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TASK FORCE ON  
THE DEPARTMENT OF LABOR

<u>CO-CHAIRS:</u>	James S. Kemper, Jr. Chairman Kemper Corporation	<u>NUMBER OF TASK FORCE MEMBERS:</u>	32
	Francis C. Rooney, Jr. CEO Melville Corporation	<u>NUMBER OF ISSUES:</u>	14
	Richard R. Shinn Chairman and CEO Metropolitan Life Insurance Co.	<u>NUMBER OF RECOMMENDATIONS:</u>	49
	Luke G. Williams CEO American Sign & Indicator Corp.	<u>3-YEAR COST SAVINGS:</u>	\$3.718 (\$ billions)
<u>PROJECT MANAGER:</u>	Max Hirschhorn Independent Consultant		

OVERVIEW

The purpose of the Department of Labor (DOL) is to promote and develop the welfare of American wage earners, improve their working conditions, and advance their opportunities for profitable employment. DOL administers over 130 Federal labor laws. During FY 1982, DOL employed approximately 18,000 persons full time. For FY 1982, it obligated approximately \$37 billion.

The Task Force found that the Department already had under way aggressive programs for reducing costs and had achieved substantial cost savings. In initiating such constructive change, the Secretary and the DOL management team have established a climate for improvement. The Task Force approach was to select areas where private sector expertise could add to management initiatives.

ISSUES AND RECOMMENDATIONS

The Task Force selected 14 issues to study and formulated 49 recommendations, which are projected to result in three-year cost savings of \$3.718 billion. Areas studied include: the Federal Disability Program, automated data processing (ADP) and telecommunications, wage setting laws and area wage scales, and human resources and organizational management.

Federal Employment Disability Program -- Under the Federal Employment Compensation Act approximately \$650 million was paid in 1981 in compensation to claimants experiencing long-term (45 days or longer) traumatic injuries, and about \$170 million was paid to cover medical expenses. The Task Force identified opportunities to improve claims investigation and monitor the payment of legitimate claims, and recommended changes in the payment of workers' compensation medical bills.

Task Force recommendations would result in three-year cost savings of \$190.3 million.

Automated Data Processing and Telecommunications -- To utilize DOL's current and about-to-be-acquired ADP systems more effectively, the Task Force recommended designating the Assistant Secretary of Administration and Management to exercise central control over the acquisition and management of all ADP equipment, services, and personnel. It was further recommended that DOL replace the planned and current procurements for ADP equipment with a single procurement plan.

Implementation of recommendations in this area would result in three-year cost savings of \$16.2 million.

Wage Setting Laws -- The Secretary of Labor establishes regulations and procedures to administer and enforce certain wage laws, namely, the Davis-Bacon, Walsh-Healey, and Service Contract Acts.

The Davis-Bacon Act originally was aimed at protecting local contractors from outside contractors. Today, local contractors perform only 28 percent of the Davis-Bacon projects, but 47 percent of the non-Davis-Bacon projects. The Walsh-Healey Act requires overtime pay for time worked in excess of eight hours per day, thus failing to take into consideration new alternative work schedules. The Service Contract Act (SCA), which sets minimum wage standards for service employees, has subsequently been extended by regulation to cover such service workers as highly paid, high-technology employees.

To address the adverse consequences of these wage setting laws, the Task Force recommended: raising the threshold for application of Davis-Bacon Act requirements from \$2,000 to \$25,000; amending the Walsh-Healey Act to remove eight hours as the threshold for overtime pay for a single work day, but retaining the 40-hour-a-week threshold; and excluding ADP and high-technology contracts from SCA coverage. The Task Force estimated three-year cost savings of \$3.227 billion as the result of its recommendations.

Area Wage Scales -- The Federal Pay Comparability Act of 1970 requires that Federal pay rates be comparable with private sector pay rates for the same level of work. The basic pay system for Federal white-collar employees, the General Schedule, is a national pay system that has no provision for pay variations based upon local salary conditions. About 90 percent of the larger multi-establishment private sector companies use pay scales for non-supervisory white-collar employees based upon local salary conditions.

The Task Force recommended that the Secretary of Labor, functioning as the President's Pay Agent, propose legislation calling for the introduction of area wage scales on a city-by-city basis.

Implementation of the recommendations formulated by the Task Force would result in cost savings of \$203.1 million over a three-year period.

Human Resources and Organizational Management -- The Task Force studied opportunities to make DOL more efficient and effective in the accomplishment of its mission through better utilization of human resources and improved organizational management. Specific recommendations included reducing the number of regional offices, increasing the supervisory span of control, developing standardized measures of work performance, and providing managers with work incentives. Additional recommendations called for improved oversight of procurement activities and improved training and development programs.

Implementation of these and other recommendations would result in cost savings of \$81.4 million over a three-year period.

#### IMPLEMENTATION

Of the 49 major recommendations formulated by the Task Force, 39 (80 percent) are within the purview of DOL, none involves Presidential action, and 10 (20 percent) will need Congressional approval. The authority of Congress is required to amend the three wage-setting Acts, and to introduce area wage scales for Federal civilian non-supervisory white-collar workers.

TASK FORCE ON  
LAND/FACILITIES/PERSONAL PROPERTY

<u>CO-CHAIRS:</u>	John F. McGillicuddy Chairman and CEO Manufacturers Hanover Trust Co.	<u>NUMBER OF TASK FORCE MEMBERS:</u>	41
	Donald G. McNeely Chairman Space Center, Inc.	<u>NUMBER OF ISSUES:</u>	3
	Donald W. Nyrop Former CEO Northwest Airlines, Inc.	<u>NUMBER OF RECOMMENDATIONS:</u>	9
	Joseph J. Pinola Chairman and CEO First Interstate Bancorp	<u>3-YEAR COST SAVINGS:</u> (\$ billions)	\$ .201
	Darwin E. Smith Chairman and CEO Kimberly-Clark Corp.	<u>3-YEAR REVENUE GENERATION:</u> (\$ billions)	\$ .426
<u>PROJECT MANAGER:</u>	Paul A. Jones Executive Vice President and Secretary Kimberly-Clark Corp.		

OVERVIEW

The Task Force identified specific opportunities for cost control and improved efficiency in its cross-cutting review of the Federal Government's management of its land, facilities, and personal property resources. In undertaking its review, the Task Force worked in close cooperation with the General Services Administration (GSA) and other PPSS Task Forces and concluded that the Department of the Interior's management of mineral resources is hampered unnecessarily by Congressional interference, that the Federal vehicle fleet suffers from decentralized management, and inactive Government files are stored longer than necessary.

ISSUES AND RECOMMENDATIONS

Nine recommendations were made by the Task Force, with projected cost savings of \$200.7 million and revenue generation of \$426.2 million over a three-year period.

Offshore Minerals Management -- The Federal Government owns the entire Outer Continental Shelf (OCS), an area with one billion acres and the greatest oil and gas potential of all Federal lands. Responsibility for administering the OCS rests with Interior's Mineral Management Service (MMS).

Since 1954, less than 23 million acres have been leased out by the Federal Government. Despite the considerable alarm raised in response to Interior's five-year plan to accelerate development of this national asset, the Task Force found that adequate safeguards in the law and in the plan make the program effective in the long run. The Task Force endorsed Interior's OCS plan. It did, however, recommend two lease changes which could increase Federal revenues without a loss of private sector incentives; namely, utilization of optimum royalty rate systems to maximize Federal revenues and use of seven-year primary terms for leases in harsh environments.

In the area of OCS management, the Task Force found that the OCS plan is vulnerable to unpredictable interruptions. Because long-range planning cannot be effective without predictability and finality, the Task Force recommended management changes designed to segregate Congressional policymaking from Interior's implementation of that policy. Specifically, it recommended making the MMS an independently funded entity using proceeds from OCS and repealing the requirement of annual Congressional reviews of finalized five-year plans.

Implementation of Task Force recommendations pertaining to management of OCS would result in three-year revenue generation of \$410.4 million.

Motor Vehicle Management -- The 318,000 Federal vehicles (excluding the U.S. Postal Service fleet) are divided among more than 100 Federal divisions, each operating its own motor pool independently. Virtually no cooperation or coordination exists among the fleet managers, resulting in inefficient, duplicative, and costly vehicle operations. Further, there is a serious lack of adequate data to make cost comparisons among agencies or with private fleets. As a result, the fundamental question of whether the Federal Government should be in the vehicle fleet business at all is unanswered.

The Task Force recommended that opportunities for standardization of procedures and management improvements be identified and implemented by all fleet agencies, that a Government-wide management information system be established to address the Government's continued ownership

and operation of a motor vehicle fleet, that the current vehicle procurement process be revised to contract out for all new vehicles a year at a time, and that a reconditioning program be implemented for all decommissioned vehicles.

Implementation of Task Force recommendations would result in three-year savings of \$146.1 million and revenue generation of \$15.8 million.

Federal Records Management -- Functioning under GSA, the National Archives and Records Service (NARS) is responsible for operating 14 record storage centers for inactive files, managing archival programs of significant historical value, providing technical training on records to other agencies, operating seven Presidential libraries, and publishing certain official documents. The Task Force found no major problems with the archival, publishing, and library functions, and focused on record management and technical training programs.

The cost of storing Government records is increasing faster than necessary. Contributing to this unnecessary proliferation are records without retention schedules, records with long retention schedules, and NARS's inability to require agencies to seek technical assistance and training. Poor record management is largely due to the lack of commitment from top agency officials. The Task Force recommended that departments and agencies be required to establish retention periods that do not exceed the useful life of records and, with GSA guidance, that record management practices be assessed and improvements implemented.

Implementation of recommendations in the area of record management would result in cost savings of \$54.6 million over three years.

#### IMPLEMENTATION

Of the nine recommendations developed, four are within the purview of affected agencies, four involve Presidential action, and one requires Congressional approval.

TASK FORCE ON  
LOW INCOME STANDARDS AND BENEFITS

<u>CO-CHAIRS:</u>	Bennett Archambault CEO	<u>NUMBER OF TASK FORCE</u>	
	Stewart-Warner Corporation	<u>MEMBERS:</u>	24
	Richard J. Flamson, III Chairman and CEO Security Pacific National Bank	<u>NUMBER OF ISSUES:</u>	9
	Robert A. Schoellhorn Chairman and CEO Abbott Laboratories	<u>NUMBER OF RECOMMENDATIONS:</u>	24
	Robert K. Wilmouth President and CEO National Futures Association	<u>3-YEAR COST SAVINGS:</u> (\$ billions)	\$5.887
<u>PROJECT MANAGER:</u>	Richard W. Strauss Manager, Washington Operations Stewart-Warner Corporation		

OVERVIEW

The Federal Government administers 64 entitlement programs with qualification criteria based on income and/or assets. In FY 1982 expenditures for these programs totaled \$86.2 billion. The Low Income Standards and Benefits Task Force studied the following programs, which comprise 71 percent (\$61.3 billion) of total entitlement expenditures: Medicaid; Aid to Families With Dependent Children (AFDC); Supplemental Security Income (SSI); Veterans Administration (VA) Pensions; Emergency Assistance and Low Income Home Energy Assistance (LIHEA); Food Stamps; Low-Rent Public Housing and other Housing Subsidies; Low Income Housing Assistance; Special Food Supplement to Women, Infants, and Children; and Child Nutrition.

The Task Force aimed at reducing administrative costs, minimizing overlap and duplication of benefit payments, and reducing fraud and abuse. These aims are the important objectives in targeting benefit payments more efficiently and improving the quality of service to those actually in need.

ISSUES AND RECOMMENDATIONS

The Task Force made 24 recommendations which can be broadly grouped into three areas, with implementation of



recommendations in cost savings of \$5.887 billion over three years.

Program Coordination and Consolidation -- The multiplicity of needs-based programs has created a complex situation in which many agencies in different departments perform distinct but overlapping functions, giving rise to a cumbersome welfare bureaucracy at state, local and Federal levels. The problem is exacerbated by the fact that state administrative costs for many programs (Food Stamps, AFDC, and Medicaid) are reimbursed on a 50 percent Federal open matching basis, thus reducing incentives to keep administrative costs down. State costs varied from \$20 to \$126 per average monthly case load in FY 1981.

The Task Force endorsed the 1982 Combined Welfare Administration (CWA) proposal to place Federal funding for administrative costs under a single block grant. Instead of setting the Federal share of state administrative costs at 95 percent of the FY 1982 amount, however, it suggested procedures be developed to adjust the amount of the grant based on anticipated case loads for the three programs and by cost level increases. Adoption of a modified CWA proposal by the Congress would limit the rapid growth of administrative costs, reduce and simplify the current reporting requirements, and result in three-year cost savings of \$929.0 million.

Although not specifically addressing the veterans' pension program, the Task Force concluded that the very size of the program (exactly 1,901,101 veterans and veterans' survivors received benefits at a program cost of \$3.786 billion) required close control over program operations. Task Force concurred with the PPSS Task Force on the VA, which recommended an independent analysis of eligibility and payment errors and the use of corrective action, including computer matching.

With respect to the Energy and Emergency Assistance programs and weatherization programs, the Task Force recommended program consolidation. At present, fewer than half the states participate in the Emergency Assistance program. Energy Assistance block grants are being transferred to other assistance programs, suggesting that original appropriations were overstated and that states have other priorities for these funds. Eliminating the Emergency Assistance program and terminating transfers from Energy Assistance to other programs would yield projected cost savings of \$290.3 million over three years. In addition, it recommended merging most existing weatherization programs into the Community Block Grant Program administered by HUD.

Eligibility Verification/Automation -- The Census Bureau reported that in 1981 over 14.5 million households (17 percent of total households) received one or more selected, means-tested, public noncash benefits. In spite of similarities in goals, procedures, and requirements, each program operates in a highly independent manner. Current estimates indicate \$4.1 billion in overpayments were made in 1983 in five programs: AFDC, Food Stamps, SSI, Medicaid, and Section 8 Housing.

Although automation of data on public assistance recipients has been shown to be beneficial, legislative restrictions inhibit the development of fully integrated automated data processing (ADP) systems. Access to certain types of income information, for example, is restricted by law. To remove these restrictions, the Tax Reform Act of 1976 should be amended to allow needs-based programs to use Internal Revenue Service and Social Security Administration data, including income from self-employment and from military and Federal employment, as well as unearned income. In the Task Force's view, access to this information is fundamental to any effective integrated ADP systems.

The Task Force conservatively estimated three-year cost savings of \$3.637 billion.

Improved Payment and Administrative Control -- Substantial savings could ensue from the institution of payment systems, distribution methods, and/or simplified eligibility criteria that provide for increased control and accountability. SSI eligibility criteria are overly complex, the benefits formula is too inflexible, and the Medicaid open-ended reimbursement method provides no incentives for hospitals to be efficient since all costs are reimbursed as incurred. The Task Force recommended reducing the sensitivity of the SSI benefit formula to changes in recipients' circumstances, adopting a prospective payment system, and improving pre-screening and case management.

The Task Force's recommendations would result in cost savings of \$1.031 billion over a three-year period.

#### IMPLEMENTATION

Of the 24 recommendations formulated by the Task Force, 13 (54 percent) are within the jurisdiction of departments and agencies, 3 (13 percent) require action by the President, and 8 (33 percent) will need Congressional approval.

TASK FORCE ON  
THE DEPARTMENT OF THE NAVY

<u>CO-CHAIRS:</u>	Nicholas T. Camicia Chairman and CEO The Pittston Company	<u>NUMBER OF TASK FORCE MEMBERS:</u>	33
	Maurice R. Greenberg President and CEO American International Group, Inc.	<u>NUMBER OF ISSUES:</u>	16
	Stanley Hiller, Jr. Chairman Hiller Investment	<u>NUMBER OF RECOMMENDATIONS:</u>	69
	Thomas M. Macioce President and CEO Allied Stores Corp.	<u>3-YEAR COST SAVINGS:</u> (\$ billions)	\$7.185
<u>PROJECT MANAGER:</u>	Robert M. Cockrill Partner Coopers & Lybrand		

OVERVIEW

The Department of the Navy had an FY 1983 budget in excess of \$86.0 billion, a military force of 755,000, and a civilian staff of 328,000. It maintains deployable fleet and air elements and conducts other activities which contribute to national security and the defense of the United States and its interests worldwide.

The Task Force found a lack of managerial skills compared to those in a well-run private corporation. It found a lower level of individual productivity and efficiency and a much higher cost of corporate (headquarters) overhead than in the private sector. Procedural requirements are burdensome, reviews are lengthy and excessive, and decision-making is fragmented.

ISSUES AND RECOMMENDATIONS

The Task Force reviewed 16 issues and made 69 recommendations, which would result in three-year cost savings of \$7.185 billion. Issues chosen for study were limited to those of importance to the Navy which could be compared to private sector business enterprises. These involved six major categories: weapons systems acquisition, supply and inventory management, implementation of systems for automated data processing (ADP), aircraft maintenance and overhaul, cash management, and career development.

Weapons Acquisition -- The Task Force concluded that problems relating to program stability and economic production schedules, multiyear procurement, dual sourcing, and contractor incentives have resulted in significant cost increases and management inefficiencies. Specific problems included the disruptive factors of inconsistent and constantly changing fiscal and program guidance from the Office of the Secretary of Defense, the proclivity of the Navy to allow production of more weapons than it can fund at economic rates, and the extent and costly impact of program stretch-outs. In addition, failure to engage in multiyear procurement and dual sourcing has resulted in significant cost overruns and a less-than-optimal production base, while the absence of performance-based incentives for contractors, inadequate assessment, and late introduction of training requirements exacerbate costs.

The Task Force recommended limiting the number of programs put into production, establishing a two-year budget cycle, placing greater emphasis on multiyear contracting and dual sourcing, integrating production requirements and training needs, and improving incentives for contract performance.

Three-year cost savings associated with the Task Force's recommendations were estimated at \$6.265 billion.

Supply and Inventory Management -- Numerous problems and insufficiencies confront the Navy with respect to its vast supply network and inventory control points. Specifically, supply facilities on ships are monitored by unreliable computer-tracking systems, with inaccurate issues and receipts the result. The six Naval Supply Centers are plagued by inaccurate inventory records, excessive adjustments, unreliable management information, and inventory losses that amounted to \$133.0 million in FY 1980 and \$330.0 million in FY 1981. Specific recommendations included more effective training and work standards development; standardization of components at supply and weapons centers; and extension of officer tours at weapons stations, supply centers, and inventory control points for greater continuity and experience in the management of those operations. Cost savings of approximately \$200.0 million over three years would result from implementation of these recommendations.

Automated Data Processing -- Most Navy computers were installed in the mid-1960s and early 1970s and represent technology and operating systems that are obsolete. Equipment is difficult and expensive to maintain, and diminishing reliability causes frequent malfunctions and reduces productivity. The Navy is installing some new computer systems, but the estimated time required for

completion of these projects is excessive. It was recommended that the Navy improve management of ADP assets and functions by consolidating reviews for the ADP-approval cycle, encouraging purchase of general purpose computers, making full use of delegated procurement authority and umbrella contracts, and establishing an office with overall responsibility. Recommendations, upon implementation, would produce cost savings of approximately \$180.0 million over three years.

Aircraft Maintenance and Overhaul -- Aircraft maintenance management is divided in the Navy. Fleet commanders who operate the aircraft have no control over the work content, duration, or funds spent at the depot level. At Naval Air Rework Facilities, the Task Force questioned what appeared to be excessive frequency of heavy aircraft overhauls. Comparison of private airline service programs with the Navy's program revealed order of magnitude differences in maintenance expenditures. The number of man-hours funded for maintenance engineering by the Navy was also found to be higher than anticipated, while analysis of Navy engineering staffs indicated that the Navy staffing levels are higher than those of all the civilian airlines combined, on a comparable basis. The Task Force recommended giving aircraft fleet commanders responsibility for in-service, life-cycle aircraft maintenance management; extending time intervals between aircraft overhauls; and reducing technical staff at rework facilities. Cost savings of \$510.0 million over three years would result from these recommendations.

Cash and Career Management -- Reducing Federal borrowing requirements by reducing cash held by \$50 million and prompt deposit of cash receipts would yield savings, as would career management innovations, including longer lengths of tour duty and special talent pools. Total estimated savings are \$30.0 million over three years.

#### IMPLEMENTATION

Of the 69 major recommendations made by the Task Force, 66 (96 percent) are within the authority of the Department of the Navy to implement. One (1 percent of the total) requires Presidential action and two (3 percent) need Congressional approval.

TASK FORCE ON  
PERSONNEL MANAGEMENT

<u>CO-CHAIRS:</u>	Robert Hatfield President New York Hospital	<u>NUMBER OF TASK FORCE MEMBERS:</u>	21
	Donald R. Keough President The Coca-Cola Company	<u>NUMBER OF ISSUES:</u>	18
	John A. Puelicher Chairman and CEO Marshall & Ilsley Corp.	<u>NUMBER OF RECOMMENDATIONS:</u>	95
<u>PROJECT MANAGER:</u>	Sy B. Pranger Independent Consultant	<u>3-YEAR COST SAVINGS:</u> (\$ billions)	\$39.270

OVERVIEW

The Office of Personnel Management (OPM) is a small, independent agency responsible for overseeing the execution and administration of laws, rules, and regulations covering over 2.1 million Federal civilian employees (excluding the Postal Service). In FY 1982, it had a staff of 5,000 and an operating budget of \$157.0 million. OPM administers the Civil Service Retirement Fund, the Federal Employees Health Benefits Fund, and the Federal Employees Life Insurance Fund, which in the aggregate are responsible for \$41.7 billion of benefit obligations.

The Task Force studied the cost-effectiveness and efficiency of Government-wide personnel programs, focusing on employee benefits, compensation levels, and service contracting guidelines. It concluded that significant and far-reaching opportunities exist for cost control and improved management efficiencies. The Task Force did not address personnel issues related to the military forces or the U.S. Postal Service.

ISSUES AND RECOMMENDATIONS

Eighteen issues were studied and 95 recommendations formulated, which would result in three-year cost savings of \$39.270 billion.

Civil Service Retirement System (CSRS) -- The Task Force found that the CSRS is more costly than comparable private sector programs. The average cost of pensions (as

a percent of payroll) to an employer in the private sector is 14 percent; in the Federal Government it is 29 percent. This unfavorable differential does not reflect the unfunded CSRS pension liability of \$500 billion. In contrast, private sector retirement plans are fully funded. Amortization of this unfunded liability over a 40-year period would raise Government pension costs to 85 percent of payroll.

To control costs, the Task Force recommended raising the normal retirement age to 62, discontinuing the practice of crediting unused sick leave as extra service, reducing benefits for early retirees, replacing the CSRS disability provision with a separate long-term disability plan, and eliminating overindexing in cost-of-living adjustment practices.

Three-year cost savings from the implementation of these and other recommendations would be \$15.890 billion.

Federal Employees Health Benefits Program (FEHBP) -- The Federal Government spends an inordinately large percent of payroll on health care when compared to the private sector. An extremely complex health insurance package offers 168 separate plans, with different costs and benefits. The 3.7 million employees and annuitants may change plans annually. FEHBP health benefit plans cost more per beneficiary due to adverse selection, caused by the numerous plan choices, the high ratio of more costly annuitant beneficiaries, and the difficulty in administering such a complex program.

Proposed actions include limiting open enrollment to alternate years, strengthening cost containment programs, and streamlining benefit packages. In total, recommendations would result in three-year cost savings of \$1.357 billion.

Pay Comparability -- Pay comparability is overstated for Federal employees under both the General Schedule (GS) system and Federal Wage System (FWS).

The GS pay comparability system, which covers 1.4 million Federal employees, should expand its pay survey to include the salaries of workers in state and local governments, nonprofit organizations, and small and medium-sized firms, and be conducted every other year instead of annually. Local pay rates should be used for certain locally recruited jobs.

To improve wage comparability for 450,000 blue-collar workers under FWS, the Task Force recommended the redesign of the current five-step pay range to a three-step



structure; the repeal of the Monroney Amendment, which provides for out-of-area data in wage surveys; and elimination of nationwide night-shift differentials.

The Task Force estimated that three-year cost savings of \$5.918 billion would result from implementation of these recommendations.

Organization Management -- The Federal Position Classification System is not applied or administered adequately. Costly overgrading is common due primarily to the system's inflexibility, as well as its complex and out-of-date classification standards.

The Task Force recommended that OPM intensify efforts to reduce overgrading by using flexible special rates, incentive awards, and quality step pay increases; by providing agencies with technical guidance and evaluation; by clearly defining responsibility for classification within OPM; and by working with the Office of Management and Budget to enforce agency cooperation.

When implemented, these and other organizational management recommendations will result in three-year cost savings of \$5.321 billion.

Pay for Time Not Worked -- The cost of employee annual and sick leaves is significantly higher in the Federal Government than the private sector.

The Task Force recommended legislative changes to require a minimum of 180 days service prior to a first vacation, less liberal vacation schedules, limits on accrued vacation, and limitation of accrued sick leave to not more than 130 days, resulting in three-year cost savings of \$7.474 billion.

Contract Management -- The Task Force concluded that Government agencies are not adequately pursuing opportunities for private sector contracting of Federal functions. It recommended agencies perform cost comparisons and contract for goods and services when so justified. Three-year savings of \$3.310 billion would result from implementation of these and other recommendations.

#### IMPLEMENTATION

Of the 95 recommendations formulated by the Task Force, 59 (62 percent) fall within the purview of the OPM Director, 34 (36 percent) require Congressional action, and 2 (2 percent) need Presidential approval.



TASK FORCE ON  
PRIVATIZATION

<u>CO-CHAIRS:</u>	Bruce J. Heim Vice President F. Eberstadt & Co., Inc.	<u>NUMBER OF TASK FORCE MEMBERS:</u> 28
	Paul F. Hellmuth Retired Managing Partner Hale & Dorr	<u>NUMBER OF ISSUES:</u> 9  <u>NUMBER OF RECOMMENDATIONS:</u> 22
	Edward L. Hutton President and CEO Chemed Corporation	<u>3-YEAR COST SAVINGS*:</u> \$11.191 (\$ billions)
	Paul E. Manheim Advisory Director Lehman Brothers, Kuhn, Loeb, Incorporated	<u>3-YEAR REVENUE GENERATION:</u> \$17.226 (\$ billions)
	Eben W. Pyne Retired Senior Vice President Citibank, N.A.	*Note: In addition to these cost savings/revenue generation opportunities, the Task Force identified numerous privatization opportunities contained in other PPSS Task Force reports.
	David L. Yunich Retired Vice Chairman R.H. Macy & Co., Inc.	
<u>PROJECT MANAGERS:</u>	Leo Kramer President Kramer Associates, Inc.	
	Paul Taff Senior Associate Kramer Associates, Inc.	

OVERVIEW

Privatization means to turn over a Federal activity, or part of a Federal activity, to a non-Federal entity. By allowing Government to provide services without necessarily producing them, privatization increases Federal efficiency. In the view of the Privatization Task Force, scarce resources are better utilized, Government responsibilities are fulfilled at a cost savings, and management reaps the benefits of success and carries the responsibility of failure when services are privatized.

ISSUES AND RECOMMENDATIONS

The Task Force urged establishment of a uniform policy for formalizing privatization at each agency, including the

establishment of an administrative structure for assessing privatization opportunities.

Eight specific issues were studied and 22 recommendations formulated yielding cost savings of \$11.191 and revenue generation of \$17.226 billion over a three-year period.

Power Marketing Administrations (PMAs) -- The PMAs of the Department of Energy operate 123 hydroelectric dams and 622 substations and employ 4,900 persons. In FY 1982, they sold 45 percent of the nation's hydroelectric power. PMA revenues do not repay Federal investment, pricing mechanisms are unsound, and independent auditors report that PMAs do not conform to generally accepted accounting principles. The Task Force recommended that the Government begin an orderly process of disengaging from participation in commercial electric power marketing.

Task Force recommendations would yield cost savings of \$3.535 billion and revenue generation of \$16.302 billion over a three-year period.

National Space Transportation System (NSTS) -- Privatizing space launching services could help the U.S. increase its economic base, compete more effectively with foreign manufacturers, and strengthen its space leadership.

Cost savings of \$1.523 billion are projected over a three-year period.

Veterans Administration (VA) Hospital Management -- The VA Hospital System provides medical, surgical, geriatric, and psychiatric services at over 172 locations. Obsolete facilities, excessive construction costs, and inefficient and costly management practices result in unnecessarily high health care costs.

The Task Force recommended phasing out the construction of VA hospitals, stopping plans for the construction of new nursing homes, and contracting out hospital management services to the private sector on a trial basis.

Task Force recommendations would yield cost savings of \$1.437 billion over a three-year period.

Commissary Operations in the Department of Defense -- Resembling warehouse-style retail grocery stores, military commissaries date back to the early 19th century. FY 1983 subsidization approached \$590 million. The Task Force

found fragmented management, a failure to charge indirect costs to commissary operations, and frequent noncompetitive prices vis-a-vis private sector warehouse stores rather than retail supermarkets. The Task Force recommended comparing commissary costs, retail prices, and product mix with local warehouse stores, and privatizing commissary operations where appropriate.

Cost savings of \$2.064 billion and revenue generation of \$383.2 million would be realized over a three-year period.

Metropolitan Washington Airports (MWA) -- National and Dulles Airports are the only two commercial airports in the U.S. owned by the U.S. Government. The Task Force concluded that operating MWA is incompatible with the Federal Aviation Administration's primary role of ensuring air safety, and recommended that MWA be sold to a local airport authority with three-year cost savings of \$113.0 million and revenue generation of \$341.5 million.

Federal Vehicle Fleet Managment -- The Federal fleet is composed of approximately 436,000 autos, trucks, buses, and speciality vehicles. Lacking both central control and a coherent Management Information System (MIS), the Federal fleet is plagued by an information gap in determining aggregate costs. The Task Force also concluded that the fleet was underutilized.

The Task Force recommended that the Office of Management and Budget develop an MIS for all departments and agencies; that the fleet be pared by 100,000 vehicles, and that private sector options be applied to improve the operation of the remaining vehicles where possible. These recommendations would yield cost savings of \$1.260 billion and revenue generation of \$200.0 million over a three-year period.

Coast Guard Services -- The Coast Guard's primary missions are law enforcement and search and rescue (SAR). The Task Force recommended that the Coast Guard continue to use the private sector for vessel inspection and measurement services and that private firms conduct non-life-threatening SAR operations as well as repairs and maintenance work required for marine and inland buoys. These recommendations would result in cost savings of \$1.259 billion over a three-year period.

#### IMPLEMENTATION

Of the 22 major recommendations, 6 are within the purview of associated agencies, 9 involve Presidential action, and 7 require Congressional approval.

## TASK FORCE ON

### PROCUREMENT/CONTRACTS/INVENTORY MANAGEMENT

<u>CO-CHAIRS:</u>	Willard C. Butcher Chairman The Chase Manhattan Bank, N.A.	<u>NUMBER OF TASK FORCE MEMBERS:</u>	39
	Edward S. Finkelstein Chairman and CEO R.H. Macy & Co., Inc.	<u>NUMBER OF RECOMMENDATIONS:</u>	57
	Clifton C. Garvin, Jr. CEO Exxon Corporation	<u>3-YEAR COST SAVINGS:</u> (\$ billions)	\$20.271
<u>PROJECT MANAGER:</u>	Edgar A. Robinson Senior Vice President Exxon Company, U.S.A.		

### OVERVIEW

The Federal Government engages in some 18 million procurement actions per year totaling more than \$159 billion (FY 1982). Items purchased by or for the Department of Defense (DOD) accounted for about \$125 billion or 78.6 percent. Government agencies hold more than \$88 billion worth of items in inventories stored in hundreds of locations. The procurement process is extremely complex, involving a wide variety of goods and services, a maze of statutory and regulatory rules, and more than 130,000 Federal procurement personnel.

In Government, procurement funds are subject to rigid budgetary restrictions, and procurement officials are closely proscribed by a complex set of laws and regulations that severely limit their flexibility. Two basic laws govern all Federal procurement: (1) the Armed Services Procurement Act (1947), and (2) the Federal Property and Administrative Services Act (1949), which applies to civilian procurement. In addition, the Government procurement process is utilized as a powerful vehicle for social change. Some 80 socioeconomic programs affect the procurement process.

### ISSUES AND RECOMMENDATIONS

The Task Force studied 22 issues and formulated 57 recommendations, which will result in three-year cost savings of \$20.271 billion when implemented.

Overall Procurement Issues -- The most comprehensive Task Force recommendation pertaining to overall procurement activities called for fuller integration of the Office of Federal Procurement Policy (OFPP) into the budget and

program review processes of the Office of Management and Budget (OMB) so as to strengthen its policy development role and impact.

The Task Force also endorsed support of OFPP's 1982 proposal for the Uniform Federal Procurement System, designed to unify procurement policies, increase competition, etc. The Task Force also recommended that a major study of the most pervasive socioeconomic programs be undertaken to seek means of reducing their burdens on the procurement process without altering their basic objectives. Three-year cost savings of \$847 million would be achieved as a result of implementing these recommendations.

Weapons Acquisition. Although the "Carlucci Initiatives" in DOD seek major improvements in the weapons acquisition process, the Task Force found that they have not been expeditiously implemented and that one of the most important -- multiyear contracting -- has made little progress. The Task Force recommended actions to further the implementation of multiyear contracting for weapons systems and expand the concept to other high payout areas. In addition, the Task Force emphasized the need for program prioritization within the acquisition process.

The Task Force specifically addressed how DOD/Services might conduct the acquisition process in a more efficient and effective manner. It found that Program Management Plans are not fully effective as management tools and sometimes are nonexistent; roles, responsibilities, and authorities are not always well defined; and program management and acquisition strategies are often developed from the top down and are frequently limited in scope. With respect to contracting, insufficient emphasis is placed on the potential "total" cost of a major weapons program and inadequacies exist in the source selection process, performance evaluation, and scheduling estimates.

To redress the shortcomings, the Task Force recommended more comprehensive and timely program planning; strengthening cost/schedule development to produce a "most likely result" and improving "early warning" indicators; enhancing the selection of prime contractors and upgrading subcontracting activities; and increasing the effectiveness of program managers and the program management organizations.

Proposed recommendations in the area of weapons acquisition would result in three-year cost savings of \$11.255 billion.

Inventory Management -- Almost all of approximately \$40 billion worth of materiel is under DOD's inventory control. The Task Force focused on methods to optimize the quantities to be purchased and the frequency of purchases

-- the "Economic Order Quantity" (EOQ) system; management of inventory data once the materiel is in the Government's supply system; inventory-taking techniques; and consolidation of base support services. The Task Force found the EOQ system frequently is overridden by inventory managers, inventory carrying costs are not fully assessed, the level of accuracy in demand forecasting is unsatisfactory, and 40 to 50 percent of inventory is over a year old, raising questions of quality deterioration and readiness. In addition, inter-Service and intra-Service sharing opportunities are not exploited. Accordingly, the Task Force recommended DOD compliance with the EOQ system; interim measures to augment inventory management computer systems, pending completion of longer term modernization programs; implementation of a program to institute "wall-to-wall" inventory-taking techniques at major facilities; and consolidation of base support activities.

Three-year cost savings would total \$6.089 billion, with a one-time reduction in inventory of approximately \$4.540 billion.

Procurement Efficiency Issues -- The Task Force identified several issues that could have significant procurement cost savings, including expanding reliance on the private sector for goods and services, consolidating certain DOD contract administration and procurement activities, and implementing advances in ADP.

Implementation of recommendations would result in three-year savings of \$2.006 billion.

Civilian Procurement -- The General Services Administration (GSA) influences all civilian procurement through its policymaking authority to establish regulations for procurement practices and mandate when GSA is the required source of supply. Total civilian procurement was \$29.7 billion in FY 1981.

The Task Force concluded that GSA's acquisition and distribution responsibilities should be broadened by requiring most civilian agencies to utilize GSA's services, resulting in the greatest possible economies of scale in the procurement process. GSA should be relieved of the responsibility for policy development so it can concentrate on its operational mission, with policy matters being handled by OFPP in OMB. Over three years, \$74.0 million would be saved as a result of the Task Force's recommendations.

#### IMPLEMENTATION

Of the 57 recommendations, 45 (79 percent) can be implemented by the individual agencies. Six recommendations require Congressional action and six require action by the President.

TASK FORCE ON  
REAL PROPERTY MANAGEMENT

<u>CO-CHAIRS:</u>	Robert A. Georgine President Building and Construction Trades Department AFL-CIO	<u>PROJECT</u> <u>MANAGER:</u>	John N. Sherman Manager Business Planning, Plastic Products Business Center Hercules Incorporated
	Alexander F. Giacco Chairman, President, and CEO Hercules Incorporated	<u>NUMBER OF</u> <u>TASK FORCE</u> <u>MEMBERS:</u>	23
	Donald P. Kelly Chairman, President, and CEO Esmark, Inc.	<u>NUMBER OF ISSUES:</u>	10
		<u>NUMBER OF</u> <u>RECOMMENDATIONS:</u>	52
	Donald B. Marron Chairman and CEO Paine Webber Incorporated	<u>3-YEAR</u> <u>COST SAVINGS:</u> (\$ billions)	\$2.362
	Nathan Shapell Chairman Shapell Industries, Inc.		

OVERVIEW

The U.S. Government owns buildings valued at \$42 billion, based on acquisition costs. Although there is no central office specifically designated as the manager of real property, the General Services Administration (GSA) is known as "the Government's landlord." The Department of Defense (DOD) also manages extensive real property holdings.

Federal budget allocations are not consolidated for real property management. Real property management expenditures for GSA and DOD are quite substantial, however. For example, GSA spent \$224 million for utilities, \$190 million for janitorial services, \$100 million for maintenance, and \$779 million for rent during FY 1983. For its part, DOD spent approximately \$2.5 billion for utilities, \$1.5 billion for janitorial services, and \$3.2 billion for maintenance, also in FY 1983.

ISSUES AND RECOMMENDATIONS

The Task Force identified ten major areas for study and formulated 52 recommendations which, when fully implemented, will result in three-year cost savings of

\$2.362 billion. To target management functions common to Government and business, the study focused on: organization and staffing, facilities/property/construction management, procurement and contracting, and leasing procedures and practices.

Organization and Staffing -- Management of real property suffers from the excessive duplication of effort and substandard productivity levels in both the management and maintenance functions. Effective management is stifled by a lack of basic goals, planning, role identification, and regular performance measurements. Task Force recommendations would result in an approximate three-year cost savings of \$1.187 billion and included: establishing clear, concise goals for Federal real property management; eliminating unnecessary duplication between GSA and tenant agencies in facility management functions; and introducing a comprehensive maintenance incentive and productivity program.

Facilities/Property/Construction Management -- The Task Force identified inadequacies in meeting office space use goals and in locating and disposing of surplus real property owned by Federal agencies.

At DOD, the Task Force found that the policy of minimizing new housing construction is not being fully practiced. It also found little incentive for Federal agencies to identify and report surplus property. Implementation of Task Force recommendations would result in three-year cost savings of \$443.8 million. Specific recommendations included: reevaluating surplus property sales goals, providing incentives for agencies to cooperate in the disposal program, declaring a moratorium on DOD housing construction while strengthening the Variable Housing Allowance, and upgrading the quality of information provided by the Federal Government's real property data base.

Additional cost control opportunities exist in the area of Federal energy management programs. By building Energy Management Control Systems (ECMS) to commercial specifications and basing decisions about new ECMS investments on potential dollar savings, the Task Force estimates three-year cost savings at \$385.1 million.

Procurement/Contract Management -- Opportunities for cost savings can be generated by revising wage determinations under the Service Contract Act (SCA) and by stressing management discretion in contracting out for maintenance requiring highly skilled personnel. Task Force



recommendations would result in three-year cost savings of \$135.0 million. Major recommendations included: revising wage determination procedures to make Government contract wages comparable to those in the private sector and revising Office of Management and Budget Circular A-76 guidelines to permit more management discretion in contracting out high-skill maintenance.

Leasing and Acquisition/"Prospectus" Procedures -- The Task Force concluded that GSA needs to modernize its system of leasing and to streamline its lease prospectus procedures. Specifically, changing the threshold on lease prospectuses from a dollar basis to a size basis would enable GSA to take advantage of favorable leasing conditions. Implementation of the Task Force recommendations would result in three-year cost savings of \$210.7 million.

#### IMPLEMENTATION

Of the 52 major recommendations, 28 (54 percent) can be implemented under existing agency authority, 7 (13 percent) can be implemented under Presidential authority, and the remaining 17 (33 percent) will require Congressional action.

TASK FORCE ON  
RESEARCH AND DEVELOPMENT

<u>CO-CHAIRS:</u>	William F. Ballhaus President Beckman Instruments, Inc.	<u>NUMBER OF TASK FORCE MEMBERS:</u> 29
	Karl D. Bays Chairman and CEO American Hospital Supply Corp.	<u>NUMBER OF ISSUES:</u> 8 <u>NUMBER OF RECOMMENDATIONS:</u> 25
	James L. Ferguson Chairman and CEO General Foods Corp.	<u>3-YEAR COST SAVINGS:*</u> \$12.090 (\$ billions)
	David Packard Chairman of the Board Hewlett-Packard Co.	
	Edson W. Spencer Chairman and CEO Honeywell, Inc.	
<u>PROJECT MANAGER:</u>	Dr. Eugene E. Yore Corporate Director, Design Automation Honeywell, Inc.	

\* Note: This Report contains a compendium issue covering R&D issues from other PPSS reports. It includes 97 recommendations with additional three-year cost savings and revenue generation of \$32.984 billion.

OVERVIEW

Research and development (R&D) in the Federal Government is conducted primarily by five agencies which account for 93.2 percent of the total FY 1983 R&D budget of \$44.3 billion -- Department of Defense (DOD), National Aeronautics and Space Administration (NASA), Department of Energy (DOE), Department of Health and Human Services (HHS), and National Science Foundation (NSF). The R&D funded by these agencies is conducted by industrial firms (52 percent), Government laboratories (24 percent), universities (11 percent), Federally funded research and development centers (9 percent), and others (4 percent). Over 700 laboratories employing 206,000 conduct the 24 percent of the R&D performed in-house.

The Task Force found a need for top R&D management to become much more actively involved in establishing the specific goals for R&D. The current system, which is inhibited by the budget process, cannot establish program priorities and, thus, results in program instability.

ISSUES AND RECOMMENDATIONS

In the seven issue areas surveyed, the Task Force formulated 25 recommendations which, when implemented,

could result in three-year savings opportunities of \$12.090 billion. In addition, a compendium of R&D issues from 14 other PPSS Task Forces listed 97 recommendations with potential cost savings and revenue generation of \$32.984 billion.

Strategic Planning -- R&D management suffers from a lack of clearly defined goals. Existing planning efforts do not establish priorities for R&D programs, cannot eliminate marginal programs, and do not serve as a base for operational management. Specific Task Force recommendations to alleviate the above findings would result in three-year cost savings of \$7.3 billion. These recommendations included: focusing efforts by top agency management on the development of clear, measurable statements of R&D goals; developing systems necessary to translate goal statements into complete plans; and committing to the use of effective strategic planning to guide the operations of each agency.

R&D Management and the Budget Process -- The budget process used to obtain funding for R&D programs is too cumbersome and time consuming and is a factor in the significant cost growth experienced in R&D programs. To remedy these deficiencies, the Task Force made recommendations, which would result in \$3.670 billion in savings opportunities over three years. These recommendations included implementing multiyear budgeting specifically for R&D activities.

Privatization -- The Task Force highlighted opportunities to privatize Federal R&D efforts described in other PPSS Task Force reports, including private funding for the fifth space shuttle. Although no specific additional cost savings were claimed, the Task Force believed a concentrated analysis of privatization opportunities could result in billions of dollars of potential savings.

Management of Federal R&D Laboratories -- In reviewing some of the major labs, the Task Force found some with outdated facilities and equipment, all with personnel problems, and no formal system for evaluating the laboratories' contribution to the agency's program(s). Of the 700 labs, more than 300 have fewer than ten employees and budgets under \$300,000. The Task Force made seven recommendations to improve lab performance, including greater use of "centers of excellence," a concept which concentrates research resources to achieve a critical mass in selected areas. Savings opportunities of \$506.4 million over three years were identified.

Administration of Research Grants to Universities -- An increasing percentage of money going to universities to

conduct research for the Federal Government is used to cover the indirect costs of the research, particularly the administrative components. The Task Force recommended that a fixed rate be used to reimburse these costs and estimated savings opportunities of \$387.9 million over a three-year period.

Research Program Reporting -- The Task Force found that current efforts at reporting ongoing research efforts are incomplete and that the National Technical Information Service, which processes the data, does not have the tools to expand the reporting. Three-year savings opportunities of \$225 million would occur if use of the data base were made mandatory and requirements were implemented to ensure research performers supplied the necessary information, thus eliminating costly duplication of research activities.

NASA Cost Reporting -- Project cost data reported by NASA were found to be significantly understated, since NASA does not include Civil Service and other essential cost elements in its reporting. The Task Force recommended that all project costs be managed and reported in the same system. No specific savings were claimed by the Task Force.

#### IMPLEMENTATION

Of the 25 major recommendations formulated by the Task Force (excluding the compendium), 17 (68 percent) are within Agency purview and 8 (32 percent) will require Congressional action.

TASK FORCE ON  
THE DEPARTMENT OF STATE/AID/USIA

<u>CO-CHAIRS:</u>	J. Rawles Fulgham Retired Vice Chairman InterFirst Corporation	<u>NUMBER OF ISSUES:</u>	10
	George L. Shinn Retired Chairman and CEO First Boston Corp.	<u>NUMBER OF RECOMMENDATIONS:</u>	31
<u>PROJECT MANAGER:</u>	Authur M. Scutro, Jr. Vice President First Boston Corp.	<u>3-YEAR COST SAVINGS:</u> (\$ billions)	\$ .383
<u>NUMBER OF TASK FORCE MEMBERS:</u>	25	<u>3-YEAR REVENUE GENERATION:</u> (\$ billions)	\$ .360
		<u>3-YEAR CASH ACCELERATION:</u> (\$ billions)	\$ .056

OVERVIEW

The Department of State (State), the United States Information Agency (USIA), and the Agency for International Development (AID) have a common international focus and coordinated international roles. The President's FY 1983 budget "to protect and advance the interests of the United States and its people in international affairs" approximated \$18.1 billion. State, USIA, and AID comprise 46 percent of the budget. Employment at those agencies for FY 1983 was estimated at nearly 38,000 people in the United States and abroad.

ISSUES AND RECOMMENDATIONS

The Task Force formulated 31 recommendations in ten issue areas which, when implemented, will result in three-year cost savings of \$382.8 million, revenue generation of \$360.0 million, and cash acceleration of \$55.9 million.

Department of State -- The Task Force's review of the personnel system disclosed that the distribution of Foreign Service Officers (FSOs) is skewed toward senior FSOs; that supervising management and members of the American Foreign Service Association (the elected bargaining agent for the State Department) can be the same people; and, with rare exception, that the Foreign Service System provides larger retirement benefits than are provided by the Civil Service Retirement System (CSRS) for Federal employees with equal

records of service and salary. Specifically, while the Government's cost for CSRS in FY 1981 was 32.7 percent of payroll, the cost of the Foreign Service Retirement System was 86.7 percent of payroll.

The Task Force recommended that State review the current ranking of positions and realign personnel, redesign and improve the performance evaluation system, eliminate the current conflict of interest situation in labor-management practices, increase the retirement age, and change the retirement benefit formula to be consistent with the CSRS standard.

Implementation of these recommendations would result in three-year cost savings of \$200.4 million.

U.S. Government property holdings under State's Office of Foreign Buildings (FBO) total more than 2,700 buildings and long-term lease holdings at 287 foreign locations. In addition, FBO maintains \$5 billion in real property holdings. Yet, it does not have a comprehensive real property management information system to monitor progress, measure performance, and identify developing problems. The Task Force recommended the establishment of a comprehensive management information system at FBO and the development of guidelines for identifying surplus properties. Savings, while not quantified, would be substantial.

Cost control opportunities in improved fiscal management practices and controls at FBO also exist. The present financial management system does not identify all costs associated with the maintenance and operation of an individual building. No system exists for forecasting and reporting foreign currency expenditures; purchases of foreign currencies are always on a "spot basis" with no hedging by the Department; and foreign currency transactions by State always involve purchases, never sales. To prevent losses due to foreign currency fluctuations, an accounting system should be developed to identify foreign currency needs and a currency futures/forward desk established.

Additional opportunities for improved fiscal management were targeted in the Bureau for Refugee Programs, where the Task Force found deficiencies in the management and control of loan programs.

Implementation of Task Force recommendations would result in three-year cost savings of \$25.8 million, with an additional \$55.9 million in cash acceleration.

Agency for International Development (AID) -- The management process for development projects is less efficient than at other national donor agencies, as indicated by its high operating expenses as a percent of total disbursements (13.5 percent) and the average time elapsed to develop and approve a project (16.7 months). In addition, interest on AID loans has not reflected the true cost of borrowing by the U.S. Government and thus represents hidden foreign aid.

Recommendations included improving the project planning process by utilizing block grants, returning deobligation/reobligation authority to AID, and moving to a two-year budget submission cycle; establishing a minimum base lending rate for all AID loans which would be adjusted according to quantitative criteria; eliminating the cargo preference requirement; and enforcing AID policies that mandate four-year tours of duty. These recommendations will result in three-year cost savings totaling \$156.6 million, with an additional \$360 million in revenue generation.

United States Information Agency (USIA) -- As a complement to the diplomacy conducted by State, USIA serves the national interest through the performance of public diplomacy, especially in broadcasting U.S. information to foreign countries.

The Task Force concluded that program evaluation of educational and cultural activities is decentralized, subjective, and often incomplete; planning and goal-setting at overseas missions are too broad and available monitoring mechanisms are not used; and international broadcasting programs suffer from a lack of performance standards and evaluation. Task Force recommendations included establishing an analytical resource capability within USIA, developing an agency-wide program review system, and deferring program expansions planned for FY 1984. No specific savings were quantified by the Task Force.

#### IMPLEMENTATION

Of the 31 recommendations, 21 (68 percent) can be implemented by Agency authority, 9 (29 percent) require Congressional action and 1 (3 percent) needs Presidential approval.

## TASK FORCE ON

### THE DEPARTMENT OF TRANSPORTATION

<u>CO-CHAIRS:</u>	Coy G. Eklund Chairman and CEO The Equitable Life Assurance Society of the United States	<u>MEMBERS:</u> <u>TASK FORCE</u> <u>NUMBER OF</u>	11
	Thomas G. Pownall Chairman and CEO Martin Marietta Corp.	<u>NUMBER OF ISSUES:</u>	22
	William H. Spoor Chairman and CEO Pillsbury Co.	<u>NUMBER OF</u> <u>RECOMMENDATIONS:</u>	69
	Terry Townsend Immediate Past Chairman American Society of Association Executives	<u>3-YEAR</u> <u>COST SAVINGS:</u> (\$ billions)	\$2.712
	L. Stanton Williams Chairman and CEO PPG Industries, Inc.	<u>3-YEAR</u> <u>REVENUE GENERATION:</u> (\$ billions)	\$1.705
		<u>3-YEAR</u> <u>CASH ACCELERATION:</u> (\$ millions)	\$ .436
<u>PROJECT</u> <u>MANAGER:</u>	William T. McCaffrey Vice President and Area Executive Officer The Equitable Life Assurance Society of the United States		

## OVERVIEW

The Department of Transportation (DOT), with a FY 1983 budget of nearly \$19 billion, has approximately 99,000 employees. Both numbers represent a three-year downward trend. More than two-thirds of the present DOT budget is devoted to grants. Principal activities are in four areas: staff, land, sea, and air. The principal entities within DOT include the Office of the Secretary (OST), Federal Highway Administration (FHWA), Federal Railroad Administration (FRA), Urban Mass Transportation Administration (UMTA), National Highway Traffic Safety Administration (NHTSA), Research & Special Programs Administration (RSPA), United States Coast Guard (USCG), Maritime Administration (MarAd), and Federal Aviation Administration (FAA). DOT's stated purpose is to develop policies and programs conducive to efficient, convenient, and low-cost transportation.



## ISSUES AND RECOMMENDATIONS

Twenty-two issues were analyzed and 69 recommendations were formulated which, when fully implemented, will result in three-year cost savings of \$2.712 billion, revenue generation of \$1.705 billion, and cash acceleration of \$436 million.

Staff -- The Task Force identified potential improvements in R&D strategic planning, administrative support, data processing operations, grant administration, and cash management.

The Task Force recommended establishing an entity responsible for R&D policy, goal-setting, and monitoring to focus the R&D effort and reduce noncritical projects. To improve administrative support, the Task Force suggested that DOT consolidate its currently existing ten regions into six and cut headquarters personnel by at least 276 people. Consolidation of the ADP functions of OST were also recommended, along with greater use of DOT's own time-sharing facilities. To improve grant administration and cash management, the Task Force recommended enforcing DOT regulation against early payment of bills and unwarranted drawdowns by grantees, and requiring a check-paid method for making DOT grant distributions.

Implementation of the Task Force's recommendations for staff improvements would yield \$683.5 million in cost savings and \$436.0 million in cash acceleration over a three-year period.

Land -- The Task Force recommended changes in the resource allocation methods to improve the cost effectiveness of the Federal highway programs including a significant reduction in the number of program categories from 40 to 12. Additional savings in the Federal highway program could be realized by adopting the Task Force's recommendations for streamlining the regulatory requirements.

The Task Force also found that FHWA, FRA, RSPA, UMTA, and NHTSA have similar land-based missions and recommended they be functionally reorganized to reduce the cost of common services. The Task Force also recommended that DOT combine the safety functions of FHWA, UMTA, NHSTA, and RSPA into one Land Transportation Safety Administration. FHWA would then be consolidated with UMTA to form the Surface Transportation Administration. Additional recommendations included integrating overlapping legislation and implementing a policy of user fees.

Implementation of the above recommendations would result in savings of \$1.269 billion and revenue generation of \$66.4 million over three years.

Air -- In analyzing opportunities within FAA to improve cost efficiency without compromising air travel safety, the Task Force recommended that FAA consolidate the nine current regional offices into seven and the 20 Air Route Traffic Central Centers into 15. It called for FAA to increase fees at MWA, to reduce hours of operation at low volume airports, and to consolidate Flight Service Stations.

The Task Force found redundant managerial overhead and excess service capacity created by technological improvements in automated controlling systems. In addition, FAA bears the cost of legislated control over agency operating policy, particularly with regard the Metropolitan Washington Airports (MWA), which suffer from poor operating margins, and at low-volume local airports that use FAA services disproportionate to their activity and safety requirements.

Implementation of these recommendations would result in \$635.9 million in cost savings and \$57.6 million in revenue generation over three years.

Sea -- The Coast Guard uses general tax revenues to fund certain benefits for specific user groups, rather than charging an appropriate user fee. The Task Force recommended instituting user fees to recoup the operating and support costs of providing services to identifiable groups of marine users. In addition, it suggested that the USCG consider using commercial towing services in non-life-threatening situations, use private maintenance of short-range navigational aids, and turn over Vessel Traffic Safety systems to local authorities. Reducing U.S. Merchant Marine Academy appointments and instituting cost-sharing tuition for students also were recommended.

The implementation of these recommendations is projected to provide total three-year cost savings of \$123.8 million and revenue generation of \$1.582 billion.

#### IMPLEMENTATION

Of the 69 recommendations formulated by the Task Force, 39 (57 percent) are under Agency purview and 30 (43 percent) involve Congressional action.

**TASK FORCE ON**  
**THE DEPARTMENT OF THE TREASURY**

<u>CO-CHAIRS:</u>	Alfred Brittain, III Chairman of the Board Bankers Trust Company, Inc.	<u>NUMBER OF ISSUES:</u>	23
	William H. Donaldson Chairman Donaldson Enterprises, Inc.	<u>NUMBER OF RECOMMENDATIONS:</u>	63
	John H. Filer Chairman and CEO Aetna Life and Casualty Company	<u>3-YEAR COST SAVINGS:</u> (\$ billions)	\$2.367
		<u>3-YEAR REVENUE GENERATION:</u> (\$ billions)	\$2.994
<u>PROJECT MANAGER:</u>	Robert G. Maxon Vice President/Corporate Comptroller Aetna Life and Casualty Company	<u>3-YEAR REVENUE ACCELERATION:</u> (\$ billions)	\$6.145
<u>NUMBER OF TASK FORCE MEMBERS:</u>	47		

**OVERVIEW**

The Department of the Treasury may be characterized as a collection of disparate functions: large, people-intensive operations, such as the Internal Revenue Service (IRS) and the U.S. Customs Service (Customs), deal directly with individuals in their revenue-collecting activities, while small organizations, such as the Offices of Fiscal Management and Revenue Sharing, handle large dollar responsibilities. Spending by the Department in FY 1983 totaled \$146.1 billion and included some \$133.2 billion of interest paid on the public debt. Treasury employs 122,900 people.

Treasury is the closest thing the Federal Government has to a private sector financial management function -- the Federal money manager. In undertaking its review, the Task Force concluded that the greatest benefits will accrue from revenue-oriented measures rather than expense cuts. The measure of successful implementation of its recommendations will be Treasury's contribution to narrowing the Federal deficit, rather than merely reducing its budget.

## ISSUES AND RECOMMENDATIONS

The Task Force studied 23 issue areas and made 63 recommendations which, when fully implemented, will result in three-year cost savings of \$2.367 billion, revenue generation of \$2.994 billion, and revenue acceleration of \$6.145 billion. Issues studied by the Task Force can be grouped into funds flow management, operational performance, and systems management and development.

Funds Flow Management -- The Task Force found that the Federal process for collecting delinquent payments and other accounts receivable is neither aggressive nor sophisticated when compared to the private sector. In addition, useful management information enabling the Treasury Department to forecast its cash needs is lacking. Generalizing from specific issues studied, both problems involve information as well as management priorities. Federal agencies lack useful information on the amounts and nature of their accounts receivable to support aggressive collection efforts. Furthermore, system interfaces and other communication tools are inadequate to manage funds flow on the basis of current and reliable information on day-to-day Federal cash revenues and outlays.

With respect to delinquent taxes, as of June 30, 1982, the IRS estimated that its accounts receivable backlog reached a record level of \$23.2 billion. In addition, the backlog of appeals in Tax Court -- 78,000 cases as of July 31, 1982 -- further delays tax revenue collection. Task Force recommendations to expedite the collection of delinquent taxes included an improved mix of clerical to professional staff so as to maximize professional skills; more aggressive collection techniques, including use of credit bureaus, payroll deductions, and automatic bank transfers in collecting installment agreements; and classification of delinquent accounts. Establishment of a decentralized appellate tax board of approximately 75 administrative law judges, resident in appropriate cities, also would alleviate the problem of backlogged tax cases.

The Task Force also identified opportunities for improved funds management in Customs procedures and collection of the Retail Alcohol Occupational Tax, including improved ADP systems, Customs collection by account rather than by shipment, and prohibition of sales of alcoholic beverages to retailers who have no occupational tax stamp.

Implementation of Task Force recommendations in the area of funds management would result in three-year cost savings of \$1.702 billion, revenue generation of \$81.9 million, and revenue acceleration of \$6.145 billion.

Operational Performance -- A wide range of Treasury operations reveal numerous opportunities for cost control and improved management efficiencies.

The Task Force recommended Department-wide, cost-benefit analysis for all new personnel additions and, with respect to the IRS, elimination of functional overlap, the establishment of a volunteer taxpayer service, and an increased enforcement presence. Opportunities for consolidations in the border management activities of Customs and Immigration and Naturalization Services were identified, along with the proposed consolidation of Customs' enforcement operations. Management reorganizations were proposed for the Bureau of Alcohol, Tobacco, and Firearms and the Office of Revenue Sharing, along with revised compliance procedures. Other operations-based recommendations included the use of offset printing for the back of \$1 notes, adoption of a common Federal Reserve seal, space consolidation in the Bureau of Government Financial Operations, and changes in and relocation of selected functions of the Bureau of the Mint.

The Task Force estimated that implementation of its recommendations regarding operational performance would result, over three years, in savings totaling \$608.3 million and revenue generation of \$2.897 billion.

Systems Management and Development. -- The Federal Government's lack of integrated systems management and development is strikingly apparent at Treasury, where the lack of systems standards to ensure an automated and timely flow of fiscal information handicaps the Department in fulfilling its functions. All of these problems are exacerbated by a lack of ADP expertise within Treasury, as well as obsolete systems. The Treasury operations most in need of improved ADP systems management and development include the IRS; the Bureau of Alcohol, Tobacco, and Firearms; the Office of Revenue Sharing; and the Bureau of Public Debt. Recommendations included development of systems planning, reductions in the number of service centers, upgrading of equipment, and increased automated functions.

Three-year cost savings from the Task Force's recommendations total \$56.1 million, with revenue generation totaling \$15.5 million.

#### IMPLEMENTATION

Of the 63 recommendations made by the Task Force, 41 (65 percent) can be implemented by the Department, 6 (10 percent) require Presidential involvement, and 16 (25 percent) need Congressional approval.

TASK FORCE ON  
USER CHARGES

<u>CO-CHAIRS:</u>	James Stewart Chairman (Retired) Frank B. Hall & Co., Inc.	<u>NUMBER OF ISSUES:</u>	22
	Eugene J. Sullivan Chairman and CEO Borden, Inc.	<u>NUMBER OF RECOMMENDATIONS:</u>	57
<u>PROJECT MANAGER:</u>	James B. Clawson Independent Consultant	<u>3-YEAR REVENUE GENERATION:</u>	* \$10.211 (\$ billions)
<u>NUMBER OF TASK FORCE MEMBERS:</u>	28	* Note: This Report also contains a compendium issue containing user charges issues from other PPSS reports which, when implemented, would result in additional three-year revenue generation of \$10.764 billion, for a total of \$20.975 billion.	

OVERVIEW

User charges are fees collected from beneficiaries of Government programs that provide services, products, or other benefits not shared by the general public. When user charges fail to recover the full costs or are not assessed at all, taxpayers must absorb the costs of these programs. There are approximately 1,500 user charge programs in the Federal Government, which in FY 1981 raised approximately \$40 billion in revenue.

ISSUES AND RECOMMENDATIONS

PPSS Task Forces identified total user charge opportunities with a potential three-year revenue generation of \$20.975 billion. Approximately \$10.211 billion are associated with the 56 recommendations in the User Charges Task Force Report, excluding the compendium issue which identified additional user charge opportunities which would result in three-year revenue totaling \$10.764 billion.

Recreation -- The Federal Government owns and administers a large number of recreation areas. The agencies with the largest number of visitor hours for nonfee units are the Army Corps of Engineers (Corps) and the Forest Service (FS). The Corps is prohibited from charging entrance fees at its water resource recreation areas by the Land and Water Conservation Fund Act (LWCFA), which also limits fee charges for FS. Furthermore, in 1979 Congress enacted legislation freezing entrance fees for the National Park Service and prohibiting the collection of

fees at all nonfee sites. The Task Force recommended lifting the Congressional freeze and amending LWCFA to allow greater flexibility in the collection of entrance fees at recreation sites. When implemented, Task Force recommendations will result in three-year revenue generation of \$527.5 million.

Sales -- Federal Government products include electricity, grazing lands, publications, firewood, and military equipment. In the sale of products, pricing is the greatest difficulty. Most often prices are too low or nonexistent. Key PPSS recommendations included requiring the Department of Energy to impose a user fee on the hydroelectric power generated by the Power Marketing Administrations so as to ensure full cost recovery, establishing either an auction-bid system or a new fee formula that would more closely recover fair market value for the forage on grazing lands, charging a minimum of \$10 for a firewood permit and an additional fee of \$5 per cord taken from Government land, and ensuring full cost recovery with respect to Foreign Military Sales. When implemented, the recommendations will result in three-year revenue generation of \$5.090 billion.

Inspection and Grading -- The Government conducts numerous inspection and grading activities. Many are mandatory and for the benefit of the general public; others are voluntary and are performed at the request of the user. Voluntary activities are conducted primarily through the Agricultural Marketing Service, Federal Grain Inspection Service (FGIS), and Manufactured Home Inspection. Recommendations included instituting full cost recovery user fees for cotton grading and cotton warehouse licensing, adjusting FGIS fees annually to recover 100 percent of costs, and authorizing the use of user charge receipts to offset the administrative costs of inspection and enforcement of the Manufactured Housing Program. When implemented, these recommendations will result in revenue generation totaling \$36.8 million over a three-year period.

Regulatory and Licensing -- The Federal Communications Commission (FCC) regulates interstate and foreign communications by radio, television, wire, and cable but does not collect user fees for these services. In addition, the Federal Energy Regulatory Commission (FERC), an agency within the Department of Energy, regulates certain interstate aspects of the natural gas, hydroelectric, oil pipeline, and electric industries, and provides special services to identifiable beneficiaries. Its user fees fail to fully cover the cost of services.

The Task Force recommended that FCC and FERC support proposals for expanded authority from Congress to collect user fees. Implementation of Task Force recommendations pertaining to FCC and FERC will result in three-year revenue enhancement of \$209.2 million.

Special Services -- Special services to identifiable beneficiaries include those related to the Freedom of Information Act, the Coast Guard, and the Customs Service. Task Force recommendations would result in three-year revenue generation of \$1.013 billion, and included instituting hourly rates for processing Freedom of Information Act requests commensurate with expertise used to perform the service, implementing user fees for Coast Guard services to identifiable beneficiaries (non-life-threatening search/rescue efforts, ice breaking, recreational boating safety, etc.), and instituting user fees for Customs Services for aircraft entry, clearance, etc.

Transportation -- While the cost of providing transportation-related services or products can be determined in most cases, the means of collecting the fee from the user presents special problems.

Key recommendations to help solve these problems included recovering 100 percent of the cost of operation, maintenance, and construction of deep draft harbors; gradually instituting full cost recovery for Corps and Tennessee Valley Authority expenditures related to the nation's inland waterways system; and instituting a management information system by the Federal Highway Administration to provide sufficient data to maintain a current pricing mechanism for user charges. Implementation of these recommendations would result in three-year revenue generation of \$3.334 billion.

#### IMPLEMENTATION

Of the 56 Task Force-specific recommendations (excluding the compendium), 24 (43 percent) are within the purview of the agencies, 6 (11 percent) involve Presidential action, and 26 (46 percent) will need Congressional approval.



TASK FORCE ON  
THE VETERANS ADMINISTRATION

<u>CO-CHAIRS:</u>	William C. Douce President and CEO Phillips Petroleum Company	<u>NUMBER OF ISSUES:</u>	8
	Hans W. Wanders Chairman and Chief Operating Officer Wachovia Corp.	<u>NUMBER OF RECOMMENDATIONS:</u>	24
	William L. Wearly Chairman of the Executive Committee Ingersoll-Rand Co.	<u>3-YEAR COST SAVINGS:</u> (\$ billions)	\$2.120
		<u>3-YEAR REVENUE GENERATION:</u> (\$ billions)	\$0.953
<u>PROJECT MANAGER:</u>	John R. Babson Consultant Ingersoll-Rand Co.	<u>3-YEAR CASH ACCELERATION:</u> (\$ billions)	\$0.208
<u>NUMBER OF TASK FORCE MEMBERS:</u>	32		

OVERVIEW

The Veterans Administration (VA) administers a system of benefits to veterans and their dependents, including compensation payments, pensions, education and rehabilitation programs, home loan guarantees, burial insurance, and a comprehensive medical program. (VA hospital operations are covered separately by the PPSS Task Force Report on Federal Hospital Management.) The VA employs approximately 218,493 people and operated with an FY 1983 budget of \$28.9 billion, including VA hospitals.

Although VA employees demonstrated genuine concern for the welfare of veterans, the Task Force found program operation efficiency less than adequate. Analysis concentrated on internal problems such as automated data processing (ADP), compensation and insurance programs, central office management, debt collection activities, claims processing, and the operation of mortgage guaranty programs.

ISSUES AND RECOMMENDATIONS

The Task Force studied 8 issue areas and formulated recommendations which, when fully implemented, will result in three-year cost savings of \$2.120 billion, revenue generation of \$953.3 million, and cash acceleration of \$208 million.

Organization and Human Resources Management -- The Task Force found a lack of role definition with respect to administrative staff, poor prioritization of staff activities, and ineffective manpower control. Claims processing suffers from overabundant staff and poor productivity levels.

The Task Force recommended that the Administrator clearly define the roles and responsibilities of line and staff organizations; realign and consolidate staff into functional areas (management support, administrative support, and legal); and implement an agency-wide work load management system to replace the current hiring freeze. To improve claims processing, the Department of Veterans Benefits (DVB) should revise the current work measurement system to one that utilizes pace-rating and a smaller allowance for slack time and that could be used to forecast work load and staffing needs, measure results, and evaluate productivity.

The Task Force estimated that its recommendations to improve claims processing would result in three-year savings of \$271.7 million.

Fiscal Management and Control -- The VA does not optimally manage and control its loan portfolio or debt collection practices. Specifically, uncollectible "old debt" masks the collection process and diverts resources from current, more readily collectable debt. All VA debt collection is hampered by an ineffective, untimely debtor communication process and by lax collection enforcement.

The Task Force recommended that the VA assign all debt over one year old to outside collection agencies and that current debt cases be assigned to field offices to facilitate timely communication and collection. In addition, the VA should raise the monetary limit for transferring debt collection jurisdiction to the Department of Justice. To improve loan portfolio management, the Task Force called on the VA to schedule frequent sales, thus minimizing exposure to interest rate fluctuations, and to simplify loan pooling by performing issuer's duties and pursuing the establishment of a "dealer syndicate."

When implemented, these recommendations would result in savings and revenue generation of \$1.007 billion and cash acceleration of \$208.0 million over three years.

ADP/Telecommunications and Office Automation -- The Task Force found incompatible computing resources, obsolete computer hardware without adequate vendor support, and lack of technologically advanced telecommunication networks linking the VA locations to computer locations. The Task Force also identified a need to improve ADP management in the benefit plan and hospital care areas. The Task Force recommended the creation of a steering committee at the Administrator's level to establish ADP policies and strategies, direct future development, and guide systems integration. It also recommended the use of computer matching techniques and improved quality and control in benefit payments.

The Task Force estimated three-year cost savings of \$1.485 billion, although it did not quantify savings with respect to benefits and hospital care.

Insurance Programs -- VA's National Service Life Insurance Program (NSLI) and Veterans Special Life Insurance Program (VSLI) pay excessive dividends because administrative costs are absorbed in the general VA budget. The Task Force recommended that NSLI and VSLI be required to cover these costs, as do other VA insurance programs. This recommendation would not affect policy holder benefits and would result in three-year savings to the VA of \$84.8 million.

Facilities/Property/Construction Management -- The VA inadvisably purchases properties under the Guaranteed Loan Program, submitting bids that frequently do not take into account factors such as local market conditions and repair costs. The Task Force recommended that the VA bid only when other bids entered are clearly not representative of current market value. This could result in savings of \$225.1 million over a three-year period.

#### IMPLEMENTATION

Of the 24 recommendations formulated by the Task Force, 22 (92 percent) can be implemented by the Agency and 2 (8 percent) will require Congressional approval.

MANAGEMENT OFFICE SELECTED ISSUES REPORT  
VOLUME I: PUBLISHING, PRINTING, REPRODUCTION,  
AND AUDIOVISUAL ACTIVITIES

<u>PROJECT</u>	F. David Gorman	<u>NUMBER OF ISSUES:</u>	7
<u>DIRECTOR:</u>	Independent Attorney		
<u>NUMBER OF</u>		<u>NUMBER OF</u>	
<u>COMMITTEE</u>		<u>RECOMMENDATIONS:</u>	29
<u>MEMBERS:</u>	4		
		<u>3-YEAR</u>	
		<u>COST SAVINGS:</u>	\$1.463
		(\$ billions)	
		<u>3-YEAR</u>	
		<u>REVENUE GENERATION:</u>	\$ .265
		(\$ billions)	

OVERVIEW

The Federal Government spent nearly \$2.5 billion in FY 1982 on printing (\$880 million), publishing (\$836 million), reproduction (\$676 million), and audiovisual production (\$91 million). These numbers were based on data collected by PPSS, as no single Government source maintains such information, a problem exacerbated by the fact that virtually every major agency or sub-agency is involved in publishing, printing, reproduction, and/or audiovisual production.

ISSUES AND RECOMMENDATIONS

PPSS studied seven issues and formulated 29 recommendations which, when implemented, will result in three-year cost savings and revenue generation of \$1.728 billion.

Publications Management -- In 1981, the Government saved \$46.8 million as a result of the Office of Management and Budget's (OMB) Bulletin 81-16, which required departments and agencies to eliminate unnecessary publications. The Bulletin expired in 1982, however, and has no continuing authority. PPSS recommended that OMB reissue and expand the authority of Bulletin 81-16, which could yield savings exceeding \$300 million over three years. PPSS also recommended that OMB issue guidelines on publications management, exercise oversight of agency publication programs, revise job classifications for publishing professionals, and develop accounting procedures to identify hidden publishing costs.

In a related area, PPSS estimated that over \$1 billion in costs went unrecovered in 1982 due to restrictions on user fees, and concluded that even a modest program of user fees could generate revenue of at least \$264.8 million over three years. It also determined that better mailing list management could result in three-year cost savings of \$95.9 million, and that an additional three-year savings of \$549.5 million would result if agencies followed the General Services Administration guidelines for mailing publications.

Printing Production -- PPSS identified a lack of central coordination in the management of the Federal Government's 235 individual printing plants and recommended consolidating underutilized agency printing plants, creating central printing facilities, establishing auditing procedures to capture full costs, and increasing commercial procurement of printing services. Implementation of PPSS recommendations would result in three-year cost savings of \$158.9 million, in addition to significant but difficult-to-quantify management efficiencies.

Reproduction -- Despite the existence of some 60,000 copiers and 4,000 duplicators in the Federal Government, PPSS found inefficiencies in the acquisition and utilization of reproduction equipment, including decentralized management; lack of information regarding equipment inventory, production volume, and related costs; and an absence of budgetary accountability for reproduction services. PPSS recommendations included directing OMB to provide centralized direction and budgetary control; centralizing copying and duplicating management within agencies; and coordinating the management of word processing, printing, and automated data processing. Implementation of PPSS recommendations would result in three-year cost savings of \$327.7 million.

Audiovisual Activities -- PPSS's investigation of audiovisual activities led it to conclude that expenditures in this area are lower than has been conjectured, and that these activities are now being managed effectively. Recommendations were made for additional management improvements, however, in an effort to help maintain the high product quality and cost-efficient operations achieved thus far.

#### IMPLEMENTATION

Of the 29 recommendations, 4 (14 percent) can be implemented by the affected agency, 21 (72 percent) can be implemented through Presidential action, and 4 (14 percent) will require Congressional approval.

MANAGEMENT OFFICE SELECTED ISSUES REPORT  
VOLUME II: TRAVEL AND TRAFFIC MANAGEMENT

PROJECT  
DIRECTOR: F. David Gorman  
Independent Attorney

NUMBER OF ISSUES: 4

NUMBER OF  
RECOMMENDATIONS: 11

NUMBER OF  
MEMBERS: 6

3-YEAR  
COST SAVINGS: \$1.850  
(\$ billions)

3-YEAR  
CASH ACCELERATION: \$ .032  
(\$ billions)

OVERVIEW

In FY 1982, the Federal Government spent over \$9.4 billion on travel and freight transportation functions. PPSS found that the Federal Government's lack of centralized control and monitoring of travel and freight procurement produces management inefficiencies, unnecessary costs, and missed savings opportunities. PPSS focused its review on those agencies that have the greatest responsibility for incurring or managing travel and transportation services and expenditures: the Department of Defense, the General Services Administration, and the Office of Management and Budget.

ISSUES AND RECOMMENDATIONS

PPSS studied four issues and formulated 11 recommendations which, when fully implemented, will result in three-year cost savings of \$1.850 billion and cash acceleration of \$32.1 million.

Federal Travel Procurement -- As a result of its analysis, PPSS concluded that Federal studies and test programs instituted to improve travel arrangements and achieve travel discounts have failed to create a Federal travel procurement system capable of capitalizing on new opportunities offered by airline deregulation. It recommended that the Government develop a centralized travel contracting and negotiating staff and that it consolidate existing travel service personnel and related hardware and software into "in-house" travel centers. Estimated cost savings from improved travel procurement and administration would amount to \$984.0 million over three years.

Travel Expense Accounting and Reimbursement -- PPSS found the Federal Government's travel expense accounting and reimbursement process to be inefficient and recommended the establishment of an integrated expense reporting system which would ensure that travelers and agencies process expense accounts expeditiously. In addition, it concluded that revised travel reimbursement policies, such as the use of flat-rate, locality-based per diem subsistence allowances, would speed up the accounting and reimbursement process, as would the use of personal charge cards. When implemented, PPSS recommendations in this area would result in three-year cost savings of \$171.2 million.

Federal Traffic Management -- In the view of PPSS, the Federal Government is not transporting its shipments efficiently and is not obtaining the lowest rates possible. PPSS recommended greater cooperation between agencies and increased use of automated systems to achieve Government-wide traffic management efficiencies, including selection of optimum routing and rates, consolidation of shipments, and the negotiation of volume-based rates. PPSS estimated that \$529.6 million over three years would be saved as a result of these recommendations.

Transportation Audit -- PPSS estimated that the Federal Government is losing approximately \$65 million a year in unrecovered rate overcharges. Unlike the private sector, the Federal Government is legally precluded from making prepayment rate audits. PPSS found that on a post-payment audit basis, the Government recovers about 0.37 percent of its freight charges (compared to a recovery rate of 1.75 percent in the private sector) and that there is an 18-month backlog of unaudited freight bills. PPSS recommended that the Government make use of private sector freight auditing services and that statutory prohibition against full rate auditing prior to payment be repealed. An estimated three-year cost savings of \$165.2 million would occur as a result of improved collection of freight overcharges.

#### IMPLEMENTATION

Of the 11 recommendations, 4 (36 percent) can be implemented by the affected agency; 2 (18 percent) can be implemented through Presidential action; and 5 (46 percent) will require Congressional approval.

MANAGEMENT OFFICE SELECTED ISSUES REPORT  
VOLUME III: FINANCIAL MANAGEMENT IN THE FEDERAL GOVERNMENT

<u>PROJECT</u>	Gregory C. Carey	<u>NUMBER OF ISSUES:</u>	4
<u>DIRECTORS:</u>	Assistant to the Chairman W.R. Grace & Co.		
	Richard A. Goodman	<u>NUMBER OF</u>	
	Assistant to the Chairman	<u>RECOMMENDATIONS:</u>	13
	W.R. Grace & Co.		
<u>NUMBER OF</u>		<u>3-YEAR</u>	
<u>PROJECT</u>		<u>COST SAVINGS:</u>	Potential
<u>MEMBERS:</u>	3		savings are
			identified in
			other PPSS
			reports and no
			new savings
			are claimed in
			this report.

OVERVIEW

The report on Financial Management in the Federal Government analyzes shortcomings and opportunities in four key financial areas: the true size of the Federal budget, accounting systems, cash management, and debt collection. PPSS's approach in undertaking its review was to compare Federal Government practices with those of large American corporations.

ISSUES AND RECOMMENDATIONS

PPSS studied four major issues and formulated 13 recommendations in the area of Government-wide financial management. Identified savings are not incremental to those contained in previously released PPSS reports.

The True Size of the Federal Budget -- Federal Government expenditures significantly understate the true level of Federal activity because they exclude or only partially include major spending commitments. If the budget reflected all Government spending commitments (including off-budget entities, guaranteed loans, Government-sponsored enterprises, and the proper funding of retirement plans), FY 1984 budgeted expenditures would be \$1,812 billion, more than twice the official budget of \$849 billion, and the Federal debt would stand at \$4.025 trillion, rather than the currently reflected \$1.444 trillion. PPSS recommended including offsetting collections in both revenue and outlay totals, placing off-budget Federal entities back onto the budget, including guaranteed loans and Government-sponsored enterprises in budget outlays, and including the full cost to fund the liabilities of Federal retirement plans.



Accounting Systems -- PPSS found that almost one-third of the accounting systems in the Federal Government lack approval of the General Accounting Office (GAO). There is no central controlling entity with responsibility and authority to ensure that agency accounting systems contain adequate internal controls over receipts, disbursements, and assets and that agency managers have timely, accurate, and useful financial information. In addition, obsolete, incompatible, and independent Federal Government ADP systems contribute to inadequate accounting systems. PPSS recommended establishing a central controllership function within the Office of Federal Management, as proposed by the PPSS Federal Management Systems Task Force. It also recommended that strong controllership functions be established in each agency; that the central controller, working with agency controllers, develop comprehensive accounting policy, financial reporting, and internal control standards; that legislation be introduced to require agencies to comply with GAO's accounting systems approval process; and that a timely and comprehensive form of annual external reporting for the Government be developed.

Cash Management -- PPSS found that cash management practices in the Federal Government lag significantly behind those in the private sector due to a lack of adequate incentives and controls. PPSS recommended using the budget process to establish incentives for cash management improvements and creating a Financial Management Department to improve direction, coordination, and administration of the financial management function throughout Government. PPSS estimated that the Federal Government can reduce by three days the "float" on its \$7 billion in cash flow per working day, resulting in an incremental improved cash flow of \$21 billion, with interest savings of \$7 billion over a three-year period.

Debt Collection -- As of September 30, 1982, the Federal Government was owed \$301 billion, of which 30 percent was due immediately or within a year (current receivables). Of the \$92.7 billion in current receivables, about \$37.8 billion were delinquent. Despite renewed emphasis on debt collection, PPSS found many agency accounting systems are not adequate to support credit management and debt collection activities. PPSS recommended that the Government accelerate data collection to provide immediate information on delinquencies, establish more effective performance standards, create a permanent debt collection staff, and encourage private institutions extending credit under guaranteed loan programs to upgrade their own collection efforts.

#### IMPLEMENTATION

Authority for implementing these recommendations rests with the Congress.

MANAGEMENT OFFICE SELECTED ISSUES REPORT  
VOLUME IV: WAGE SETTING LAWS:  
IMPACT ON THE FEDERAL GOVERNMENT

<u>PROJECT</u>	G. John Tysse	<u>NUMBER OF ISSUES:</u>	3
<u>DIRECTOR:</u>	Director, Labor Law	<u>NUMBER OF</u>	
	U.S. Chamber of Commerce	<u>RECOMMENDATIONS:</u>	13
<u>NUMBER OF</u>		<u>3-YEAR</u>	
<u>PROJECT</u>		<u>COST SAVINGS:</u>	\$11.65
<u>MEMBERS:</u>	8	(\$ billions)	

OVERVIEW

PPSS conducted an analysis of the major Federal prevailing wage laws: the Davis-Bacon Act, the Walsh-Healey Act, and the Service Contract Act. Principal focus was on their costs and effects on Government and private contractors, with PPSS concluding that they cannot be effectively administered, significantly increase the cost of Government, and impose administrative burdens on contractors.

ISSUES AND RECOMMENDATIONS

PPSS recommended that all three prevailing wage laws be repealed, with three-year cost savings to the Government estimated at \$11.65 billion.

The Davis-Bacon Act -- In addition to the Federal Davis-Bacon Act (1931), there are some 37 state prevailing wage laws called "little Davis-Bacon" acts. Davis-Bacon requires the Secretary of Labor to determine the "prevailing wage" on Federally funded and assisted construction projects. The law was originally intended to prevent unscrupulous outside contractors from successfully bidding Federal projects by importing cheap labor, and covered only direct Federal construction. It has been extended by Congress over the last 50 years to cover virtually any construction project where there is some Federal connection. In application, Davis-Bacon removes wages and benefits as a factor in the competitive bidding process.

The Task Force found that the Davis-Bacon Act is not and cannot be fairly and effectively administered, operates largely in direct contravention to its original purpose, discriminates against smaller contractors, and has anticompetitive effects. Absent repeal, PPSS recommended the dollar threshold be increased to \$1 million, the prevailing wage be defined to mean the range of wages

within a local area, and the law be amended to permit the unlimited use of semiskilled helpers and to proscribe the use of urban rates for rural areas and vice versa.

PPSS estimated that the repeal of Davis-Bacon would result in three-year cost savings of \$4.97 billion, with minimal disruption of the construction industry.

The Walsh-Healey Act -- The Walsh-Healey Act applies to all Federal contracts exceeding \$10,000 for the manufacture or furnishing of materials, supplies, articles, or equipment and was enacted for reasons similar to those which led to the passage of the Davis-Bacon Act. Its principal effect is in its provisions requiring overtime pay for work in excess of eight hours a day, which effectively prevents the use of flexible work schedules.

PPSS concluded that the Act is obsolete, reduces competition, and drives up labor costs. Its repeal would result in three-year cost savings of \$3.37 billion. If total repeal cannot be effected, PPSS recommended that the daily eight-hour threshold for overtime pay be repealed, the dollar threshold be increased from \$10,000 to \$1 million, and contracts between the Federal Government and businesses with 100 or fewer employees be exempt from coverage.

The Service Contract Act -- The Service Contract Act (SCA) was enacted in 1965. It requires that employees working under Federal Government service contracts over \$2,500 be paid prevailing wages and benefits as determined by the Secretary of Labor. SCA's rationale was similar to that for the Davis-Bacon and Walsh-Healey Acts.

PPSS found that SCA prevailing wage rate determinations result in the importation of foreign wage rates into the locality where the work actually is performed, that data sources available to the Department of Labor are inadequate for making accurate prevailing wage determinations, and that the Department of Labor fails to adjust prior wage determinations downward to reflect lower prevailing wage rates.

PPSS projected that repeal of SCA would result in three-year cost savings of \$3.31 billion. If repeal cannot be achieved, the Act should be amended to raise the threshold to \$100,000, white collar application should be eliminated, and successorship provisions should be stricken.

#### IMPLEMENTATION

Implementation of PPSS recommendations to repeal the major prevailing wage laws will require Congressional approval.