individual development assistance projects are more than 10 percent greater than that previously justified to the Congress through the CPD or the Global Report, whichever is appropriate, or a subsequent notification. Until 1988, however, AID continued to report all increases because this was required by annual appropriations legislation.

[3]Results were contained in a letter to the Chairman, Subcommittee on Europe and the Middle East, House Committee on Foreign Affairs (B-230544, April 25, 1988).

The Senate report on the fiscal year 1988 AID appropriations act set less strict requirements by requiring a notification only if spending for the life of the project (which may span several fiscal years) increased by more than $5 million. The appropriation report further provided that AID would report increases in project funding for development assistance if such increases were 20 percent or more of the funding level that was previously justified. However, because the authorizing legislation continued to require that increases of 10 percent or more above previously reported project cost in the development assistance project be reported, AID decided to report all increases that exceeded the 10-percent threshold.

Finally, the Senate and House reports on the fiscal year 1989 appropriation legislation led to a change to the practice of reporting proposed obligations for the category "new projects in baseline." This pertains to new projects that were included in the CPD but were not proposed for obligation. Under previous practice, when obligations were later proposed for the projects, notifications were required.

If these changes had been in effect in fiscal year 1987, together they would have reduced the number of notifications by 16 percent. The $5-million threshold for life-of-project changes would have eliminated 116 actions—about 10 percent of the total fiscal year 1987 actions. The 10-percent reporting threshold for spending increases would have eliminated 35 actions in 1987—about 3 percent of total notification actions. The elimination of the "new projects" category would have also reduced total actions by about 3 percent. If the 20-percent threshold had been in effect in fiscal year 1987, notification actions would have been reduced an additional 2.5 percent.

Additional Congressional Actions Could Result in Further Reductions in Reprogramming Notifications

Our analysis indicates that the number of reprogramming notifications could be further reduced if Congress (1) excludes from reporting the categories of actions that do not change project spending levels, (2) raises the percentage threshold for those actions that increase project funding, and/or (3) creates a dollar-value threshold for reporting project funding increases. These options offer the potential for continued oversight of major changes to individual projects, while eliminating relatively minor project changes.

Eliminate Categories of Actions Not Involving Spending Increases

Several categories of reprogramming notifications currently reported do not involve increases to project spending levels. The fiscal year 1989 House and Senate Appropriations Committee reports led to a change to the practice of reporting the "new projects in baseline" category that, until fiscal year 1988, required notification when obligations were made to projects already identified in the CPD but for which no obligations were intended. Other categories of reprogramming notifications involve no increases in project spending, and could be eliminated if oversight is primarily concerned with monitoring project growth. For example, reprogramming among subactivities within a project are reported, even though the total funding level for the project is not affected. Similarly, reprogramming notifications are made when the source of funds for a project is changed from one functional account to another (account shift), even though the proposed funding amount is unchanged. Also, reprogramming notifications occur when the funding instrument proposed for a project is changed from, for example, a loan to a grant, even though the amount proposed for the project is not changed.

These actions represented about 11 percent of all notification actions in fiscal year 1987, as shown in table I.1. The nature of these changes, their relatively small number, and the few congressional objections about the changes suggest that these reporting requirements could be eliminated without significantly reducing congressional oversight.

Change in Percentage Threshold

The largest category of reprogramming notification actions—fiscal year increases—represented 52 percent of all actions subject to notification in fiscal year 1987, and about half of the holds imposed that year were for actions in this category. Changing the percentage reporting threshold, as provided for by the appropriations legislation in fiscal year 1988, would further reduce the number of reprogramming notifications, but only by a modest amount. Table I.2 indicates that a reporting threshold of 20 percent would have reduced fiscal year 1987 notification actions by 5.5 percent. Raising the threshold to 30 percent would have eliminated only an additional 3 percent.

Table I.2: Reported Fiscal Year 1987 Spending Increases as a Percentage of Baseline Estimates in the CPD

Spending percentage increases	Number	Percentage
10 or less	35	5.7
10.01 to 20	29	4.7
20.01 to 30	38	6.2
30.01 to 40	31	5.0
40.01 to 50	21	3.4
50.01 to 60	24	3.9
60.01 to 70	23	3.7
70.01 to 80	13	2.1
80.01 to 90	9	1.5
90.01 to 100	17	2.8
Greater than 100	140	22.8
Infinity[a]	235	38.2
Total	**615**	

[a]This level of increase includes those project funding increases that began with a zero base in the Global Report.

The table shows that many project increases represent large increases in percentage terms—375 increases were greater than 100 percent. This occurs for two reasons. First, many of AID's projects are relatively small and even small dollar-value increases will be reflected as large percentage spending increases. For example, in 1987 AID increased a program in Niger from $40,000 to $100,000, and reported the 150 percent increase to the Congress.

Secondly, as shown in table I.2, about 38 percent (235) of all project increases in fiscal year 1987 involved adding funds to projects that were in the CPD baseline, but showed no proposed obligation amount. Because of this, even small funding increases are infinitely large in percentage terms and thus must be reported. For example, AID increased funding for a Caribbean project from zero dollars to $50,000 in fiscal year 1987. This represented a much greater percentage increase than the $20-million increase to a project in Guatemala, which had a $70-million base.

Although raising the percentage reporting threshold would reduce the number of notifications, it would also reduce congressional oversight of relatively large dollar-value spending changes in larger projects. For example, in fiscal year 1987, AID increased funding to a project in Haiti by $6 million. Since this increase represented only about 18 percent of the baseline value of the project, it would not have been reported if the threshold had been 20 percent.

Impact of Dollar-Value Thresholds for Reporting Increases

Table I.3 describes the increases reported in fiscal year 1987 by dollar value. This analysis shows that about 60 percent of the increases reported were for $1 million or less.

Table I.3: Value of Reprogramming Increases for Fiscal Year 1987

Level of increase	Number	Percent	Cumulative percent	Cumulative percent of 1,171 Total
$0 - $100,000	83	13.5	13.5	7.1
$100,001 to $500,000	160	26.0	39.5	20.8
$500,001 to $1,000,000	124	20.1	59.6	31.3
$1,000,001 to $2,000,000	100	16.2	75.8	39.9
$2,000,001 to $3,000,000	46	7.5	83.3	43.8
$3,000,001 to $5,000,000	38	6.2	89.5	47.1
$5,000,001 to $10,000,000	44	7.2	96.7	50.8
Greater than $10,000,000	20	3.3	100.0	52.5
Total	**615**			

A reporting threshold of $1 million would have reduced the number of notifications in fiscal year 1987 by about 31 percent. Dollar-value thresholds would seem particularly appropriate for projects for which no proposed funding was identified in the baseline, since even small dollar increases represent infinitely large increases in percentage terms.

Alternatives to Project Level Reporting

The number of notifications could be significantly reduced if the Congress required AID to justify its programs, and subsequently notify Congress of changes to them at the country program level. Both AID and the Congressional Research Service have suggested that this alternative could be implemented using a modified 653(a) Report as the baseline document. Our analysis of fiscal year 1987 data indicates that AID would have submitted about 60 percent fewer notifications if it had reported only the changes that affected country-level spending.

Using this method, the Congress would continuously oversee AID's activities at the country level, which some observers believe is the appropriate level for congressional review. Continuous oversight over project activities in individual countries would be substantially reduced, although information provided each year at the project level in the CPD would continue to be a source of periodic project oversight.

Conclusions

The current system generates many notifications that represent no change to program spending, or reflect relatively small dollar-value spending increases. The large number of notifications has been identified as an administrative burden for AID and an approach that may focus congressional attention away from policy oversight. However, changes to reduce the number of notifications would also reduce the amount of information the Congress receives about various projects. Given the various needs and concerns of individual Members, there is no clear consensus on how best to change the system.

Recent congressional action to reduce notifications would have reduced fiscal year 1987 notifications by 16 percent. If AID had not been required to report other changes that did not alter program spending, notifications would have been reduced by an additional 8 percent. Because many AID programs are small or are not initially scheduled to receive funds, incrementally increasing the percentage reporting threshold would result in only modest reductions in the number of notifications submitted. A 20-percent reporting threshold would have reduced fiscal year 1987 notifications by 2.5 percent, while a 30-percent threshold would have eliminated an additional 3 percent.

The fiscal year 1987 congressional notifications could have been reduced by 60 percent if AID had reported only country-level, instead of project-level spending increases. Some observers believe that this system would provide the Congress with an appropriate level of oversight.

Objectives, Scope, and Methodology

We conducted this review at the request of the Chairman of the Subcommittee on Europe and the Middle East, House Committee on Foreign Affairs. The Chairman requested that we assess AID's economic assistance congressional reprogramming notification process to determine if changes could be made to reduce the administrative burdens associated with the notification process without unduly limiting congressional oversight.

As agreed with the Chairman's staff, we (1) focused on fiscal year 1987 reprogramming notifications because of the lack of centralized data for 1986 and (2) surveyed congressional users of the reprogramming notifications.

We met with officials of AID, the Departments of Defense and State, the Office of Management and Budget, the Congressional Research Service, and with staff of the major oversight committees to gain perspectives on reprogramming problems, burdens, and available alternatives. We used a questionnaire to survey 67 congressional staff members' comments on how the notifications are used, how well the present system is working, and what alternatives might be considered acceptable.

We reviewed AID documents such as reprogramming notification guidelines, procedures and records of legislative requirements, and interaction with congressional oversight committees. We created a data base of 1987 notification activity by recording pertinent data from each notification document submitted in 1987, and when necessary, from other internal records and reports. The data base was necessary to identify and compare the nature and level of reprogramming activity, for example, by bureau and country.

We discussed the results of our analyses and the suggested alternatives with AID, congressional, and Congressional Research Service officials. We also met with AID legislative affairs and regional bureau officials, as well as congressional staff to discuss the implications of the alternative procedures and the associated reporting requirements on future notifications and oversight.

Our work was conducted in accordance with generally accepted government auditing standards.

Comments From the Agency for International Development

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523

JUL 7 [redacted]

ASSISTANT
ADMINISTRATOR

Mr. Frank C. Conahan
Assistant Comptroller General
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Conahan:

We have reviewed the GAO draft report, "Economic Assistance: Ways to Reduce the Reprogramming Notification Burden and Improve Congressional Oversight" (Code 472169).

A.I.D., too, has been reviewing possible alternatives to the congressional notification process, especially in conjunction with discussions with the House Committee on Foreign Affairs Task Force on Foreign Assistance (the "Hamilton-Gilman Task Force") on the rewrite of the foreign assistance authorization legislation.

Your report reflects our view -- that the process could be altered to require fewer notifications without any loss in congressional oversight. Legislation passed by the House of Representatives on June 29 (H.R. 2655) in fact does much to lessen the detail now required. We support this effort.

This draft report provides a thorough review of the reporting impact under current legislative requirements, as well as a careful analysis of proposed changes to these requirements. We have no issue with your findings. They should provide further support for congressional staff who are already working to streamline this process.

Sincerely,

Richard E. Bissell
Bureau for Program and Policy
Coordination

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