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TASK FORCE ON  
THE OFFICE OF THE SECRETARY OF DEFENSE

<u>CO-CHAIRS:</u>	Robert A. Beck Chairman and CEO The Prudential Insurance Company of America	<u>NUMBER OF TASK FORCE MEMBERS:</u>	40
	Carter L. Burgess Chairman, Executive Committee Foreign Policy Association	<u>NUMBER OF ISSUES:</u>	40
	James E. Burke Chairman and CEO Johnson & Johnson	<u>NUMBER OF RECOMMENDATIONS:</u>	73
	Carl D. Covitz President Landmark Communities, Inc.	<u>3-YEAR COST SAVINGS:</u> (\$ billions)	\$44.508
		<u>3-YEAR REVENUE GENERATION:</u> (\$ billions)	\$ .248
<u>PROJECT MANAGER:</u>	William H. Tremayne Vice President The Prudential Insurance Company of America		

OVERVIEW

The mission of the Department of Defense (DOD) is to deter war and, if deterrence fails, to conclude any conflict on terms favorable to the United States. All functions in DOD and its component agencies are performed under the direction of the Office of the Secretary of Defense (OSD). DOD's estimated obligational authority for FY 1983 was \$239.4 billion. DOD employs two million military personnel and has approximately one million civilian employees -- more than any other free world organization.

Management of DOD is an awesome task, which is compounded by the fact that the military Services never really believed that central management by the Secretary of Defense was needed. In addition, Congress often restricts DOD's management prerogatives, subjecting weapon choices, base deployment, and other major management decisions to political pressures.

## ISSUES AND RECOMMENDATIONS

The Task Force focused on 40 key issues and formulated 73 recommendations which would result in cost savings of \$44.508 billion and revenue generation of \$248.2 million over a three-year period.

Logistics -- Logistics issues involve the acquisition of goods for the field, the transportation of goods and people, and base operations and support. The Task Force found Service predilection for full control of logistics pertaining to that Service, resulting in duplication of central staff support, failure to take advantage of the economic benefits of large volume orders, and costly functional and geographic overlap.

Significant cost saving opportunities in inventory management, base support, base realignment, and contracting out were identified by the Task Force, which recommended improved traffic procedures and depot operations, demilitarization of ammunition, and the reduction of military bases and support services for bases. Implementation would result in three-year cost savings of \$11.996 billion.

Weapons Procurement -- In the area of weapons procurement, the Task Force found a need for DOD to modernize and streamline the acquisition process. Specific recommendations included consolidation of the acquisition process under a newly created position of Under Secretary of Defense for Acquisition; simplification of regulatory processes; consolidation of all contract administration and functions; and related improvements in the area of research and development, data exchanges, use of common parts, and the number of new weapons systems started each year.

Task Force recommendations will result in three-year savings of \$18.256 billion when implemented.

Retirement -- The Military Retirement System allows military personnel to retire after 20 years of service with an immediate and unreduced benefit. The most common age at retirement is 43 for officers and 39 for enlistees. The Task Force developed two alternative approaches for reducing the cost of military retirement. One alternative proposes delaying payment of benefits until 30 years from Service entry date. The other proposes reduced benefits via an earned income offset during the transition to civilian employment for retirees under age 62, with full benefits paid at age 62. Based on the first alternative and related recommendations calling for benefits to be based on the average of the highest 36 months of base pay, integration with Social Security, and payment for unused leave, the Task Force projects cost savings of \$6.893 billion over three years.

Personnel -- In its review of other Service-related benefits, the Task Force concluded that commissaries were no longer meeting their original objective of providing food to officers at frontier posts and recommended terminating commissary operations with a three-year cost savings of \$972.7 million. The Task Force also recommended restricting Selective Reenlistment Bonus payments to critical need organization categories and restricting Aviation Career Incentive Program payments to those actually performing flying duty required by orders. Implementation of these recommendations, in addition to reductions in the number of Permanent Change of Station moves, would result in three-year cost savings of \$1.218 billion.

Health -- DOD's health care costs have risen significantly over the past few years. The situation is exacerbated by the interplay and lack of coordination between the direct care system and the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) for civilian dependents and retired personnel and dependents.

Direct care military hospitals are seriously underutilized. Because direct care systems are budgeted within the Services and CHAMPUS is budgeted by OSD, financial incentives cause the direct care facilities to push prospective patients to CHAMPUS. Task Force recommendations included consolidating the military health care system, transferring CHAMPUS users to direct care facilities, and requiring patients to pay a greater portion of health care costs. Implementation of these recommendations would result in three-year savings of \$3.169 billion.

Finance -- OSD has virtually no usable financial management information system. Without ready access to management information, frequent resort is made to special studies, creating delays in obtaining relevant data. Furthermore, because of the operational deficiencies of the basic accounting system, great reliance must be placed upon financial controls and internal auditing. The Task Force recommended the establishment of a Procurement Audit Service to perform internal reviews of DOD procurement practices, appointment by the President of an audit committee for DOD, and improvements in post-payment freight bill audit practices.

Implementation of these recommendations would result in three-year cost savings of \$1.872 billion.

The Task Force called for changes in Government-furnished material (GFM) and the pricing policy of foreign military sales (FMS). Task Force recommendations included extending the use of inventory control managers to GFM, and assigning the DOD Comptroller responsibility for formulating, implementing, administering, and monitoring FMS pricing and financial management. Implementation of these recommendations would result in three-year cost savings of \$132.4 million and revenue generation of \$248.2 million.

Organization -- The Task Force also identified the need for the establishment of a Defense Executive Office and the elimination of separate staffs reporting to the Service Secretaries. It also recommended the creation of a new position, Under Secretary of Defense for Acquisition, which would be separated from the Under Secretary of Defense for Research and Engineering.

#### IMPLEMENTATION

Of the 73 recommendations made by the Task Force, 30 (41 percent) can be implemented by the Department. The remaining 43 (59 percent) will require Congressional approval.

TASK FORCE ON  
THE DEPARTMENT OF EDUCATION

<u>CO-CHAIRS:</u>	Spencer F. Eccles Chairman, President, and CEO First Security Corp.	<u>PROJECT</u>	Donald B. Summers
		<u>MANAGER:</u>	Vice President, Human Resources Delmed, Inc.
	Alfred H. Kingon Former Editor-in-Chief Financial World Magazine	<u>NUMBER OF TASK FORCE MEMBERS:</u>	32
	Nathan R. Owen Chairman and CEO General Signal Corp.	<u>NUMBER OF ISSUES:</u>	9
		<u>NUMBER OF RECOMMENDATIONS:</u>	60
	Robert H. Willis Chairman and President Connecticut Natural Gas Corp.	<u>3-YEAR COST SAVINGS:</u> (\$ billions)	\$2.828
		<u>3-YEAR CASH ACCELERATION:</u> (\$ billions)	\$5.841

OVERVIEW

In 1980, education-related activities of other agencies were consolidated with the Department of Health, Education and Welfare's Office of Education to form a Cabinet-level Department of Education. The Department's purpose is to strengthen the Federal commitment to equal educational opportunity for all individuals, including the disadvantaged and underprivileged. Emphasis over the past 20 years has been on vocational training and financial aid to students in post-secondary education. The Department had a staff of over 5,000 employees and funding of \$14.8 billion in FY 1983.

The Task Force found that problems related to the consolidation in 1980 have been compounded by increasing financial aid to education at all levels. Although it is now, through its loan programs, a financial institution of substantial proportions, the Department lacks the experienced financial management, staff, and information systems characteristic of successful commercial banks.

ISSUES AND RECOMMENDATIONS

The Task Force studied nine issue areas and formulated 60 recommendations which would result in cost savings of

\$2.828 billion and cash acceleration of \$5.841 billion over a three-year period.

With a view toward improving the cost-effectiveness of existing services and their administration, the Task Force focused on those management functions common to Government and business: organizational and human resources management, fiscal management, and automated data processing (ADP).

Organization and Management -- Organizational structure has been unnecessarily complicated by the elaborate network of projects created by legislatively mandated programs. Moreover, the absence of a clear mission and concerns about the Department's future have resulted in inadequate guidance for structural reorganization.

Task Force recommendations to alleviate these problems included expediting the standardization, consolidation, and termination of targeted programs; strengthening the staff, skills, and resources of the Information Resources Management Service; and establishing measurable goals, creating more realistic job descriptions, and returning support functions to program offices in order to redefine the Department's mission to conform with existing programs. Cost savings associated with these recommendations would total \$805.0 million over three years.

Human Resources Management -- During the period 1978-1980, Department employment increased more than 50 percent. The preponderance of educators and administrators with little or no experience in personnel oversight and contract management has led to ineffective utilization of human resources, low morale, and low productivity. To address the problem of inadequately trained personnel, the Task Force recommended revitalizing the Horace Mann Learning Center, which has responsibility for Departmental training needs, and contracting out for specialized skills, particularly in the area of ADP. Viewing the Department's two-year "manpower freeze" as counterproductive, the Task Force recommended manpower ceilings, tighter budgets, and revised job classifications.

Implementation of the Task Force's recommendations would result in cost savings of \$14.5 million over a three-year period.

Fiscal Management -- Emphasis on prompt delivery of appropriated funds in an overly complex organization has encouraged poor management of financial resources, with the

Department's loan programs suffering a 10 percent default rate. Task Force recommendations focused on simplifying the disbursement and collection of loans; increasing the degree of monitoring of those programs; and requiring lenders to apportion loans as students need money, rather than disbursing annual lump sums, as is now the practice. The Task Force also recommended that states share responsibility for ensuring the availability of loans to all qualified students by making changes in state regulations. To redress the problem of \$2.2 billion in uncollected loans in default, the Task Force recommended shifting control of loan delinquencies in the program from educational institutions to the Department.

Task Force recommendations would result in cost savings of \$1.994 billion and cash acceleration of \$5.841 billion over a three-year period.

ADP and Office Automation Management -- The ADP function is badly fragmented, out-of-date, and without reliable data bases. These shortcomings have resulted in waste, fraud, abuse, and error. In addition to conducting an in-depth study of existing management information systems and internal controls, the Task Force recommended revision of the general ledger account structure in order to present information compatible with Treasury accounts for ease in reconciliation and management decisions.

Projected three-year cost savings associated with these Task Force recommendations are \$14.0 million.

#### IMPLEMENTATION

Of the 60 recommendations proposed by the Task Force, eleven require Congressional action. Although moves toward loan program consolidation will involve both Congress and the Department, 48 of the recommendations fall within the purview of the Department. One recommendation involves Presidential action.



## TASK FORCE ON

### THE DEPARTMENT OF ENERGY, THE FEDERAL ENERGY REGULATORY COMMISSION, AND THE NUCLEAR REGULATORY COMMISSION

<u>CO-CHAIRS:</u>	John W. Hanley Chairman and CEO Monsanto Company	<u>NUMBER OF ISSUES:</u>	21
	Roger Milliken President and CEO Milliken & Company	<u>NUMBER OF RECOMMENDATIONS:</u>	82
<u>PROJECT MANAGER:</u>	Walter R. Pettiss Vice President and Assistant Treasurer Milliken & Company	<u>3-YEAR COST SAVINGS:</u> (\$ billions)	\$2.790
		<u>3-YEAR REVENUE GENERATION:</u> (\$ billions)	\$1.291
<u>NUMBER OF TASK FORCE MEMBERS:</u>	67	<u>3-YEAR CASH ACCELERATION:</u> (\$ billions)	\$ .089

## OVERVIEW

The Department of Energy (DOE) was established in 1977. It includes nuclear research and defense production, the five Power Marketing Administrations, programs in energy conservation and renewable energy, the regulation of petroleum pricing and allocations, and the Strategic Petroleum Reserve. The FY 1983 budget obligation for DOE was \$15.7 billion. The staff includes approximately 16,000 full-time Government employees and over 100,000 contract employees.

The Federal Energy Regulatory Commission, a semi-autonomous part of DOE, succeeded the Federal Power Commission. Its FY 1983 budget was \$93 million; it has 1,800 employees. The Nuclear Regulatory Commission is an independent, Presidentially appointed Commission, with an FY 1983 budget of \$480 million and 3,300 employees.

Although staffed with dedicated and competent people, DOE faces an overriding need for a much sharper focus on its mission. The lack of mission focus exacerbates micromanagement, the most prevalent problem at DOE.

## ISSUES AND RECOMMENDATIONS

The Task Force studied 21 issue areas and formulated 82 recommendations which, when fully implemented, will result in three-year cost savings and revenue generation of \$4.081 billion and cash acceleration of \$89 million.

Organization and Staffing -- DOE suffers from micromanagement in supervising its employees and contractors. The supervisory span of control frequently is too low, and selected DOE offices are characterized by unnecessary staffing "layers." Low salaries also exacerbate organization and staffing problems. Specific Task Force recommendations would result in three-year cost savings of \$18.6 million and included broadening the span of control; reducing management layers; strengthening reporting systems and long-range planning; institutionalizing "value analysis"; and developing incentives for attracting and retaining qualified personnel.

Procurement and Contracting -- More than 85 percent of DOE operating personnel are involved in procurement and contracting. The Task Force identified duplicative and counterproductive layers of management and regulation and the need to expand and streamline DOE's use of contracted goods and services. The Task Force recommended eliminating unnecessary co-management of Government-Owned Contractor-Operated (GOCO) facilities, and increasing emphasis on "contracting out" and the use of competitive bidding. Three-year cost savings of \$731.1 million would result from implementation of these recommendations.

Strategic Petroleum Reserve (SPR) -- The Task Force recommended making facilities construction and operation of the Reserve a GOCO activity and continuing to fill the Reserve at its present rate until new underground caverns are ready, instead of requiring interim storage. It also proposed exempting the massive SPR purchases from the Cargo Preference Act. Implementation of these recommendations would result in three-year cost savings of \$1.281 billion.

Internal Accounting Controls -- DOE's internal accounting controls require consistency and modernization. Specific recommendations were made to improve and coordinate accounting systems, share ADP resources, and increase the number of auditors and funding for audit activities, with three-year cost savings opportunities estimated at \$131.9 million, plus cash acceleration of \$89.4 million.

Research and Development (R&D) -- R&D is hampered by duplication of effort; unseemly competition for funds; and, most significantly, no authoritative and specific outline of an overall R&D mission. To rectify these major problems, the Task Force recommended clarification of DOE's R&D mission by the Secretary, with clear bipartisan Congressional backing. Potential associated cost savings amount to \$413.7 million over three years.

Defense-related Programs -- Indicating its clear support for defense-related DOE programs, the Task Force called for prompt and decisive action to ensure FY 1984 initial funding for a new production reactor (NPR) and the Defense Waste Processing Facility, thereby avoiding potential cost escalations. It also recommended that R&D programs on magnetic fusion aimed at the ultimate production of peaceful energy be narrowed to two competitive programs in FY 1984, that security procedures be revised, and that policies and procedures be standardized. Implementation of overall recommendations would result in three-year cost savings of \$183.5 million.

Power Marketing Administrations (PMAs) -- In addition to supporting continued exploration of privatizing PMAs, the Task Force recommended a revised and more business-like approach to amortization of that portion of the Federal Government's capital investment allocated to power production and increased fees to recover the full cost of the Government's investment in PMAs. Implementation of these and related recommendations would result in revenue generation of \$1.290 billion over three years.

The Federal Energy Regulatory Commission (FERC) and the Nuclear Regulatory Commission (NRC) -- FERC's regulatory mission -- to ensure energy supplies at just and reasonable prices -- can be expedited by deemphasizing case-by-case decisions by the Commissioners, and by delegating increased authority to staff directors, administrative law judges, and FERC's Office of Opinions and Reviewers. Potential three-year cost savings total \$29.7 million.

NRC's role is to license civilian use of nuclear energy to ensure public health and safety. The Task Force specifically focused on the need to interrelate cost-effectiveness and prudence with respect to health and safety in the nuclear field. Although no specific cost savings were claimed, opportunities for improved management efficiencies are significant.

#### IMPLEMENTATION

Of the 82 major recommendations formulated by the Task Force, 58 (71 percent) are within the purview of DOE/FERC/NRC, 2 (2 percent) involve Presidential action, and 22 (27 percent) need Congressional approval.

TASK FORCE ON  
ENVIRONMENTAL PROTECTION AGENCY,  
SMALL BUSINESS ADMINISTRATION, AND FEDERAL  
EMERGENCY MANAGEMENT AGENCY

<u>CO-CHAIRS:</u>	William H. Bricker Chairman, President, and CEO Diamond Shamrock Corporation	<u>NUMBER OF ISSUES:</u>	28
	Ben F. Love CEO Texas Commerce Bancshares, Inc.	<u>NUMBER OF RECOMMENDATIONS:</u>	78
		<u>3-YEAR COST SAVINGS:</u> (\$ billions)	\$1.660
<u>PROJECT MANAGERS:</u>	Roger P. Batchelor, Jr. Independent Consultant	<u>3-YEAR REVENUE GENERATION:</u> (\$ billions)	\$ .199
	Lee E. Straus Vice President and Chief Administrative Officer Texas Commerce Bancshares, Inc.	<u>3-YEAR CASH ACCELERATION:</u> (\$ billions)	\$ .315
<u>NUMBER OF TASK FORCE MEMBERS:</u>	74		

This summary consists of an agency-by-agency analysis.

ENVIRONMENTAL PROTECTION AGENCY

OVERVIEW

Since its formation in 1970, the Environmental Protection Agency (EPA) has grown rapidly. The Agency's initial budget of \$303 million reached \$3.7 billion in FY 1983 (including \$2.4 billion for construction grants); it employs 10,925 full-time equivalent employees. The Agency is organized around four program offices: Air, Noise, and Radiation; Pesticides and Toxic Substances; Solid Waste and Emergency Response; and Water. Ten regional offices serve as EPA's link to the states and territories.

EPA currently is the product of segmented growth and crisis-oriented responses to the laws it administers. The Task Force recognized that many needed management reforms have been instituted, but found additional opportunities to enhance efficiency.

## ISSUES AND RECOMMENDATIONS

The Task Force studied 12 issues and formulated 36 recommendations which, when fully implemented, will result in three-year cost savings of \$480.3 million.

Delegation -- The concept underlying most environmental legislation is that the states will ultimately assume administrative responsibility for the programs. While EPA management is striving to reach this objective, progress is slow. Washington remains heavily involved, particularly in the construction grant program, causing duplicate efforts and time-consuming delays. Task Force recommendations included clarifying roles and responsibilities of headquarters and regional personnel, and developing uniform oversight programs, which would result in three-year savings of \$64.1 million.

Consolidation -- EPA's history of segmented growth has created numerous opportunities for consolidating its facilities or activities. The Task Force found that EPA administers separately 17 categorical state financial grants and operates more laboratories than it needs. The automated data processing (ADP) system was developed on an "as needed" basis and is riddled with redundancies and incompatible systems. The consolidation of categorical grants, closing of selected laboratories, and integration of ADP systems would result in savings of \$311.1 million over three years.

General Management -- The Task Force found a need for an improved cost accounting system, better supervision and coordination of contract management, and more effective use of training funds and performance evaluation systems. Task Force recommendations included the development of an Agency-wide cost accounting system, improved financial systems and procedures, simplified procurement processes, and upgraded training and evaluation programs. Implementation of Task Force recommendations in this area would result in three-year cost savings of \$105.1 million.

## IMPLEMENTATION

Of the 36 Task Force recommendations, 28 (78 percent) are within the purview of the Agency, and 8 (22 percent) require Congressional action.

## SMALL BUSINESS ADMINISTRATION

### OVERVIEW

The Small Business Administration (SBA) was created by the Small Business Act of 1953. Its purpose is to aid, counsel, assist, and protect the interests of small businesses in order to preserve free competitive enterprise. Activities include making direct and guaranteed loans, providing management assistance, and helping small businesses secure Government contracts. In FY 1983, the Agency had 4,000 employees and a \$245.0 million budget.

A principal SBA activity is making direct and guaranteed loans to small businesses that are unable to obtain credit elsewhere. This activity is carried out primarily through the 7(a) program, which had a FY 1983 budget of \$85 million for direct loans and \$2.01 billion in guaranty loans (banks typically make the loans, and the SBA guarantees up to 90 percent). Out of a \$17.1 billion loan portfolio, \$9.2 billion is in guaranty loans, \$1.7 billion is in direct and immediate participation loans, and \$6.2 billion is in disaster loans.

### ISSUES AND RECOMMENDATIONS

The Task Force studied 12 issues and formulated 31 recommendations which, when fully implemented, will result in three-year cost savings of \$231.7 million, revenue generation of \$199.3 million, and cash acceleration of \$315.0 million. The Task Force placed principal focus on improving the quality of the SBA loan portfolio and reducing Agency costs.

A majority of the identified savings would result from the SBA's transferring more responsibility for its programs to the private sector. By requiring and encouraging banks in the private sector to make more of the loan decisions, make better loan decisions, and participate more in collecting and liquidating problem loans, the Task Force believes the SBA can reduce its overhead and net credit losses. In addition, by utilizing private collection services to work charged-off loans, the SBA can dramatically increase its loan recoveries. Since Congress has not permitted the SBA to contract out for private collection services and since the SBA does not have the resources to work charged-off loans properly, the Task Force found that problem loans are basically ignored once the SBA charges them off.

Other Task Force recommendations included reducing the maximum loan guaranty percentage from 90 to 75 percent and the maximum guaranty in the Surety Bond Guaranty Program from 90 to 85 percent, thereby reducing SBA's exposure on each loss and encouraging banks to make sounder lending decisions. The Task Force also called for discontinuing SBA disaster loans for flood-related losses that are insurable by businesses and individuals.

In addition to the above cost saving opportunities, significant revenue enhancements would result from increasing the SBA's front-end loan guaranty fee from 1 to 2 percent. This fee is passed along by the lending bank to the borrower and would have a minimal impact on the net cost of the borrower. Imposing a 1 percent user's fee on Small Business Investment Company (SBIC) borrowings would produce additional revenues. Finally, the Task Force concluded that the SBA should increase its charge to contractors in the Surety Bond Guaranty Program from 0.5 to 1 percent.

#### IMPLEMENTATION

Of the 31 recommendations, 12 (39 percent) are under the purview of the Agency, 3 (10 percent) require Presidential action, and 16 (51 percent) require Congressional approval.

### FEDERAL EMERGENCY MANAGEMENT AGENCY

#### OVERVIEW

The Federal Emergency Management Agency (FEMA), formed in 1979, consolidated the emergency preparedness and recovery functions of four agencies. FEMA had an FY 1983 budget of \$892.0 million and 2,549 employees.

After an initial review of Agency activities, the Task Force chose to concentrate its attention on disaster assistance programs.

#### ISSUES AND RECOMMENDATIONS

The Task Force studied four major issues and formulated 11 recommendations which, when fully implemented, will result in three-year cost savings of \$948.3 million.

National Flood Insurance Program (NFIP) -- NFIP was established to provide adequate indemnification for the loss of property in flood-prone areas, where private insurance protection is unavailable or unaffordable. The Task Force found that the empowering legislation is inadequate to ensure that the program is run efficiently and on a sound financial basis. In addition, responsibility for flood insurance, flood hazard mitigation, and flood-related disaster assistance rests with three separate offices at FEMA. To make the NFIP actuarially sound and self-supporting, the Task Force recommended increasing deductibles, reducing the ratio of subsidized to actuarial rates, and overall rate increases. Other recommendations included establishing an advisory committee with oversight control and requiring the Office of Management and Budget and FEMA to make an annual, consolidated analysis of the effect of flood insurance, flood hazard mitigation, and flood disaster assistance. Implementation of these recommendations would result in three-year savings of \$662.2 million.

Other disaster assistance programs were found to be duplicative, inefficient, and inequitable. Recommendations included launching a national campaign to sell flood insurance, making it mandatory in high-hazard flood zones, and eliminating direct assistance grants for insurable items. Implementation of these recommendations would result in cost savings of \$276.0 million over three years.

United States Fire Administration (USFA) -- USFA's mission is to establish fire prevention and control plans, programs, and systems to ensure effective joint action by the public, industry, governments, and the fire services to reduce losses caused by fire. Approximately 75 percent of USFA's total funding is spent in the form of grants to state and local fire services. The Task Force found that USFA has never received the funding levels necessary to fulfill its mission, and that its original scope and goals are too broad and not achievable. Consequently, the Task Force recommended phasing out USFA with a cost savings of \$10.3 million over three years.

Strategic and Critical Materials Stockpile Management -- Although the General Services Administration (GSA) is responsible for stockpile management, responsibility for stockpile policy rests with FEMA. Budgeting and purchasing responsibilities reside with GSA, including control of the Stockpile Transaction Fund. The Task Force recommended that FEMA be given control of the Fund for purposes of acquisition and disposal, with GSA remaining responsible for managing the Stockpile. No specific savings were claimed.



### IMPLEMENTATION

Of the 11 recommendations formulated by the Task Force, 3 (27 percent) are within the purview of FEMA, 2 (18 percent) require Presidential action, and 6 (55 percent) will need Congressional approval.

# TASK FORCE ON FEDERAL CONSTRUCTION MANAGEMENT

<u>CO-CHAIRS:</u> Robert J. Buckley Chairman and President Allegheny International, Inc.	<u>PROJECT</u> Edwin K. Isely <u>MANAGER:</u> Former Manager A.T. Kearney, Inc.
Raymond C. Foster Chairman, President, and CEO Stone & Webster, Inc.	<u>NUMBER OF</u> <u>TASK FORCE</u> <u>MEMBERS:</u> 93
Melvyn N. Klein President and CEO Altamil Corp.	<u>NUMBER OF ISSUES:</u> 23
John W. Kluge Chairman, President, and CEO Metromedia, Inc.	<u>NUMBER</u> <u>RECOMMENDATIONS:</u> 23
Frederick P. Rose Chairman Rose Associates, Inc.	<u>3-YEAR</u> <u>COST SAVINGS:</u> \$5.446 (\$ Billions)
Paul J. Schierl President and CEO Fort Howard Paper Co.	

## OVERVIEW

Under Federal authority granted to 26 agencies, the Federal Government undertakes or sponsors virtually every type of construction ranging from residential and industrial facilities to wastewater treatment plants, hospitals, and office buildings. The Task Force focused on direct construction which the Government performs for its own accounts, as well as construction grants and cost-sharing arrangements with state or local entities. Construction programs generated by Federal agencies involved outlays in excess of \$30 billion annually during FY 1981 to 1983.

Federal construction projects are characterized by mismanagement and confusion at all stages of the construction process. Key problems include diffusion of authority and responsibility to initiate construction, Federal requirements that hamper effective program management and increase costs, legislation with mixed goals unrelated to construction, and lack of clear guidelines for handling construction design and value engineering.

## ISSUES AND RECOMMENDATIONS

The Task Force examined 23 specific issues broadly grouped into four major categories and formulated recommendations which, when fully implemented, will result in cost savings of \$5.446 billion over a three-year period.

Construction and Management Quality Control -- Diffusion of authority and responsibility is a significant and recurring problem. Federal construction projects suffer from inadequate project planning, scoping, and design. Emphasis is on short-term results rather than long-term benefits, and unnecessary project delays occur because of breaks in management continuity and lengthy approval time for even minimal design changes.

The Task Force recommendations, with cost savings of \$286.5 million over a three-year period, include establishing pilot project manager/program management systems and procedures for selected major construction projects and requiring grantees for construction programs at state and local levels to define clearly the roles, authorities, responsibilities, and liabilities of all parties involved in a given project.

Design and Procurement -- Few incentives exist for Federal officials to hold down the cost of construction. Compensation of professional employees is not related to efficiency. Similarly, while state or local governments have responsibility for minimizing costs in Federal grant programs, there is little incentive to do so because design and construction costs are ultimately borne by the Federal Government.

Rectifying problems in contract design and procurement would result in cost savings of \$1.986 billion over a three-year period. PPSS recommendations included increasing the use of performance specifications to elicit innovative responses from industry, institutionalizing the concept of "value engineering" for evaluating all stages of the construction life cycle, and modifying the Environmental Protection Agency construction grants program to rely more on private financing.

Environment -- With respect to construction projects, there are 45 different environmental laws containing requirements that are difficult to administer effectively and that greatly increase the cost of construction. Even after requirements of the National Environmental Policy Act (NEPA), an umbrella statute, are fulfilled, a Federally funded construction program must still search out the applicable requirements from the 44 other environmental laws, sometimes causing delays as long as five or ten

years. It is estimated that environmental issues increased construction costs by almost 400 percent during the 1970s and are expected to continue to cause additional increases throughout the 1980s.

Implementation of the Task Force's recommendations relating to the impact of environmental legislation on Federal construction would result in cost savings of \$3.030 billion over a three-year period. Among the recommendations are the consolidation of a majority of special purpose environmental reviews and assessments under NEPA, the creation of a single review process, and greater "scoping" during the Environmental Impact Statement process to allow interested agencies or parties the opportunity to identify and discuss at one point in time all environmental concerns.

Privatization and Contracting Out -- PPSS found that many Federal agencies underestimate the value of contracting out for construction activities. Current cost comparisons are typically biased toward the Government and often fail to take into account the loss of tax revenue in estimating the cost of keeping construction activities in-house.

The Task Force estimated that the acceleration of privatization/contracting out of construction activities would result in three-year cost savings of \$143.0 million.

#### IMPLEMENTATION

Of the 23 major recommendations formulated by the Task Force, 13 (56 percent) are within the purview of Federal agencies, 5 (22 percent) involve Presidential action, and another 5 (22 percent) require Congressional approval.

TASK FORCE ON  
FEDERAL FEEDING

<u>CO-CHAIRS:</u>	H.J. Cofer, Jr. President Rich-SeaPak Corporation	<u>NUMBER OF ISSUES:</u> 6
	Henry H. Henley, Jr. Chairman and CEO Cluett, Peabody & Co., Inc.	<u>NUMBER OF RECOMMENDATIONS:</u> 15
	Edward L. Hutton President and CEO Chemed Corporation	<u>3-YEAR COST SAVINGS:*</u> \$.260 (\$ billions)
	Carl Karcher Chairman and CEO Carl Karcher Enterprises, Inc.	<u>3-YEAR REVENUE GENERATION:</u> \$.039 (\$ billions)
	Edward W. Whittemore Chairman and CEO American Brands, Inc.	*Note: This Report contains a compendium issue covering Federal feeding issues from other reports. The compendium includes 15 recommendations with additional three-year fully/partially supportable cost savings/ revenue generation of \$11.368 billion.
<u>PROJECT MANAGER:</u>	George J. Schramm Former Vice Chairman American Brands, Inc.	
<u>NUMBER OF TASK FORCE MEMBERS:</u>	30	

OVERVIEW

Nearly every Federal agency is involved in some type of feeding activity, including administration and management of cafeterias; hospital and prison feeding programs; national school lunch programs; women, infants, and children feeding programs; summer feeding programs; food storage and distribution programs; open mess; and troop feeding programs. Aggregate net costs for Federal feeding (FY 1981) were \$21.1 billion.

Most Federal feeding programs have developed independently of each other. With a few exceptions, the programs are relatively small. Collectively, however, they amount to a major expenditure item.

The Task Force found that: (1) no one agency maintains comprehensive data, nor has oversight, for Federal feeding activities; (2) efforts to improve management will succeed if specific agencies and

opportunities for improvement are targeted; and (3) greater private sector competition must be encouraged for food service and supply contracts.

#### ISSUES AND RECOMMENDATIONS

Five issue areas were studied, and 15 recommendations developed pertaining to policy and management information, use of commercially available products, soy protein extender in ground beef, food service contracts, and troop feeding. In addition, the Task Force prepared a compendium issue identifying federal feeding issues contained in other PPSS reports with recommendations for \$11.368 billion in three-year cost savings/revenue generation.

Implementation of the recommendations would result in cost savings of \$260 million and revenue generation of \$39 million over three years.

Management Information -- Federal feeding programs are both complex and diverse, yet no Federal agency maintains comprehensive information on their total scope and cost. The Task Force was severely hampered in its review by what it termed the "information gap." The size of Federal feeding activities, combined with the lack of unified policy or even a Government-wide data base, makes a strong case for strengthened central control and oversight. Specific savings were not quantified by the Task Force, but it strongly recommended the establishment of a uniform Federal feeding policy, including systems for reporting and accountability.

Substitution of Commercially Available Products for Federal Specification Products -- Traditionally, the Federal Government has used lengthy, detailed specifications to purchase food products, even though similar commercial products are less expensive. Despite existing policy aimed at increasing the use of commercially available products, only 73 of approximately 600 Federal food items have been converted from Government specifications to commercial item descriptions (CID). The Task Force recommended that all covered products not already converted be converted to CIDs and that the Office of Federal Procurement Policy be given regulatory authority to ensure agency compliance with CIDs.

Implementation of these recommendations would result in cost savings of \$8.4 million over a three-year period.

Soy Protein Extender in Ground Beef -- Purchases of ground beef by the Department of Agriculture (USDA) serve two objectives. Not only are they donations to the National School Lunch Program, but they also remove surplus beef from the marketplace (price supports). To reduce costs, the Task Force recommended that the Secretary of Agriculture issue an order for USDA-procured ground beef products to contain 20 percent soy protein extender. The soy extender detracts from neither the nutritional value nor palatability. Use of soy extender would yield cost savings of \$83.9 million over a three-year period.

Food Service Contracts -- The General Services Administration (GSA) administered contract food operations in Government-owned buildings with gross sales of \$65 million in FY 1983.

The Task Force found that GSA fails to charge market prices for space rental (1.5 percent of sales versus the 7.5 percent more frequently found in other institutions) and does not solicit competitive bids on commission rates for food service contracts. The Task Force recommended that GSA adopt a nationwide policy of allowing qualified bidders to bid competitively on commission rates, adopt a more flexible attitude toward requests for cafeteria price increases, and reevaluate cafeteria rental rates. Implementation of Task Force recommendations would result in revenue generation of \$38.8 million over three years.

Troop Feeding -- In FY 1983, the Department of Defense purchased \$1.392 billion worth of food, primarily for troop feeding. The Task Force found that budget preparation, menu planning, and actual food served are often unrelated, and that excessive food allowances and inefficient delivery encourage waste and discourage accountability.

The Task Force recommendations, when implemented, will result in cost savings of \$167.3 million over a three-year period.

#### IMPLEMENTATION

Of the 14 major recommendations formulated by the Task Force (excluding the compendium), 12 (86 percent) are within the purview of the departments and agencies, 1 (7 percent) will require Presidential involvement, and 1 (7 percent) will necessitate Congressional action.

TASK FORCE ON  
FEDERAL HOSPITAL MANAGEMENT

<u>CO-CHAIRS:</u>	Raymond A. Hay President LTV Corp.	<u>NUMBER OF TASK FORCE MEMBERS:</u>	19
	William B. Johnson Chairman IC Industries, Inc.	<u>NUMBER OF ISSUES:</u>	13
	James L. Ketelsen Chairman and CEO Tenneco, Inc.	<u>NUMBER OF RECOMMENDATIONS:</u>	60
	Henry E. Simmons, M.D. National Director, Health Care Consulting Programs Peat, Marwick, Mitchell & Co.	<u>3-YEAR COST SAVINGS:</u> (\$ billions)	\$9.191
		<u>3-YEAR REVENUE GENERATION:</u> (\$ billions)	\$2.721
<u>PROJECT MANAGER:</u>	Jack Whitelaw Officer Manager Vought Corporation		

OVERVIEW

The Federal hospital system consists of the Military Health Care System (MHCS) of the Department of Defense (DOD) and the Veterans Administration (VA) Hospital System. MHCS is composed of three distinct hospital systems: Army, Navy, and Air Force. MHCS operates 161 hospitals and 310 outpatient clinics, employs 151,000 persons, and has an annual budget (FY 1983) of \$4.5 billion. The VA Hospital System consists of 172 hospitals providing medical, surgical, geriatric, and psychiatric services. The FY 1983 budget for this 89,000-bed system was \$7 billion.

Without underestimating the Federal system's complexity, the Task Force found that Federal hospitals have not kept pace with the private health care system's delivery of services. Specifically, the Federal health care system is especially deficient in the areas of automated management information systems necessary for health care resource allocations, accurate determination of patient care costs, and management incentives for cost-efficient decisions.



## ISSUES AND RECOMMENDATIONS

The Task Force assessed 13 issues grouped into three major categories: planning and resource allocation, procurement and supply activities, and third-party reimbursements and duplicate payments.

Sixty recommendations projected three-year cost savings of \$9.191 billion and revenue generation of \$2.721 billion.

Planning and Resource Allocation in DOD -- Lacking any central control or authority, MHCS is characterized by inefficiency and large-scale duplication of services. A disproportionate number of hospitals are underutilized and there are shortages of technical and professional personnel. Construction and renovation projects are planned without regard for staffing needs, demand, and proximity of other armed services' hospitals. Services and equipment are not shared among the branches, resulting in waste and duplication. Major Task Force recommendations included freezing construction funds for 27 small, underutilized hospitals and 20 larger, underutilized hospitals, and appointing a full-time Director of Shared Health Resources to ensure that procurement, automated data processing, and shared hospital bed opportunities are more effectively pursued to eliminate underuse and waste.

These recommendations are projected to yield \$1.497 billion in cost savings over a three-year period.

Planning and Resource Allocation in the VA Hospital System -- Excessive length of stay averages indicate many long-term patients occupy costly acute care beds. Systems fail to properly account for VA's unique mix of patient cases, resulting in a process which rewards inefficiency. Resource allocation and construction and renovation plans are based on occupancy averages that are grossly inflated by long lengths of stay. Construction costs within the VA system greatly exceed comparable private sector projects.

To rectify these discrepancies, the Task Force recommended that the VA allocate resources and plan budgets for its hospitals based on hospital case-mix using a Diagnosis Related Group (patient categories based on efficient use of hospital resources) bed-need projection and resource consumption model. The Task Force also recommended that the VA cease constructing nursing homes and convert underutilized hospital beds to nursing home beds.

These actions would yield cost savings of \$5.864 billion over a three-year period.

Procurement and Supply Activities -- MHCS and VA operate a costly, anachronistic depot system for distributing medical supplies. High maintenance costs of the depot system outweigh bulk ordering advantages. Despite the depot system, some 40 percent of supplies are purchased from expensive local dealers.

VA should phase out its depot system and DOD should reduce its depot-held supplies to \$100 million in medically unique items. In addition, both should reduce the supplies purchased on the open market from over 40 percent to 15 to 25 percent.

Implementation of these recommendations will yield cost savings of \$699.1 million over a three-year period.

Third-Party Reimbursements and Duplicate Payments -- VA and MHCS frequently provide health care service to militarily eligible beneficiaries who also have private insurance. Health care benefits are also provided to beneficiaries insured by third parties. Minimal effort is expended to recover health care costs from private insurers.

These problems led to the following recommendations: that DOD establish a central claims authority to aggressively pursue recovery from third-party payers of the cost to treat individuals who are injured or diseased due to the negligence or irresponsibility of a third party; that DOD collect the cost of providing care to militarily inactive beneficiaries who are also covered by private health insurance; that the VA contract with fiscal intermediaries, such as private insurance carriers, to process claims more efficiently; and that the VA actively pursue recovery health care costs from insured, non-service connected veterans and establish a means test for free health care.

Total recommended actions would yield cost savings of \$1.311 billion and revenue generation of \$2.721 billion over a three-year period.

#### IMPLEMENTATION

Of the 60 recommendations formulated by the Task Force, 45 (75 percent) are entirely within the purview of DOD and the VA, 2 (3 percent) involve Presidential action, and 13 (22 percent) will require Congressional approval.

TASK FORCE ON  
FEDERAL MANAGEMENT SYSTEMS

<u>CO-CHAIRS:</u>	Joseph E. Connor, Jr. Senior Partner Price Waterhouse	<u>NUMBER OF</u> <u>TASK FORCE</u> <u>MEMBERS:</u>	29
	Harry E. Figgie, Jr. Chairman and CEO Figgie International, Inc.	<u>NUMBER OF ISSUES:</u>	10
	John E. Fisher Chairman Nationwide Mutual Insurance Co.	<u>NUMBER OF</u> <u>RECOMMENDATIONS:</u>	35
	Daniel W. Lufkin Chairman of the Finance Committee Columbia Pictures Industries, Inc.	<u>NOTE:</u> Because of the far-reaching nature of its recommendations, the Federal Management Systems Task Force did not attempt to quantify cost savings, revenue generation, or cash acceleration.	
	J. Paul Sticht Chairman R. J. Reynolds Industries, Inc.		
<u>PROJECT</u> <u>MANAGER:</u>	Lewis J. Krulwich Partner Price Waterhouse		

OVERVIEW

The report on Federal Management Systems recommends significant changes in Federal management, designed to provide the central guidance and direction necessary to develop well-coordinated and effective processes and structure. The Task Force identified serious structural and procedural problems in Executive Branch organization; information flow; budgeting, planning, and evaluation methods; continuity characteristics; and communication practices. In a fundamental sense, the recommendations of all the PPSS Task Forces address symptoms of these problems.

The Government's size amplifies its need for effective management. The Federal Government had FY 1982 outlays of \$728 billion -- more than double the combined sales of Exxon, Mobil, General Motors, Texaco, and Standard Oil of California (the top five U.S. companies in sales). In addition, the Government owns one-third of all the U.S. land mass and 2.6 billion square feet of building space. Operational complexity being proportional to size, such complexity critically calls for managerial effectiveness.

Although there are differences in operating styles and requirements between the public and private sectors of the economy, it is imperative that the management of the Executive Branch take a businesslike approach.

#### ISSUES AND RECOMMENDATIONS

Ten issues were analyzed and 35 recommendations formulated. They can be broadly grouped into the areas of organization management, financial management, and management information systems. No attempt was made to calculate specific dollar savings and revenue opportunities due to the far-reaching nature of the recommendations.

Organizational Management -- Responsibility for developing and implementing administrative policies is not clearly assigned. Duplications, conflicts, and blurred lines of authority abound. Direction and coordination are lacking in key areas, resulting in span-of-control problems with multiple administrative departments and agencies reporting to the President and Executive Office of the President. In addition, the Executive Branch suffers because objectives, plans, and accomplishments are not communicated effectively. Problems of continuity exacerbate these shortcomings: key appointees change, on average, every 18 to 24 months, a condition endemic to the political process.

In response to these problems, the Task Force recommended the establishment of an Office of Federal Management (OFM) within the Executive Office of the President. OFM will be responsible for policy development and direction in the area of financial management, budgeting and planning, human resources, administration (including information resources management, procurement, and property management), and management improvement. OFM would include the budget functions of the Office of Management and Budget and otherwise serve as the President's management staff. The General Services Administration and Office of Personnel Management would report directly to OFM for policy direction. Key OFM officials would be appointed on a long-term basis to increase the potential for management continuity and achievement of objectives. One of OFM's high priority projects would be the development of a comprehensive communications program designed to convey goals and objectives to Federal employees.

Financial Management -- Meaningful budgeting, planning, and evaluation are generally lacking at both the agency and central Government levels. Specifically, the budget is not fully used as a management tool. Budget

preparation is stressed instead of budget execution and control; accounting for actual expenditures is separated from budget preparation; and budget appropriation classifications are not related to the needs of agency management. Further, time constraints on the budget process help misdirect budget focus, and the annual budget and appropriations process focuses concern on only the subsequent fiscal year.

The Task Force recommended that OFM assume overall responsibility for financial management. Specifically, OFM should direct the implementation of a planning system by which long-term goals and activities would be identified, communicated, and implemented. Plans and budgets should be strengthened to enhance the capabilities of capital asset and budget analysis as managerial tools. Potential means of strengthening include revising classifications to match management needs, integrating the financial management and budget process, and adopting a biennial budget approach to add time for consideration of long-term management needs. The Task Force also recommended the establishment of an audit support division within OFM to strengthen the reliability of underlying financial data.

Management Information Systems -- Automated data processing (ADP) efficiency suffers from a lack of coordinated development, incompatible data, and functionally obsolescent hardware. Departments and agencies have developed independent systems and procedures, taking little advantage of the experience or work of other departments and agencies.

The Task Force recommended that OFM develop common Government-wide ADP software systems and related procedures for use in such administrative areas as payroll, accounts receivable, and fixed asset accounting.

#### IMPLEMENTATION

Of the 35 major recommendations formulated by the Task Force, 30 (86 percent) involve Presidential action and the remaining 5 (14 percent) require Congressional approval. To reiterate, no specific amount of savings were identified due to the far-reaching nature of the recommendations.

TASK FORCE ON  
FINANCIAL ASSET MANAGEMENT

<u>CO-CHAIRS:</u>	Edward W. Duffy Chairman and CEO Marine Midland Banks, Inc.	<u>NUMBER OF ISSUES:</u>	35
	Wilson S. Johnson Chairman National Federation of Independent Businesses	<u>NUMBER OF RECOMMENDATIONS:</u>	90
	Edward B. Rust President State Farm Fire & Casualty Co.	<u>3-YEAR COST SAVINGS:</u> (\$ billions)	\$13.777
		<u>3-YEAR REVENUE GENERATION:</u> (\$ billions)	\$ 9.726
<u>PROJECT MANAGER:</u>	Bruce G. Fielding President Fielding, Locksley & Storek Accountancy Corp.	<u>3-YEAR CASH ACCELERATION:</u> (\$ billions)	\$48.647
<u>NUMBER OF TASK FORCE MEMBERS:</u>	51		

OVERVIEW

The stated debt of the U.S. Government is \$1.25 trillion. Annual collections and disbursements total over \$1.7 trillion. At an annual interest rate of 10 percent, 20 cents of every dollar of Government revenue is required for debt service. Despite these huge amounts, the Federal Government is many years behind the private sector in computer techniques, financial management information systems, and accounting records.

The Task Force found Government-wide deficiencies in the area of financial asset management, policies, and procedures. Agency personnel often lack financial management skills, inadequate accounting systems lead to mismanagement of cash flow, and lack of uniform definitions causes confusion and duplication. The Task Force concluded that: significant amounts of cash can be more effectively managed by accelerating collections and decelerating disbursements, major deficiencies in debt collection and default prevention warrant immediate attention, Government loans can become more like those that private lenders would make by increasing fees and interest rates, and the increasing scope of Federal credit activities needs to be addressed.

## ISSUES AND RECOMMENDATIONS

Financial Asset Management issues examined by the Task Force were grouped into five major categories: cash management, direct Government lending, guaranteed Government loans, debt collection, and Government securities. Implementation of the 90 Task Force recommendations would yield cost savings of \$13.777 billion, revenue generation of \$9.726 billion, and cash acceleration of \$48.647 billion over a three-year period.

Cash Management -- While Federal cash management is beginning to receive increased attention, the Task Force recommended additional improvements which would result in better utilization of funds and reduce interest expense to the Federal Government.

Recommendations proposed by the Task Force would result in total cash accelerations and decelerations of \$30.589 billion and net interest savings of \$9.642 billion over three years. However, the amounts reported as cash acceleration have a one-time-only impact. Absent an increased level of acceleration in the second year, the Federal deficit would return to the first year's balance. Specific recommendations included accelerated collection and deposit of receipts; increased use of electronic funds transfers (EFT); adoption of a Government-wide accounts payable system; revised progress payments to defense contractors; and use of payment on due date and checks-paid letters-of-credit to slow cash disbursement. The Task Force also emphasized the need for Agency-specific incentives for improved cash management.

Direct Government Lending -- Direct loans are cash payments secured by a mortgage, bond, debenture, or promissory note. Federal direct loan obligations have increased dramatically in the last 30 years, from \$3.5 billion in FY 1950 to \$61.4 billion in FY 1980, causing serious concerns as to the impact on interest rates, inflation, economic growth, and productivity.

Recommendations in the area of Governmental direct lending were projected to yield cost savings of \$1.356 billion, revenue generation of \$5.258 billion, and cash acceleration of \$6.218 billion over a three-year period. Recommendations included increasing fees and interest rates on direct loans; upgrading credit training programs and exploring private sector loan models for credit decision-making; encouraging increased private sector participation in direct loan programs; and establishing new default levels on Government loans.

Guaranteed Government Loans -- Guaranteed Government lending is a popular form of credit assistance because, in the absence of default, budgetary costs are minimal. In FY 1978, new net primary guaranteed loans totaled \$39.5 billion, while in FY 1983 they will total an estimated \$87.7 billion, a 122 percent increase.

Task Force recommendations included moving from direct to guaranteed loans at the Farmers Home Administration and the Small Business Administration; increasing the Guaranteed Student Loan origination fees from 5 to 10 percent; and restructuring the guaranteed loan program to encourage the private sector to assume a larger share of the risk. Implementation of Task Force recommendations pertaining to guaranteed loans would result in three-year cost savings of \$332.3 million, revenue generation of \$3.384 billion, and cash acceleration of \$142.1 million.

Debt Collection -- Debt owed to the Federal Government arises from hundreds of Government activities which generate receivables. Of the \$219 billion in receivables due the Government as of June 30, 1982, the majority (85 percent) were loan receivables.

Recommendations offered by the Task Force were projected to yield cost savings of \$1.933 billion, revenue generation of \$1.085 billion, and cash acceleration of \$11.698 billion over a three-year period. These recommendations included contracting for debt collection services, offsetting debt owed to the Government against Internal Revenue Service refunds due borrowers, and strictly enforcing interest and penalty charges on delinquent debt.

Government Securities -- The Secretary of the Treasury borrows funds from the public to finance Federal deficits and refinance maturing public debt. Management improvements recommended by the Task Force and projected to yield cost savings of \$513 million during a three-year period included discontinuing coupon-type and registered securities and using electronic funds transfers for payment of interest and principal on Government securities.

#### IMPLEMENTATION

Of the 90 major recommendations formulated by the Task Force, 40 (44 percent) are within the purview of associated agencies, 25 (28 percent) involve Presidential action, and 25 (28 percent) require Congressional approval.



## TASK FORCE ON

### THE DEPARTMENT OF HEALTH AND HUMAN SERVICES: DEPARTMENT MANAGEMENT, OFFICE OF HUMAN DEVELOPMENT SERVICES, ACTION

<u>CO-CHAIRS:</u>	Michael D. Dingman Chairman of the Board and CEO Wheelabrator-Frye, Inc.	<u>NUMBER OF ISSUES:</u>	8
	Forrest N. Shumway Chairman of the Board and CEO The Signal Companies, Inc.	<u>NUMBER OF RECOMMENDATIONS:</u>	117
<u>PROJECT MANAGER:</u>	Andrew J. Chithea Board of Directors and Senior Vice President The Signal Companies, Inc.	<u>3-YEAR COST SAVINGS:</u> (\$ billions)	\$ .602
		<u>3-YEAR CASH ACCELERATION:</u> (\$ billions)	\$ .477
<u>NUMBER OF TASK FORCE MEMBERS:</u>	23		

## OVERVIEW

In FY 1983, expenditures by the Department of Health and Human Services (HHS) totaled \$268 billion, or about one-third of all Federal outlays. HHS employees numbered over 135,000 in 1983, compared to 35,000 in 1953. Because of the size, complexity, and scope of HHS-administered programs, three PPSS Task Forces reviewed HHS. This Task Force focused on HHS Department Management, the Office of Human Development Services (HDS), and the independent ACTION agency.

HDS provides social services for the elderly, children, and youth; Native Americans; and persons with developmental disabilities through grants to state, local, and private agencies. The FY 1983 budget for HHS Department Management was \$267 million; for HDS, \$4.931 billion; and for ACTION, \$117 million. ACTION's mission is to advocate and support the voluntary efforts of citizens and public and private organizations to help solve the problems of the poor, disabled, elderly, and youth with special needs.

The Task Force found that different, and sometimes conflicting, management philosophies have been imposed in the endless effort to manage the increasingly cumbersome and unwieldy scope of program operations. The Department exhibits characteristics of both centralized and decentralized management systems. Together in one organization they guarantee inefficiency and conflict.

## ISSUES AND RECOMMENDATIONS

The Task Force examined eight issues and made 117 recommendations which would result in cost savings of \$601.7 million and \$477.0 million in cash acceleration over a three-year period.

Department Management -- The Task Force found problems of layering, duplication, conflicting responsibilities and authorities, and lack of accountability in HHS's Department Management which result in expenditures of substantial time and resources with disappointing results. To clarify responsibilities and authority, the following actions were proposed: restructuring and reducing the size of Department Management, adopting a decentralized organization concept and operating philosophy, and reducing the size and scope of various staff functions.

Implementation of the Task Force recommendations would yield three-year cost savings of \$247.6 million.

Responsibility and accountability for correspondence within HHS are inadequately defined. This lack is manifested in lower productivity and poor quality. To remedy these deficiencies, the Task Force recommended actions which would result in a \$7.1 million cost savings over a three-year period.

ACTION -- ACTION is overstaffed, with an organizational structure that predates the Peace Corps 1982 split-out. The Agency has neither revamped its organization nor pared down overhead expenditures to match its narrowed mission. Task Force recommendations, which would result in three-year cost savings of \$26.7 million, include reducing staff from 603 to 360 and placing increased emphasis on managerial skills in future employees.

Human Development Services (HDS) -- The Task Force concluded that HDS's structure and the distribution of functional responsibilities and accountability should be revised and clarified to avoid duplication, fragmentation, overlap of functions, and excessive organizational layers for effective management. Task Force recommendations would result in cost savings of \$56.3 million over a three-year period.

The Task Force also found that since research results cannot be directly associated with program, policy, or legislative changes, the cost of HDS's investment in social research may exceed the benefits. Moreover, studies continue to be funded in heavily researched areas, even

though most HDS programs are mature and should not require significant research funding to sustain established levels of service. The Task Force recommended that a moratorium be declared on new research projects for FY 1984 and that the social research management process also be improved. In addition, it recommended the elimination of policy research being undertaken by HHS's Department Management because sufficient research is already being performed within HHS's operating divisions. Three-year cost savings were projected at \$112.2 million.

Fiscal Management -- In fiscal management, the Task Force found significant opportunities for improvement, particularly with respect to "delay of drawdown." When funds for the Federal Government's share of Medicaid are transferred to any state, a balance of excess Federal funds, or float, builds up before funds are disbursed. This float costs the Federal Government interest to finance, and the state can invest the funds from this float in the short-term market and gain windfall interest income.

Under the delay-of-drawdown program, the Government estimates the number of days between the issuance of check and presentation of that check for payment. Thirty States have volunteered to go onto the program and agreed to delay drawing down Federal funds. Twenty states have procrastinated or refused.

Failure to meet the delay-of-drawdown implementation schedule for all states has resulted in substantial costs to the Federal Government. The Task Force strongly recommended that all 20 remaining states be brought under the delay-of-drawdown program immediately, and that ultimately a checks-paid letter-of-credit approval be implemented for the Federal Government's advance to Aid to Families with Dependent Children and Medicaid funds.

Implementation of Task Force recommendations would result in cost savings of \$158.9 million and cash acceleration of \$477.0 million over a three-year period.

#### IMPLEMENTATION

Of the 117 recommendations formulated by the Task Force, 111 (95 percent) can be implemented by Agency authority -- including all of the recommendations involving cost savings of \$.602 billion -- 1 (1 percent) can be implemented through Presidential action, and 5 (4 percent) require Congressional approval.

## TASK FORCE ON

### THE DEPARTMENT OF HEALTH AND HUMAN SERVICES: THE PUBLIC HEALTH SERVICE AND THE HEALTH CARE FINANCING ADMINISTRATION

<u>CO-CHAIRS:</u>	Samuel H. Armacost President and CEO Bank of America	<u>NUMBER OF ISSUES:</u>	18
	Edward L. Hennessy, Jr. Chairman, President, and CEO Allied Corp.	<u>NUMBER OF RECOMMENDATIONS:</u>	71
	Charles J. Pilliod, Jr. Chairman and CEO Goodyear Tire & Rubber Company	<u>3-YEAR COST SAVINGS:</u> (\$ billions)	\$12.677
		<u>3-YEAR REVENUE GENERATION:</u> (\$ billions)	\$ .662
<u>PROJECT MANAGER:</u>	Albert F. Ritardi Director, Medical and Environmental Services Allied Corp.	<u>3-YEAR CASH ACCELERATION:</u> (\$ billions)	\$ .052
<u>NUMBER OF TASK FORCE MEMBERS:</u>	31		

#### OVERVIEW

The Department of Health and Human Services (HHS) is the Federal agency most directly concerned with personal welfare and human concerns. HHS is the largest department of the Executive Branch in budget expenditures, with an FY 1983 budget of \$268 billion and a full-time equivalent staff of 141,000. The Task Force Report on the Health Care Financing Administration (HCFA) and the Public Health Service (PHS) is one of three PPSS reports focusing on HHS.

HCFA, created in 1977, primarily administers oversight of Medicare and Medicaid programs which together accounted for \$75.3 billion of HCFA's FY 1983 budget of \$87.8 billion. HCFA has about 4,200 employees.

The major functions of PHS are to assist states and communities with the development of local health resources and education programs for health professions; to improve the delivery of health services to all Americans; to conduct and support research in the medical and related sciences and to disseminate scientific information; to protect the health of the nation against impure and unsafe foods, drugs and cosmetics, and other potential hazards; and to provide national leadership for the prevention and control of communicable disease. PHS employees number about 49,000 and its total FY 1983 budget was \$7.782 billion.

A major reorganization of the existing financial structure of the health care system is needed to contain spiraling health care costs. Between 1960 and 1980, total public and private spending for health grew from \$27 billion to \$244 billion and, as a share of Gross National Product, from 5.3 percent to 9.5 percent. The Federal Government share grew over 2,000 percent from \$3 billion to \$71 billion.

Administration of Medicare and Medicaid requires a stable, continuous, and highly competent top management team. The Task Force found that HCFA suffers from an exceptionally high turnover of key management staff, and that top officials spend two or three days a week in Washington, D.C., instead of directing operational management functions at HCFA's Baltimore, Maryland, headquarters. At PHS, the Task Force found administrative redundancy and wasteful practices.

#### ISSUES AND RECOMMENDATIONS

The Task Force identified 18 issues and 71 specific recommendations which, when implemented, will result in three-year cost savings of \$12.677 billion, revenue generation of \$662.0 million, and cash acceleration of \$51.7 million.

HCFA -- Medicare costs represent a growing burden to the Federal budget and a major contribution to health care cost inflation. In 1983, the Medicare program grew about 16 percent, compared to a budget growth of 4.5 percent. The urgency of controlling costs is exacerbated by the difficulties facing the Social Security system. The Medicare Hospital Insurance Trust Fund faces bankruptcy in 1987 unless the funding/benefit basis is changed.

The Task Force criticized cost control disincentives built into the HCFA system, such as paying hospitals regardless of the validity of costs from an efficiency standpoint; paying physicians on a usual, customary, and reasonable (UCR) basis; and allowing reimbursement of costs associated with excess hospital capacity.

Recommendations were made to counter these disincentives without reducing benefits or raising taxes. These included changing to a national prospective system for Medicare hospital reimbursement; adopting a fixed fee prospective system for Medicare physician reimbursement; and developing regulations for incentives to close or convert excess hospital capacity, such as the elimination of tax-free bonds to finance hospital construction.

Successful implementation of suggested recommendations depends largely on HCFA's developing an effective, experienced, and highly competent top management team. To strengthen HCFA's leadership, the Task Force recommended improvements in internal communications, operational planning, retention of competent Civil Service employees, efforts to minimize duplication among departments, manpower planning, and overall proactive execution.

Implementation of Task Force recommendations regarding HCFA would result in three-year cost savings of \$10.833 billion and revenue generation of \$622 million.

PHS -- PPSS found instances of redundant positions and overstaffing causing operational inefficiencies. Specific recommendations included eliminating some 4,600 redundant positions, revising reduction-in-force procedures, dissolving the Office of Assistant Secretary for Health and integrating it with the Office of the Secretary, and decentralizing overall authority and responsibility in PHS.

With respect to fiscal management and control, the Task Force identified a need for improving collections from PHS scholarship and loan programs, revising reimbursement procedures to contract care providers of the Indian Health Service, instituting a cost control management-by-objectives program, and changing the eligibility criteria for Indian Health Service coverage and benefits.

The Task Force also found inefficient administration of research and development at PHS, including substantial cost variations in similar grants and contracts, lack of adequate controls on equipment purchases by NIH grant recipients, and duplicative or unnecessary programs and facilities. Task Force recommendations included establishing ceilings on administrative costs for grants and contracts; reducing overhead costs, eliminating equipment funding, and systematically reviewing research grants at recipient institutions; and eliminating planned construction.

Implementation of Task Force recommendations relevant to PHS operations would result in three-year cost savings totaling \$1.843 billion.

#### IMPLEMENTATION

Of the 71 recommendations formulated by the Task Force, 45 (63 percent) are within Agency authority and 26 (37 percent) will need Congressional approval.

TASK FORCE ON  
THE DEPARTMENT OF HEALTH AND HUMAN SERVICES  
SOCIAL SECURITY ADMINISTRATION

<u>CO-CHAIRS:</u>	John J. Byrne Chairman, President, and CEO GEICO Corp.	<u>NUMBER OF TASK FORCE MEMBERS:</u>	30
	Joseph P. Downer Vice Chairman Atlantic Richfield Co.	<u>NUMBER OF ISSUES:</u>	10
	Harold A. Eckmann Chairman and CEO Atlantic Mutual Insurance Co.	<u>NUMBER OF RECOMMENDATIONS:</u>	56
	George P. Jenkins Former Chairman and CEO Metropolitan Life Insurance Co.	<u>3-YEAR COST SAVINGS:</u> (\$ billions)	\$8.407
		<u>3-YEAR REVENUE GENERATION:</u> (\$ billions)	\$ .980
		<u>3-YEAR CASH ACCELERATION:</u> (\$ billions)	\$4.661
<u>PROJECT MANAGER:</u>	John J. Byrne Assistant Vice President The Atlantic Companies		

OVERVIEW

The Social Security Administration (SSA), one of the four operating divisions of the Health and Human Services Department (HHS), has grown significantly since its inception in the late 1930s. SSA programs include Old Age and Survivors Insurance, Disability Insurance, Supplemental Security Income, and Aid to Families with Dependent Children (AFDC). SSA is also responsible for processing Medicare beneficiary entitlement and premium information for the Health Care Financing Administration. SSA had an FY 1983 budget of \$189 billion and employed 81,690 people representing 70 percent of the HHS budget authority and 59 percent of HHS personnel. The HHS - Social Security Administration Task Force was one of three PPSS Task Forces to review HHS.

ISSUES AND RECOMMENDATIONS

The Task Force reviewed ten issues and formulated 56 recommendations which would result in three-year cost savings of \$8.407 billion, revenue generation of \$980 million, and cash acceleration of \$4.661 billion. The issues and recommendations fall into three principal

categories: automated data processing (ADP), major operational issues, and administrative law judges.

Automated Data Processing -- The most critical situation within SSA is the computer operation, which is trying to fulfill its key role using obsolete systems and hardware. The Task Force focused on the current Systems Modernization Plan (SMP), developed in an effort to modernize SSA computer operations. Although the Task Force supported the aggressive initiatives undertaken to implement SMP, it concluded that implementation will take longer than the proposed five years and will cost significantly more than the half billion dollars currently estimated.

Despite specific problems, the Task Force was encouraged to find that SSA has initiated a process of change and growth and has institutionalized a structure for managing that process. Although the Task Force did not identify specific cost savings in the area of ADP, cost-saving recommendations presented elsewhere in the Report depend on the availability of an effective, modern computer system in SSA.

Operational Issues -- The greatest number of recommendations developed fell into the category of operational issues. Line supervisors are not actively involved in the daily control of work flow, have no standardized means of organizing work within the office, and are rarely provided with quantitative/objective goals by management. The Task Force recommended the implementation of a supervisory productivity management system which ultimately would lead to a system for managing office activity throughout SSA. Concluding that the current network of SSA field offices was too large and too complex, it recommended that the 1,343 district/branch offices be reduced to approximately 500 and that resident/contact stations (3,476) and teleservice centers (33) be eliminated.

In order to reduce erroneous payments at AFDC, which in FY 1983 totaled \$370 million, the Task Force recommended enforcement of the Michael Amendment which requires the Government to impose fiscal sanctions on states which fail to achieve legislated error rate targets. The Task Force also called on HHS to consider withholding an estimated sanction amount from state AFDC grants based upon a projection of the state's benefit payment base and payment error rate.

With respect to SSA's Annual Earnings Test, which is designed to ensure that recipients of Old Age and Survivors Insurance (OASI) and Disability Insurance (DI) do not earn outside income in excess of the maximum amount allowable,



the Task Force found SSA's error rate reports to be complicated, untimely, and lacking in any useful data for trend analysis. As a result, the Task Force recommended the preparation of computer tapes of all OASI beneficiaries aged 62 to 69 and DI beneficiaries in order to facilitate the mailing of annual reporting forms, the adjustment of benefits at the beginning of the calendar year, accelerated enforcement of rules and procedures pertaining to overpayments, and the collection of interest from beneficiaries receiving overpayments. The Task Force also proposed simplifying and auditing SSA's Program Operating Manual and eliminating all future Federal Fiscal Liability Payments.

Implementation of recommendations pertaining to operations management would result in three-year cost savings of \$4.760 billion, revenue generation of \$980 million, and cash acceleration of \$4.661 billion.

Administrative Law Judges -- In its review of the appellate system for Social Security disability claims, the Task Force found that although the SSA process of review is called appellate, it is not, since new evidence may be introduced at all levels of the review process. The process is characterized by high reversal rates, with the Disability Determination Service (DDS) denying 70 percent of the claims and the SSA Administrative Law Judges reversing 60 percent of the denied claims that reach them. Further, when engaged in continuing disability investigations, DDS terminates benefits already awarded in almost 50 percent of the cases. By contrast, the Administrative Law Judges reverse almost 80 percent of the cases taken on appeal. In the view of the Task Force, the high reversal rate is due to inconsistent criteria used throughout the appellate process, a problem exacerbated by increasing work loads, lengthy time frames for processing claims, and increasing administrative costs. The Task Force recommended that SSA establish one set of operative standards for all levels of adjudication; strengthen the role and procedures of DDS; eliminate the opportunity to provide new data at each level of appeal; and limit the number of permissible refilings.

The Task Force estimated that implementation of its savings would result in three-year cost savings totaling \$3.647 billion.

#### IMPLEMENTATION

SSA can implement 54 of the 56 recommendations (96 percent). The remaining two recommendations (4 percent) will require action by the Congress.

## TASK FORCE ON

### HOUSING AND URBAN DEVELOPMENT

<u>CO-CHAIRS:</u>	Frank T. Cary Chairman of the Executive Committee IBM Corporation	<u>NUMBER OF ISSUES:</u>	10
	Richard Cooley Chairman, President, and CEO Seattle First National Bank	<u>NUMBER OF RECOMMENDATIONS:</u>	50
	Barry F. Sullivan Chairman and CEO First National Bank of Chicago	<u>3-YEAR COST SAVINGS:</u> (\$ billions)	\$2.460
		<u>3-YEAR REVENUE GENERATION:</u> (\$ billions)	\$ .358
		<u>3-YEAR CASH ACCELERATION:</u> (\$ billions)	\$ .667
<u>PROJECT MANAGER:</u>	Richard J. Borda Executive Vice President Wells Fargo Bank		
<u>NUMBER OF TASK FORCE MEMBERS:</u>	41		

### OVERVIEW

Established in 1965, the Department of Housing and Urban Development (HUD) administers more than 60 programs, including mortgage insurance, rental subsidies for low-income families, anti-discrimination regulations, and rehabilitation and preservation activities. HUD is essentially a financial institution with a social mission.

HUD estimated outlays in FY 1983 were \$13.0 billion. Of the total 15,122 employees, 4,081 are located in Washington and 11,041 serve in regional and field offices.

The Task Force found that HUD's concentration on its social mission -- program delivery -- has turned attention away from cost-effective administration. This emphasis has led to the extension of programs to ineligible recipients and a corresponding neglect of accounting systems. A lack of automated systems has inflated staff numbers and resulted in management layering and inefficient debt collection.

### ISSUES AND RECOMMENDATIONS

The Task Force selected ten issue areas for study and proposed 50 recommendations which, when implemented, will result in a cost savings of \$2.460 billion, revenue

generation of \$358 million, and cash acceleration of \$666.7 million over three years. The ten issue areas studied can be aggregated into three main categories: financial management; internal organization and administrative procedures, including the management of the 2,700 Public Housing Authorities (PHAs); and the acquisition, management, and disposition of real estate holdings.

Financial Management -- Accounting practices and internal financial controls at HUD are materially deficient. Accounting systems are primarily manual and, even where automated, are mostly outdated. No one area of HUD has been given total responsibility and authority for coordinating and developing Department-wide financial management practices and procedures. Problems over lump-sum disbursement have not been resolved with suitable accounting methods. Generally accepted accounting practices and procedures are not followed in administering Federal Housing Administration (FHA) insurance loans. Departmental review and verification of financial information is limited or non-existent.

To correct unsound financial management, the Task Force recommended the establishment of an Office of the Assistant Secretary for Financial Management with responsibility for coordinating and developing Department-wide financial management practices and procedures. Other recommendations included the automation of current manual financial systems; the development and implementation of an aggressive cash management program; contracting out, where necessary, for cash management systems and debt collection; and improved management of HUD's loan portfolio.

Implementation of these recommendations would result in cost savings of \$2.302 billion, revenue generation of \$318.9 million, and cash acceleration of \$666.7 million over a three-year period.

Organization and Administration -- Frequent management turnover and changes in program direction have resulted in overlap and duplication of functions and management layering. The Time Reporting System, which is overly complex, provides questionable benefits. Disparity in the nature and size of PHAs makes performance evaluation difficult and the current formula for calculating PHA operating subsidies provides no incentive for reducing operating costs. In particular, HUD and PHA management personnel generally lack the skills necessary to employ more sophisticated management techniques.

In addition to specific actions, the Task Force recommended that an evaluation team be created to review all major programs, support areas, and field offices of management and/or administration, with specific targeting of overlap and duplication.

Three-year cost savings of \$69.6 million are projected.

Acquisition/Management/Disposition of Real Estate --  
Problems exist despite progress in the reduction of inventory. Lack of qualified personnel, decentralized responsibility and authority, poor internal communications, complex regulations, and the absence of incentives to meet property disposition goals have discouraged cost-effective management. No formal tracking system exists to monitor progress in the foreclosure process. Existing evaluation procedures are inconsistent and the disposition process is further hampered by lack of reliable data systems and unnecessary legal delays.

Task Force recommendations included establishing a centralized monitoring system to track foreclosures and expedite the acquisition of properties for foreclosure; establishing a disposition and sales program which is more evenly distributed throughout the year; enacting amendments to the Internal Revenue Service Code relative to cash accounting and depreciation; and changing the current "sell as is" policy in the sale of single family properties.

Implementation of these recommendations would result in a three-year cost savings of \$89.1 million and revenue generation of \$38.6 million.

#### IMPLEMENTATION

Of the 50 Task Force recommendations, 47 (94 percent) can be implemented directly by agency officials and 3 (6 percent) will require Congressional authorization.

TASK FORCE ON  
THE DEPARTMENT OF THE INTERIOR

<u>CO-CHAIRS:</u>	George D. Anderson President Anderson ZurMuehlen & Co.	<u>NUMBER OF TASK FORCE MEMBERS:</u>	24
	William T. Coleman, Jr. Partner O'Melveny & Myers	<u>NUMBER OF ISSUES:</u>	9
	Morley P. Thompson President Baldwin-United Corp.	<u>NUMBER OF RECOMMENDATIONS:</u>	27
	Hays T. Watkins Chairman and CEO CSX Corporation	<u>3-YEAR COST SAVINGS:</u> (\$ billions)	\$ .271
<u>PROJECT MANAGER:</u>	Robert C. Hacking Manager, State and Local Government Ernst & Whinney	<u>3-YEAR REVENUE GENERATION:</u> (\$ billions)	\$1.022
		<u>3-YEAR CASH ACCELERATION:</u> (\$ billions)	\$ .231

OVERVIEW

The Department of Interior, established in 1849, is one of the Government's oldest departments. Its FY 1983 budget (obligational authority) was \$6.7 billion and employees totaled close to 73,000. As the nation's principal conservation agency, Interior has responsibility for most of the nationally owned public lands and natural resources.

In performing its mission, the Department frequently is placed in conflicting roles -- conservator and developer, trustee and program manager. Opportunities identified for cost control focused on improved management practices, stricter adherence to current policies, and changes which would put some of Interior's operations on a more businesslike basis. Opportunities for revenue generation primarily involve the sale of unneeded public lands.

ISSUES AND RECOMMENDATIONS:

The Task Force studied nine issues and formulated 27 recommendations which, when fully implemented, will allow the Department to achieve three-year savings of \$271.2 million and revenue generation of \$1.022 billion. Identified issues and recommendations can be grouped into three major categories: land management, National Park Service (NPS) operations, and fiscal management and control.

Land Management -- With adequate advance planning, some \$900 million in net revenue and \$146 million in interest savings could be generated from the sale of excess public lands during the first three years. The sale of excess land would represent less than 1 percent of lands under the control of the Bureau of Land Management (BLM). Federal law and regulations provide reasonable and adequate safeguards over disposal of excess lands. Parks and wilderness areas, environmentally sensitive areas, and similar lands would not be sold.

With respect to rangeland management, the Task Force concluded that transfer of the rangeland to private ownership could save an estimated \$93.1 million over three years. Given the total acreage of public rangeland and the potential controversy involved with its direct transfer to the private sector, the Task Force proposed as an alternative long-term grazing permits of 99 years duration which can accomplish the same objective. Under this approach, the maintenance, management, and improvement of the rangelands would be shifted to the permit holder. Under either alternative, the Task Force believes that safeguards on use and access can and should be established.

The Task Force also found that grazing fees were \$2.30 per animal unit in 1981, while comparable charges were \$5 to \$15 on commercial rangeland and on lands owned by the Bureau of Indian Affairs and the Department of Defense. An increase in BLM fees to market rates could result in \$19.5 million of added revenues over a three-year period. In addition, the Task Force identified but did not claim savings for other cost control opportunities in the area of Environmental Impact Statement preparation, payments in lieu of taxes to state and local governments, and consolidation of selected land management activities now performed by both BLM and the Forest Service.

In addition to Interior, the Environmental Protection Agency, the Coast Guard, and the Army Corps of Engineers are involved in monitoring resource development on the Outer Continental Shelf (OCS), resulting in duplication and delays in the permit issuing process. The Task Force estimated that by consolidating 30 percent of the currently required inspections and eliminating certain required OCS reporting to Congress, three-year cost savings of \$5.5 million could result.

National Park Service Operations -- During 1981, the NPS operated 333 parks and charged entrance fees at only 64 of them. Operating costs in the national park system rose 296 percent between 1971 and 1981. Revenue increased 11 percent and entry fee revenues as a percentage of operating costs declined from 7 to 2 percent. Adjusted for inflation, entry fees declined over 50 percent.

The Task Force recommended repealing the current Congressional freeze on NPS entrance fees and increasing revenues generated by camping, tour, and entrance fees.

The Task Force also identified cost control opportunities in concession management practices at parks. Currently, the average franchise fee is 2 percent of gross receipts, significantly below the private sector standard. In addition, a need exists for better contract administration, negotiation, and renegotiation. The Task Force recommended strengthening the Office of Concessioner Management increasing concessioner competition, and adopting the Visitor Facility Fund Bill which earmarks a portion of concessioner fees for repair and maintenance facilities.

The Task Force calculated that three-year revenue generation of \$102.6 million would occur as a result of implementation of its recommendations.

Fiscal Management and Control -- Substantial improvements are required in the debt collection activities of the Bureau of Indian Affairs, where 77 percent of the delinquent loans have been delinquent longer than 180 days, even though policy sets 90 days as the maximum. The Task Force also recommended instituting block grants in the Fish and Wildlife Service and improving cash management practices, including use of lock boxes. Implementation of the Task Force recommendations would result in three-year cost savings of \$26.6 million and cash acceleration of \$230.5 million.

#### IMPLEMENTATION

The Task Force's survey of nine issues resulted in the formulation of 27 recommendations of which 15 (56 percent) can be implemented by the Agency, 10 (37 percent) by Congress, and 2 (7 percent) by the President.

TASK FORCE ON  
THE DEPARTMENT OF JUSTICE

<u>CO-CHAIRS:</u>	Weston R. Christopherson Chairman and CEO Jewel Companies, Inc.	<u>NUMBER OF TASK FORCE MEMBERS:</u>	12
	Frederick Deane Chairman and CEO Bank of Virginia	<u>NUMBER OF ISSUES:</u>	10
	Jewel S. Lafontant Senior Partner Lafontant, Wilkins, Jones & Ware, P.C.	<u>NUMBER OF RECOMMENDATIONS:</u>	37
	Arthur Levitt, Jr. Chairman and CEO American Stock Exchange, Inc.	<u>3-YEAR COST SAVINGS:</u> (\$ billions)	\$.183
		<u>3-YEAR REVENUE GENERATION:</u> (\$ billions)	\$.667
<u>PROJECT MANAGER:</u>	Clarence S. Wilson, Jr. Member of Firm Lafontant, Wilkins, Jones & Ware, P.C.	<u>3-YEAR CASH ACCELERATION:</u> (\$ billions)	\$.288

OVERVIEW

The overall mission of the Department of Justice (DOJ) is to enforce the law in the public interest, to represent the United States in all Supreme Court cases, to represent the Federal Government in legal matters generally, and to render legal advice and opinions to the President and to the heads of Executive departments. DOJ is headed by the Attorney General. In FY 1983, DOJ employed 56,000 people. Its proposed FY 1984 budget is \$3.4 billion. The Immigration and Naturalization Service (INS) is part of the Department.

The Task Force compared DOJ to other Federal agencies and private law practices, using general principles of good management. The Task Force identified opportunities for improvements in planning, reporting, systems efficiency, and maximizing the use of personnel.

ISSUES AND RECOMMENDATIONS

The Task Force identified nine issues for review and formulated 32 recommendations specifically focusing on DOJ. The tenth issue and accompanying five recommendations addressed the Offices of Inspectors General (IG), who are independent auditors in departments and agencies. When fully implemented, the recommendations will result in cost savings of \$183.2 million and revenue generation of \$666.9



million over a three-year period, in addition to a cash acceleration of \$288.4 million.

Organizational and Human Resources Management -- The Task Force identified Agency-wide opportunities for improvements in the use of paralegals. Currently, DOJ has an 8:1 ratio of attorneys to paralegals; the ratio found in the private sector is 5:1. The Task Force recommended increasing personnel ceilings for paralegals and establishing a paralegal coordination office to act as a liaison among paralegals, attorneys, and managers of the different divisions.

To improve resource management by the INS and the port-of-entry inspection services, the Task Force recommended that INS reduce central and regional office staffing by 298 positions and that the Office of Management and Budget (OMB) assume responsibility for coordinating and ultimately consolidating the activities of the various port-of-entry inspection services for entering passengers and cargo. It also recommended promoting technological advances to speed port-of-entry processing for passengers.

When implemented, recommendations in the areas of organizational and human resources management will result in a three-year cost savings of \$87.5 million.

Fiscal Management and Control -- Cost savings opportunities exist in the Department's revenue collection efforts, asset seizure and forfeiture practices, travel procurement procedures, and investment of excess profits by Federal Prison Industries, Inc. (UNICOR).

DOJ acts as a collection attorney for other Federal agencies and as an attorney on behalf of the United States in the collection of civilian fines and claims. To improve cost efficiency in these activities, the Task Force recommended the use of private collection agencies and the adoption of a uniform reporting system for claims forwarded to DOJ for legal action. It also recommended improved management of seized assets.

Improvements in the area of travel procurement, including the use of personal credit cards as a pilot program, and the remittance to the U.S. Treasury of excess UNICOR profits earned in the next three years also were recommended by the Task Force.

Implementation of the Task Force's recommendations would result in three-year cost savings of \$58.4 million, with three-year revenue generation of \$666.9 million and cash acceleration of \$288.4 million.

Automated Data Processing Systems -- DOJ is in need of improved automated legal support systems to facilitate the availability of information necessary to plan and manage litigation. Recommendations included the implementation of a coordinated systems development effort, with specific emphasis on the identification of user needs and requirements.

Implementation of the recommendations would result in cost savings of \$37.3 million over a three-year period.

Improvements in Inspector General Operations -- The Task Force's review of the IGs indicated a lack of a common perception of their roles, insufficient coordination among IGs in different departments and agencies, and inadequate technical support for the IGs at a central level in the Executive Branch. To correct these problems, the Task Force recommended organizational and procedural changes, including coordination of systems development among constituent agencies, improved acquisition procedures, strong ADP leadership, and a central office to be responsible for coordinating the activities of the IGs.

Specific savings were not quantified for this issue, although the Task Force recognized that savings will accrue from improved IG operations, including further reductions in waste, fraud, and abuse.

#### IMPLEMENTATION

Of the 32 recommendations pertaining specifically to DOJ, 19 (59 percent) fall within DOJ's purview; 8 (25 percent) require Presidential involvement; and 5 (16 percent) require Congressional action.