

"Mr. E. R. Benke was appointed as deputy administrator, in charge of branch office No. 8, located in Minneapolis, Minn...."

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"Under Benke's empire-building directions the branch office grew by such leaps and bounds that soon there was no office space in the Twin Cities large enough to house it. The VA took over Fort Snelling, an old army post, the majority of which was erected over 100 years ago for army cavalry units, and which is spread over several square miles....It might be interesting to the Members of Congress to discover how many millions of dollars were spent in converting barracks, stables, and warehouses into inadequate, inefficient office space. The plumbing, electrical wiring, heating plants, and so forth, were obsolete and required the expenditures of tremendous sums of money for maintenance and repairs. The gas bill for heating was over \$12,000 in one month."

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"I have on good authority that a sizable sum of money was diverted by Mr. Benke from the purpose for which it was appropriated. The Army turned the Army post hospital over to the VA hospital some time in 1946. The floors in the corridors were in very bad shape, so a request for funds to repair these floors was submitted to the VA central office. The request was approved, and the budget authority forwarded from central office to the branch office for dispersal to the Minneapolis hospital. Mr. Benke diverted these funds and used them to furnish his offices, assistants' offices, reception room, and conference room, and to panel them in beautiful mahogany. You may look far to find another set of offices more lavish, but it was outright misuse of funds."

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"...There was a fire truck at the Minneapolis hospital, another at Fort Snelling, and a fire station at both installations. The fire truck was taken away from the hospital and taken to Fort Snelling, a mile away. He built a new fire station out of an old Army brig, large enough for two trucks, and charged the entire cost to the hospital. This is quite a classy fire station, \$45,000 of hospital funds being spent for its renovation. For a total of 14 fire fighters employed, 5 men on duty at one period, there are glazed tile walls, terrazzo floors, 8 toilets, 8 wash bowls, 6 urinals, and 4 shower baths.

"For cost-accounting purposes, the cost of work and repairs and personnel salaries was supposed to be kept separate, hospital from branch. For example, in one short period there was three times as much painting done at Fort Snelling for just over \$8,000 than was done at the hospital for \$32,000.

"There are about 280 utility employees at Fort Snelling with about 150 charged to the hospital. I am reliably informed there are not over 19 men working at the hospital and the management there has to fight to get things done. The employees are busy maintaining the grounds and homes at Fort Snelling, the golf course, swimming pool, shooting range, and so forth, for the use of Fort Snelling top brass."

Savings: Amount unspecified.

Source: Mr. Wier, Representative from Minnesota, Congressional Record, March 12, 1951, pp. 2365-2367.

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PERSONAL SERVICES

"The Veterans Administration, now employing nearly 200,000, uses manpower excessively and it has been my observation that its administrative costs could and should be reduced without impairment of any services for veterans to whom the Government is obligated for bona fide war-connected sacrifices. I suggest additional reductions in administrative costs and nonessential programs to the extent of... \$0.2 [billion]."

Savings: \$200,000,000.

Source: Mr. Byrd, Senator from Virginia, Congressional Record, February 5, 1951, p. 955.

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ADMINISTRATION, MEDICAL, HOSPITAL, AND DOMICILIARY SERVICES

General.

"The bill includes \$875,163,335 for these activities, [administration, medical, hospital, and domiciliary services] which is \$5,201,465 less than funds available for the current year, and a reduction of \$19,624,665 in the budget estimate....The reduction in the non-medical program is attributable principally to the declining load in the veterans' education and training program under Public Law 346. This reduction not only affects the Vocational Rehabilitation and Education Service, which is primarily responsible for

administering this program, but also lessens the work load in Administrative and Finance Services...."

Savings: \$19,624,665.

Source: Report of Committee on Appropriations, House of Representatives, 82d Cong., 1st Sess., Independent Offices Appropriation Bill, 1952, p. 22.

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Medical, Hospital, and Domiciliary Services.

"As the building program continued, there were reports of high bed vacancies in the VA hospital system. The end of the 1951 fiscal year (June 30) saw 23,888 empty beds. The charge was made in some quarters that VA was caring for fewer patients despite the fact it had completed and opened 18 new hospitals in the 1951 fiscal period. The 18 new projects added 5,745 beds to overall capacity."

Waste: Amount unspecified.

Source: Architectural Record, Vol. 110, No. 3, September, 1951, p. 25.

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"Admiral Boone, there has been much criticism throughout the country, and by a good many veterans, on the length of time that veterans are permitted to stay in hospitals, in those cities and communities where you have veterans' hospitals operating."

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"...We have instances cited where veterans go to a hospital and stay there for 2 or 3 weeks for a check-up that is perhaps being performed in a civilian hospital, where they are paying their own bill, in less than 2 or 3 days."

Savings: Amount unspecified.

Source: Mr. Thomas, Representative from Texas, in Hearings before the Subcommittee of the Committee on Appropriations, House of Representatives, 82nd Cong., 1st Sess., Independent Offices Appropriation Bill for 1952, Part 2, p. 1721.

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Non-medical Program, Administration, and Operations.

"The Veterans Administration has too many organizational units...too many staff officers...too much turnover (42% annually) among its 186,000 employees. For instances, the Hoover Commission found:

"V.A. had one salaried employee--average salary \$3,250--for every 30 veterans receiving major benefits (exclusive of insurance). That's a mighty high ratio.

"One V.A. unit was found to have 24 supervisors for 25 employees.

"In one section employing 142 insurance premium review clerks, 62 had been employed less than three months, while only 26 had been there longer than a year. Efficient operation is impossible under these conditions.

"The hopeless complexity of red tape is shown by the 88 manuals, 665 technical bulletins and over 400 circulars issued to cover instructions on method and procedure. The V.A. manufactures complications. It expanded 2 basic laws of 9 pages into 994 pages of printed instructions."

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"V.A.'s 15,432 insurance employees carried an average work load of 450 policies each. In private companies the comparable work load was 1,762 policies per employee. Thus, 4 V.A. employees were doing the work of 1 in private business."

"The Hoover Commission found these shortcomings in V.A.'s insurance operation:

- Inadequate use of business machines
- Slowness in issuing converted policies, in calculating dividends
- Inadequate inspection of claims
- Inefficient handling of premium records--sometimes causing veteran policies to lapse

- Serious delays in handling death claims. V.A.'s average processing time was 80 days (with many claims unpaid after a year). Private companies pay from 70 to 80 percent of similar claims within 15 days of receipt of notice of death.

"Most of these problems still exist."

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"Loose control over the quality and usefulness of veterans' education has resulted in exorbitant tuition and fees -- and the mushroom growth of fly-by-night 'schools,' many questionable, some downright fraudulent.

"Slow handling of subsistence payments under the V.A. education and training program forced G.I.'s to quit school to earn a living and maintain their families. On the other hand, many veterans continued to receive payments after their schooling ended."

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"V.A. was never geared, in experience or training, to enter the real estate financing field. Varying standards in guaranteeing loans, inconsistencies and duplications in appraisals, have brought confusion in their relation to similar procedures of the Federal Housing Administration ..."

"The veteran loan program has been conducted without reference to its effect on the economy ..."

"...some 40 federal medical systems are in operation, the largest of these within the Veterans Administration. This situation makes for extensive waste and duplication in plant and personnel, and for competition among services to drain off scarce medical and nursing skills and equipment.

"Hit-or-miss construction of hospitals for all federal needs, the ignoring of medical advice in determining locations for fullest use and most competent staffing, lowers the quality of medical care for veterans."

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"For improved, speedier, and less costly service benefits to veterans, the Hoover Commission recommended:

- Administration of medical care and hospitalization by a coordinated federal medical system in which the V.A. would participate and continue the certification of veterans.

- Construction of V. A. hospitals, under V.A. supervision but by a central federal construction agency (Interior Department) in conformance to the nation's medical needs.
- Consolidation of all insurance operations in a government corporation within the V.A.
- Improved standards and supervision of the G.I. education and training program, and the speeding up of processing of subsistence allowances.
- Consolidation of pensions, retirement benefits, disability compensation, and guardianships in a Veterans' Benefit Service.
- Administration of veterans' housing loans by the Housing and Home Finance Agency, which has long experience in this field. The V.A. would continue to certify veterans' eligibility for loans.
- Retention of absolute job preference for disabled veterans--other veterans to receive added civil service credits based on length of military service. Establishing of a positive, nationwide, job-recruiting program for veterans in all federal agencies."

Savings: Amount unspecified.

Source: Citizens Committee for the Hoover Report, Here's How We Can Get Better Service for Veterans - at Lower Cost, July 1, 1951, pp. 1-4, 5.

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COMPENSATION AND PENSIONS

"...To correct instances where disability payments go to veterans who proved themselves capable of holding important and even strenuous jobs, the late Defense Secretary James Forrestal recommended to Congress that recipients of such payments undergo new medical examinations to qualify for the benefits they receive from the government."

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"Under today's conditions every expenditure must be justified--even those labeled Veterans cannot be passed as 'sacred' without examination. The President in his Budget message makes the interesting comment that 'Before many years, nearly all the population may be veterans or the dependents of veterans,' and he draws the conclusion that 'Therefore, in legislation directed particularly to the problems of servicemen and their dependents, we should provide only for those special and unique needs which arise directly from military service.' Benefits that meet that test of the President can be taken care of to the full extent now provided in the law. This will still leave large areas of possible saving in correcting and adjusting the more flagrant excess benefits for other veterans and dependents. Senator Hord and others also point out the possibility of savings through better operation of the agencies. It appears to us that between \$500 million and \$1 billion could be saved without touching the service-connected cases. Some revision of the laws may be required."

Savings: \$500,000,000 - \$1,000,000,000.

Source: Committee on Federal Tax Policy, Financing Defense: Can Expenditures Be Reduced?, New York, 1951, p. 21.

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"What would be your comment on Mr. Hord being rated 100 percent disabled when the hospital records say there had been little change in his condition, and when the investigators went down there and Mr. Hord was in the shrimping business, and he had made \$18,000 in the year before?"

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"Do you think this committee would be justified in questioning a situation where a man, a retired captain, is drawing 30 percent, and it jumps to 100 and there is evidence that the regional manager handled this case personally and, instead of it going to the rating board, that you [regional manager] went to the adjudication officer personally, and you went to a member of the rating board personally?"

Savings: Amount unspecified.

Source: Mr. Teague, Representative from Texas, in Hearings before the House Select Committee to Investigate Educational, Training, and Loan Guaranty Programs under G. I. Bill, House of Representatives, 82d Cong., 1st Sess., Investigation of Veterans' Educational Program, p. 734.

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READJUSTMENT BENEFITS

General.

"The committee recommends \$861,640,000 for this purpose in 1952, which is...\$350,000,000 below the budget estimate. Since conclusion of the hearings on this item the Veterans Administration has informed the subcommittee that expenditures during the current year will be approximately \$200,000,000 less than estimated originally when these estimates were prepared, due to a declining trainee load in the education program, which has indicated a more rapid decline than originally anticipated...the committee has effected a further reduction of \$150,000,000 in the 1952 estimate in anticipation of a continuation of the decline in trainee load during the next fiscal year...."

Savings: \$350,000,000.

Source: Report of Committee on Appropriations, House of Representatives, 82d Cong., 1st Sess., Independent Offices Appropriation Bill, 1952, p. 24.

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Education and Training.

"...One of the major changes that should be incorporated into any new veterans' education law should be a revision in the method of providing books, supplies and equipment. The present system of furnishing them in kind encourages waste, chiseling and inefficiency. Consider for a moment the costs of administration alone of the present system. The cooperating bookstore must have extra clerks to handle change, audit bills and recapitulate their veterans' accounts. The college must maintain a staff to approve, audit and police the procedure. The V.A. maintains a staff to advise, audit and finance. The General Accounting Office must later provide auditors to go over the whole process again. All kinds of petty graft, inequities, errors and outright larcenies result. Contrast this with a method that would pay the veteran student, in cash at the opening of a semester, an amount arrived at by a simple formula based on his number of units, his major, and his class. The savings in administration alone would run into the millions...."

Savings: Millions of dollars.

Source: Byron H. Atkinson, "Waltz Me Around Again Willie!," School and Society, Vol. 74, No. 1908, July 14, 1951, p. 23.

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"...We have one instance listed in this report, under 'University collects double tuition,' and in that case we say one eastern university, receiving the nonresident rate, decided to negotiate the contracts providing for compensation based on the estimated costs for teaching personnel, supplies, and instruction. However, this school was so successful with its dealings with the Veterans Administration that it was able to collect both the negotiated hour rates and, in addition, the customary fixed charge, which was the only charge made on students in the amount of tuition."

Savings: Amount unspecified.

Source: Mr. Eckerts, Legislative Attorney, Office of the Controller General, in Hearings before the House Select Committee to Investigate Educational, Training, and Loan Guaranty Programs under G. I. Bill, House of Representatives, 82d Cong., 1st Sess., Investigation of Veterans' Educational Program, p. 661.

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"...Well, now, we had testimony here this morning that one school submitted bills for tools for \$5 and an identical school teaching the same thing and the same type of tools being supplied, was submitting vouchers for \$16.95, and yet there was no one to check the differential, no one ever seemed to have it occur to them that here were two schools of identical nature, supplying tools, one vouchering for \$5 and the other for \$16.95."

Savings: Amount unspecified.

Source: Mr. Evins, Representative from Tennessee, in Hearings before the House Select Committee to Investigate Educational, Training, and Loan Guaranty Programs under G. I. Bill, House of Representatives, 82d Cong., 1st Sess., Investigation of Veterans' Educational Program, p. 461.

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"In no event, will the extension authorized herein be applicable where a veteran interrupts training at any time prior to the end of a term, but authorization in such case shall terminate training status as of the date of interruption."

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"According to testimony of VA officials, this reversal of policy was due to the administrative difficulty involved in keeping a personal record of each veteran, and in determining the exact date of the veteran's interruption or discontinuance. Since this was usually a difficult process and the Veterans Administration continued to pay the veteran, not knowing of his interruption or discontinuance, many overpayments were created, the total of which amounted to almost \$200,000,000."

Waste: \$200,000,000.

Source: Ninth Intermediate Report of the Committee on Expenditures in the Executive Departments, House of Representatives, 81st Cong., 2d Sess., Inquiry into the Operations of the Veterans Administration Leave Policy in Connection with the Furnishing of Educational Benefits Under Public Law 346, as Amended, 78th Cong., June 22, 1944, p. 4.

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"...An estimate of the cost of subsistence was made for the school years 1947-48, 1948-49, and 1949-50. This estimate indicated that subsistence payments of \$41,074,000 were made solely because of leave extensions after completion of courses and after periods of enrollment. Veterans Administration officials characterized this estimate as conservative. This figure does not include the cost of giving leave to enrollees in institutions below the college level, nor that of giving college students 15 days' leave when they attend only a single term, semester, or summer session. No attempt was made to estimate the expense to the Government of extending training status to the end of the month in which the veteran interrupted or discontinued.

"It seems reasonable to say that the figure of \$41,074,000 may be an understatement of actual costs of the whole leave policy by as much as 50 percent."

Waste: Over \$41,074,000.

Source: Ninth Intermediate Report of the Committee on Expenditures in the Executive Departments, House of Representatives, 81st Cong., 2d Sess., Inquiry into the Operations of the Veterans Administration Leave Policy in Connection with the Furnishing of Educational Benefits Under Public Law 346, as Amended, 78th Congress, June 22, 1944, p. 9.

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"Mr. Ferguson....I have here another invoice dated June 13, 1949, from the Grinding Corp. of America to the Franklin Meat Cutting Institute...at \$16.95 a set, total price of \$1,695, and marked in handwriting, 'Paid, Grinding Corp. of America, Albert B. Monaco....!'"

"Mr. Monaco. Yes. This is one of our invoices.

"Mr. Ferguson. Was that invoice made on the same basis that the other was? In other words, the set of tools was around \$5 but they were invoiced at \$16.95 a set?"

Savings: \$11.95 per set of tools.

Source: Mr. Ferguson, Senator from Michigan, in Hearings before the House Select Committee to Investigate Educational, Training, and Loan Guaranty Programs under G. I. Bill, House of Representatives, 82d Cong., 1st Sess., Investigation of Veterans' Educational Program, p. 337.

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"Granted that some of the dealings between schools and supply houses were perfectly legitimate business transactions, others were somewhat akin to collusive practices. This resulted in the Government having to pay greater prices for trainee tools and supplies than it would have had to pay had all parties concerned been interested in contributing to the training of veterans at the lowest possible cost to the Government; which in reality touches upon all of us here by the fact we all maintain our Government through the payment of taxes.

"The evidence adduced concerning the formation of dummy corporations, control of schools and supply houses by manufacturers, circumvention of the VA requirement for competitive bidding in the

purchase of tools, use of subsidiaries by manufacturers, and other situations surrounding the purchase of tools would seem to be a clear indication that a thorough overhauling of the entire system is required. The blame can be parcelled among the schools, the jobbers, the manufacturer and the Veterans Administration, Which of these groups merits the most severe condemnation must be determined in the future after a thorough, exhaustive, and impartial study can be made. However, in our opinion, it is essential that from here on forward the Government should not pay one cent more for tools and equipment purchased in connection with the vocational rehabilitation and education program than the rock-bottom price at which such tools are sold by manufacturers. When the Government, which is the sum total of all the people, are footing the bills, considerations of profit should be secondary. This should not be taken to mean that a legitimate and normal profit is not due to the school operators, but this profit should come from the operations of the educational institution as such, not from the sale of essential supplies and equipment to the trainees."

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"I believe that our records show there are 56 schools in Texas operated by former Veterans Administration employees. Now, certainly there is nothing wrong with that. But the point that we do make here is that there are two men in the Veterans Administration and a school is worked up to be approved and one of those men resigns and goes out to running the school. We just do not believe it is quite proper that a man assists in working up the school himself and then resigns and starts operating that school. I have some specific cases that we would rather not name for different reasons, but it seems to me that someone in the Veterans Administration would have recognized those names as being men who just resigned and that then you would question that contract.

"We know that some of those contracts appear to be a little high. Did you people make any kind of a check in that way as far as contracts being approved is concerned? The particular one I am looking at at the moment does not come from Dallas, but we do have some from Dallas on that same thing. We have one from Dallas where a brother was approving a brother's school and we know that the wife of this brother was working in the school. What kind of a check was made within the Veterans Administration to prohibit something of that nature?"

Savings: Amount unspecified.

Source: Mr. Teague, Representative from Texas in Hearings before the Select Committee to Investigate Educational and Training Programs under G.I. Bill, House of Representatives, 81st Cong, 2d Sess., Investigation of G.I. Schools, pp. 222-223, 355-356.

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"This school made excessive charges to the Veterans Administration for food used in its course of instruction, which food was in turn served daily to the students and teachers at a teaching meal. These charges were made on consumable supplies but were being paid for by the Veterans Administration and in effect gave free meals to the students. This was a tremendous inducement to get students. The Veterans Administration is attempting an adjustment in the amount of approximately \$37,000 which was vouchered to the Veterans Administration representing tuition charges in excess of the school's customary charge. The school has overcharged for veterans who withdrew from training prior to the completion of the course."

Waste: Approximately \$37,000.

Source: Mr. Teague, Representative from Texas, quoting report of General Gray submitted to Congress in January, 1950 in Hearings before the Select Committee to Investigate Educational and Training Programs under G. I. Bill, House of Representatives, 81st Cong., 2d Sess., Investigation of G. I. Schools, p. 508.

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"...in one area in schools teaching watchmaking, in one place they would get \$50 for tools and in another place they would get \$75 and in other places going up to \$250 for a set of tools.

"In your particular set-up, who should be the person who would see that difference there and recognize it as there being something wrong?"

Savings: Amount unspecified.

Source: Mr. Teague, Representative from Texas, in Hearings before the House Select Committee to Investigate Educational, Training, and Loan Guaranty Programs under G. I. Bill, House of Representatives, 82d Cong., 1st Sess., Investigation of Veterans' Educational Program, p. 426.

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"Abuses uncovered in a survey of hundreds of institutions in seven scattered States are responsible for many projected changes in the pattern of G. I. assistance. General Accounting Office auditors found that two-thirds of the schools they examined overcharged the Government. Some of the overcharges were careless mistakes, but others resulted from 'irregular and apparently fraudulent practices.'

"A large Eastern university, for example, helped finance the construction of a swimming pool, a fine new stadium, and a chapel as a result of 'the favorable outcome of our negotiations with the Federal Government in regard to charges the university might make to Veterans Administration students.' Two months after putting that in writing, the president of the university asked VA to increase tuition payments for veterans.

"A college jumped its nonresident fee for veterans from \$25 to \$100 per quarter. The Government now is attempting to collect overpayments to the school that the GAO figures at \$340,000,

"A State military institute was paid by both the State and the Federal Government for instructing veterans. Excess tuition was credited to the students, paid to them upon graduation.

"Well-known colleges and universities apparently have not been averse to gouging the Government on the expenses of educating GI's.

"Trade schools, it develops, have engaged in equally questionable practices. The GAO checked up on 642 and found that the Government made excessive payments to two out of three.

"Many of these schools were fly-by-night institutions organized to cash in on the veterans' aid program. Two-thirds of them never existed before the program began. Then they mushroomed by thousands.

"Nearly 2 million veterans enrolled in the trade schools, for almost every conceivable type of training. Many of these schools are credited with a commendable job of teaching veterans how to earn their livings as plumbers or radio repairmen, for example. Others, until the Government cracked down in 1948, taught such things as personality development.

"A meatcutting school is accused of overcharging the Government \$353,000 by juggling attendance records and enrollment dates, and by overcharging for tools. A watch-repair school made \$237,000 by setting up a dummy corporation to buy tools and equipment at a discount and sell them to the school at a much higher price. VA then was billed for the higher price.

"A technical institute collected money for veterans not attending classes and for supplies also paid for by students and private customers.

"A chain of 18 schools in Pennsylvania was found to have charged the Government \$498,000 illegally by misrepresenting costs, duplicating charges and using other devices. Owners of other trade-school chains in the Wilkes-Barre area are under criminal indictment on fraud charges.

"Public schools below the college level have been getting their share of Government payments for veterans, sometimes under questionable circumstances.

"A school in a Southern city trained veterans as masons and carpenters, for example, by letting them build schools, remodel classrooms, install lunchrooms. Some of the materials were charged to the veterans' program. Veterans also renovated a church and erected buildings for veterans' organizations, while VA paid subsistence to them and tuition to their school.

"On-the-job-training programs provide evidence of abuses in educating veterans.

"One company paid a veteran \$340 a month while training him, but reported his salary as \$125. That enabled the veteran to collect the maximum subsistence allowance from the Government. And the veteran turned out to be 'training' for a job he had filled successfully for 11 months.

"Another GI who had worked with a firm as assistant manager for 15 years completed two years of training on the job-- for the position of assistant manager. A baker's son who had worked in a bakery for three years signed up for a 27½-month course in baking.

"A State board of education hired a veteran to teach part time. VA let him enroll in his own class, paid him monthly subsistence of \$26.25.

"Training on the farm has been a source of easy money, in many instances for veterans who already knew how to farm. One man collected for on-the-farm training while a sharecropper ran the farm and he ran a grocery store. Another let a tenant operate the farm while he practiced law.

"A graduate of an agricultural college, who had taught farming in high school for four years, signed up for farm training-- in the same school where he had taught. This 'education' cost the Government \$3,000.

"It all adds up to a vast program that still continues and still contains abuses. Millions of veterans have had a chance to get an education, to establish themselves in business, in trade or on the farm. Yet, along with it, the taxpayers unknowingly have been paying for swimming pools, personality development, double tuition, high profits on books and tools."

Waste: Amount unspecified.

Source: "More Billions for GI Schooling," U. S. News and World Report, Vol. XXXI, No. 9, August 31, 1951, pp. 30-31.

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RECONSTRUCTION FINANCE CORPORATION

GENERAL

"Liquidation of the RFC lending activities would reduce Federal personnel by 3,000; it would save \$18,000,000 a year in administrative costs, which could be used in the payment of the Corporation's debts to the Federal Government.

"At the present time the United States Government's investment in the RFC totals more than \$800,000,000, nearly \$400,000,000 in interest-bearing notes, \$100,000,000 in capital stock, nearly \$2,500,000 in reserves, more than \$4,000,000 in dividends payable to the Treasury, and \$250,000,000 in unreserved, undistributed surplus of subsidiaries. In addition, the Corporation owes the Federal Treasury more than \$5,000,000 in accrued interest on notes. My bill provides that all funds of the RFC should go to pay on the public debt. Its other liabilities include some \$35,000,000 in accounts payable and miscellaneous liabilities in excess of \$175,000,000."

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"In addition, my bill would transfer the operational activities of the RFC to the Office of Defense Mobilization, which is under the direction of Mr. Charles E. Wilson, an eminent businessman. The defense production business loans, in which the RFC has only perfunctory functions, are not involved in this legislation because the functions have been delegated by the President and would require only redelegation by Executive order."

Savings: \$18,000,000 a year, plus in the short run, the amount of
unmade loans and assets sold.

Source: Mr. Byrd, Senator from Virginia, Congressional Record,
March 14, 1951, p. 2457.

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"As for the future of the RFC, I think it should be given
a decent burial, lock, stock, and barrel. I say this first because
none of the conditions which prompted the creation of the RFC and
the various amendments to its powers exist today; second, Govern-
ment lending in competition with private business is not a proper
function under our free enterprise system ..."

"...I did notice in one of the Corporation's reports...an
item carried as loans for consolidation of debt. That sounds very much
like loans to pay creditors of the borrower which should not be a
function of the Corporation and, I am sure, was never intended by
the Congress."

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"...when it [the Government] finances improvident busi-
ness it takes from the profits of competing business, gets no taxes
from the improvident, and loses on its loan.

"If the Congress is not willing to liquidate the Corpor-
ation, then I suggest that it close its 32 branches and only make
loans...in cooperation with banks and other financial institutions
which would make and administer the loans and carry a participation
in them of not less than 25 percent for their own account, and I
would limit the RFC's participation in any loan to a few hundred
thousand dollars.

"...This procedure would...greatly reduce its operating
expense. It could, if it liked, maintain an agent at each Federal
Reserve Bank or branch bank where it now has offices, to help work
out loans between banks and borrowers...."

Savings: Amount unspecified.

Source: Letter from Mr. Jesse H. Jones, former Chairman of the
Reconstruction Finance Corporation, to Mr. Fulbright,
Senator from Arkansas, Congressional Record, May 1,
1951, pp. 4682, 4683.

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"...the RFC has survived its usefulness. I have introduced a measure to abolish the RFC, Senate Joint Resolution 44. What I propose is an orderly liquidation of this agency under the direction of the Secretary of the Treasury....Similar measures have been introduced by the distinguished Senator from Virginia (Mr. Byrd), Senate bill 1116, and by the distinguished Senator from Ohio (Mr. Bricker), Senate bill 1123. There are also similar bills for the abolition of the RFC pending in the House. In my judgment, abolition, not reorganization, is the sound approach to the problem,"

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"...I think it is fair to say that today ample and abundant evidence exists to justify the blanket assertion that waste and favoritism to individuals and enterprises has characterized the direct lending of the RFC. The RFC's public-lending activities have always been, are now, and always will be, carried on in a political atmosphere. No changes in the form of organization or in top-management personnel can reach or correct this condition. So long as the Government stays in the direct-lending business there will be those who are ready and willing to exert political pressure. This pressure will bring about the making of unsound loans, and this will be the case no matter which political party is in power.

"As the Senator from Virginia (Mr. Byrd) pointed out the other day, liquidation of the RFC's lending activities would reduce Federal personnel by 3,000; it would save \$18,000,000 a year in administrative costs, which could be used in the payment of the Corporation's debts to the Federal Government."

Savings: \$18,000,000 a year, plus in the short run, the amount of loans and assets sold.

Source: Mr. Kem, Senator from Missouri, Congressional Record, April 12, 1951, pp. 3830, 3831.

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"Speaking strictly from a taxpayer's standpoint, what is the net result of the operations of the RFC since the date of its organization up to the latest available date?"

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"The Corporation was organized on February 2, 1932, and up to January 31, 1951, I find that, during this period, comprising about 18 years, the Corporation has had from the Federal Treasury,

including capital stock paid in, loans from the Federal Treasury and appropriations by Congress, \$25,812,283,226. Of that amount, it has returned to the Treasury or accounted for by paying over to other Government agencies at the direction of the Congress, the amount of \$13,467,820,291."

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"...In other words, if this Corporation were liquidated and were considered as would be an ordinary business corporation, counting all the money that has gone into the Corporation, and then subtracting from that all the money which would be taken out of the Corporation, that instead of having a profit, as they boast, they would have a loss of approximately \$12,250,000,000."

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"I am one who thinks the time has come when the Congress should get rid of this agency, or at least render an accurate accounting to the American people for the money it has handled...."

Savings: In the short run the amount of unmade loans and assets sold.

Source: Mr. Williams, Senator from Delaware, Congressional Record, April 5, 1951, pp. 3438, 3439.

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FINANCE, COMMERCE, AND INDUSTRY

"The Reconstruction Finance Corporation is one of our greatest handout agencies. The Fulbright Committee investigating the RFC is about to make public its report.

"This report lists numerous important loans made in complete disregard of the public interest."

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"In one case the RFC loaned a Texas concern 300 thousand dollars to buy eggs. This egg company's principal customer was the government. So the government loans the money to buy the eggs to be sold back to the government at a profit...."

"Or take the case of [a novelty pottery company]....This outfit grew cactus in rock gardens. It also sold mistletoe used for getting-kissed purposes around Christmastime. The cactus and mistletoe business flopped. The RFC got back less than 10 per cent on its loan.

"Or take the loan of Sam Evans, California's rattlesnake maestro. Sam got an RFC loan for a snake house. But the RFC argued so long about the kind of house to build, all Sam's snakes died. We the taxpayers now own a snake farm - without any snakes.

"Or take the case of - no, this could go on all night. Read the Fulbright report - it's loaded with these fascinating stories. Only trouble with them - they're all true.

"When better financial ratholes are built the RFC will beat a track to them."

Waste: Amount unspecified.

Source: Broadcast by Mr. Robert Montgomery, American Broadcasting Company Network, February 1, 1951, 9:45 P.M.

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TENNESSEE VALLEY AUTHORITY

APPROPRIATED FUNDS

"The Appropriation committee reduced the new appropriation request to the very limited tune of five measly percentage points, to wit, \$12,000,000, on \$248,000,000."

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"I have simply sought by this amendment to double the cut, to make it 10 percent. Bear in mind that you will be begged to beat this amendment on the ground of defense, that TVA needs all this new power in the next 2 or 3 years for defense and defense only. There are two answers to that: First, even accepting the figures of the TVA Commissioners, the total power to be used in 1954 by Federal agencies is not over 33 percent and for the great industrial corporations it is some thirty-odd percent, leaving a balance of some 30 or 40 percent for normal use of the residents of the District. That leaves a cushion, assuming the very worst that happens and a greatly expanded need for defense, there is still a 40 percent cushion to fall back on.

"No. 2: With great difficulty we got from the witnesses at the hearing, a Federal Power Commission estimate of what the power situation would be in the entire Southeast early in 1954 based

upon projected plants, further power construction and development; and there, if you will look at page 618 of the record, I believe it is, you will see the statement wherein the Federal Power Commission says that in 1954, including all the various systems with which the TVA system is connected, the combined reserve may be as much as 15 percent. That means that if the Power Commission's estimate is sound and all of this construction work is completed there will still be a margin of unneeded power of 15 percent."

Savings: \$24,000,000.

Source: Mr. Coudert, Representative from New York, Congressional Record, May 4, 1951, pp. 5026, 5027.

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FEDERAL CIVIL DEFENSE ADMINISTRATION

GENERAL

"The committee recommends \$65,255,000 for the Federal Civil Defense Administration, a reduction of \$469,745,000 in the budget estimates."

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"The amount of \$2,515,000 was requested for research and development. Testimony revealed that the contemplated projects are, in the main, duplication of work being performed by other agencies of the federal government. The committee therefore recommends \$200,000 to provide for the gathering of such research information as may be currently available and adaptable to civil defense needs, and for some studies on the conversion of existing structures to make them usable as protective shelters."

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"The committee is deleting the requests for equipment for firefighting and warden services in the belief that the expenses for these services should be borne by the states and municipalities."

"Funds are provided for the purchase of some equipment for rescue vehicles. The committee is denying the request for motor vehicles in the belief that this charge may well be borne by the local communities to the extent of their requirements and interest in civil defense."

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"Procurement fund.--The committee has denied the request of an additional \$20,000,000 for a revolving fund to be utilized for the procurement of materials and organizational equipment. The \$5,000,000 previously appropriated should be sufficient to meet the needs of the Administration in this respect.

"Emergency supplies.--The amount of \$50,000,000 a reduction of \$150,000,000, is recommended specifically for the purchase of medical supplies and equipment. No funds are being provided for other activities requested in the estimate. The committee is deleting requests for welfare, engineering, and transportation services in the belief that such localized requirements are properly chargeable to states and municipalities."

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"Protective facilities.--The estimate of \$250,000,000 for protective facilities is denied. Testimony received by the committee failed to disclose either a need for a shelter program as contemplated by the estimates or adequate plans for the expenditure of the funds. To date the state and local governments have appropriated only an infinitesimal amount for shelter construction. It is quite probable that local and state governments will be inclined to take more positive action with reference to providing adequate shelter facilities for their citizens when definite determination is made as to what, from an engineering standpoint, can and cannot be done with an existing structure to make it a safe shelter. It would seem to the committee that not only this matter, but the matter of altering structures in progress should be pursued in cooperation with the States and municipalities."

Savings: \$469,745,000.

Source: Report of the Committee on Appropriations, House of Representatives, 82d Cong., 1st Sess., The Supplemental Appropriation Bill, 1952, pp. 46, 47-48.

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"...the Civilian Defense Administration originally asked for \$535,000,000 to meet the first shock of attack on our civilian economy...."

"I suggest to my old friend former Governor Caldwell... that he take a trip to Chicago and talk with the postal workers and the Chicago postmaster. In Chicago something was done in this field without any Federal funds whatever. They have established a

disciplined well-rehearsed first-aid defense corps. They have put into operation a plan of first-aid defense which I think recommends itself to all thinking people...."

...

"...the original budget estimate for civilian defense contemplates setting up an organization which, in its very essence, is bound to be wasteful. It involves buying a great many gadgets, as was done in World War II days when people went around with white tin hats and we had black-outs in the Nation's Capital...."

Savings: Amount unspecified.

Source: Mr. Dirksen, Senator from Illinois, Congressional Record, August 21, 1951, pp. 10636, 10637.

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"Of course, we must have civilian defense. We want our people to understand what they must do to take care of themselves if an attack comes. We know that it can happen here.

"But these...services must be built up to serve our needs without regard to politics. I hear a rumor that civilian defense alone will employ over 50 people in a regional office in Boston. I already have many applications for positions in these regional offices. We had no such civilian-defense office in World War II. The distinguished occupant of the chair (Mr. Hunt), who is a former Governor of the State of Wyoming, knows that there were no such offices in his State. Is it necessary now to have them? Must we set up elaborate regional offices in order to determine the extent of the Federal contribution for bomb shelters?

"I shall never forget my experience as a governor at a dinner given by the Boston Chamber of Commerce during World War II. Except for the presiding officer, I was the only local civilian at the head table. There were at least 12 regional heads of this and that Federal agency. Most of them I knew because they had come to see me at my office. But very few of them knew each other or knew what the others were doing in New England. So I spent much of that evening introducing the regional heads of the various Federal agencies to one another and listening to them discuss and argue as to how their work crisscrossed among them. Who did what, they never did entirely clear up. In view of our experience in World War II, I hope we can eliminate now much of the waste and inefficiency of such administration."

Savings: Amount unspecified.

Source: Mr. Saltonstall, Senator from Massachusetts, Congressional Record, February 5, 1951, p. 969.

Federal Security Agency

FEDERAL SECURITY AGENCY

GENERAL

"The committee finds that there is no clear line of responsibility or authority in the Agency.--...."

"...Jurisdictional conflict, duplication of effort, empire building, and outright repudiation of the organization plan by operating personnel stem from unresolved disagreements and a reluctance to exercise central authority.

"In addition to the conflict between the Agency and its constituent bureaus, there are other important human relationships which retard the development of an efficient organization."

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"The line and limit of responsibility and authority should be clearly defined in the Agency.--an understanding of and an adherence to a more unified pattern of administration among the constituent bureaus should be established. Authority should be commensurate with responsibility."

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"The committee finds that there are too many layers of administration in the Agency.--At the departmental level there is an Office of the Administrator in which is located a complete staff responsible for the entire Agency program and administrative services. Immediately under the Agency staff, there is a 'Commissioner or Administration level' comprising the heads of the various activities of the Agency, such as Public Health, Social Security, Education, and Special Services. With the exception of the Office of Special Services, each of these 'Commissioners' has a complete staff composed of not only the usual administrative services but also program officers as well.

"Next in line come the various bureaus, where additional duplication of staff organization occurs. Then we find the divisions, at which level the actual operation of the Agency programs commence. Even at this or the subsequent branch level, there is additional duplication in providing administrative or program services. There are indications that this same 'overorganization' continues through the 10 regional field offices."

Savings: Amount unspecified.

Source: Preliminary Report of the Committee on Post Office and Civil Service, House of Representatives, 81st Cong., 2d Sess., Investigation of Employee Utilization in the Executive Departments and Agencies, Part I, pp. 2, 4, 21.

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PERSONAL SERVICES

"Of 121,014 purchase orders issued by the Federal Security Agency in 1949, half were for amounts under \$20. The average processing cost was \$5.00 per order. In one bureau, the Office of Education, it was found to have cost \$10,293 to spend \$31,148--an overhead of 33 percent."

Waste: Amount unspecified.

Source: Alvin A. Burger, Research Director, Council of State Chambers of Commerce, "The Nation's Manpower Problem and Uncle Sam's Civilian Payroll," Federal Spending Facts, Bulletin No. 79, February 14, 1951, p. 2.

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"The Agency conducts what appears to be a wasteful and inefficient method of distributing pay envelopes to some of its employees. Instead of the customary payment by check, an employee may elect to receive his bi-weekly salary in cash. This entails the preparation of individual pay envelopes and makes it necessary that each employee appear in person at a pay table which is set up temporarily at various points in corridors throughout the headquarters building. On at least one occasion, a group of 75 to 100 employees was observed waiting in line at the pay table. The work of adjacent offices was also disrupted for an unnecessarily long period. It is estimated that thousands of man-hours of productive effort are lost yearly in this process."

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"The total number of personnel engaged in fiscal management has increased more than 12 times in the past 10 years. This increase has been due primarily to changing requirements for budget preparation and the control of program appropriations."

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"There are 14 separate and distinct program appropriations made to the divisions in the Bureau of State Services from which money for administration is donated to the office of the Bureau Chief by his operating divisions. In such a complex arrangement, is it any wonder that a high percentage of budget and accounting personnel is required?"

Savings: Amount unspecified.

Source: Preliminary Report of the Committee on Post Office and Civil Service, House of Representatives, 81st Cong., 2d Sess., Investigation of Employee Utilization in the Executive Departments and Agencies, Part I, pp. 12-13.

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"Mr. Ewing, you are familiar with the report of the investigation of the so-called Williams committee, are you not?"

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"The report has been out, of course, for some time. In that report there are a number of things that have challenged my attention.

"For instance, there is this statement on page 6 of part 1:

"The over-all philosophy of the FSA personnel program favors decentralization to the lowest possible echelon. In practice, this decentralization is mere lip service."

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"This kind of decentralization is costly. In the 10-year period between fiscal 1940 and fiscal 1950, the total number of Agency employees increased by 52.3 percent. During this same period, the number of Agency employees working in personnel offices increased 181 percent."

Savings: Amount unspecified.

Source: Mr. Schwabe, Representative from Oklahoma, quoting Report of the John Bell Williams Committee in Hearings before the Subcommittee of the Committee on Appropriations, House of Representatives, 82d Cong., 1st Sess., Department of Labor - Federal Security Agency Appropriations for 1952, Part 2 (Exclusive of Public Health Service) pp. 321, 322.

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"Most large agencies maintain field offices. (Armstrong County, S. D., with a population of 42, is the only one of the 3,069 counties in which no federal employees are assigned.)

"While considerable field work is undoubtedly necessary, congressional investigators a few months ago found 30 different sections of the Federal Security Agency maintaining forces in the field, duplicating much of the work done in Washington.

"The explanation: they were helpful in making speeches and acquiring radio time to promote agency programs.

"The same investigation turned up this additional information about FSA:

"There was one personnel worker for every 63 of the 34,063 employees.

"Drawing combined salaries of \$1,463,350 a year were 292 management-improvement experts, scattered at 29 points, each group working within its own office and concerning itself with detailed manual or machine operations instead of agency-wide problems.

"Purchasing department employees were handling an average of 2.4 orders a day, half of which were for less than \$20.

"Employees were permitted to demand their biweekly pay in cash, necessitating the preparation of individual envelopes. Almost 100 employees were found lined along a hallway before one pay table, disrupting work in adjacent offices.

"That is the story of just one of 21 major departments, agencies and commissions."

Savings: Amount unspecified.

Source: Earl B. Steele, "Holes in our Public Purse," Nation's Business, Vol. 39, No. 2, February 1951, pp. 61-62.

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CONSOLIDATION OF FUNCTIONS

"...Two years ago, at the time of the physical integration of the Agency in the two adjacent headquarters buildings, a management study was made to determine the feasibility of consolidating these separate supply rooms into one centralized service. Research

on the project was done by Agency management people as well as by experts from the Bureau of Federal Supply and the Bureau of the Budget. Each of these groups, in turn, recommend the consolidation, and the Agency reports that it will effect the consolidation in the near future; however, that determination and decision has been in process for 2 years and the result is not yet a reality."

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/Recommendation/ "An immediate reduction in the number of units and personnel performing duplicate housekeeping functions such as procurement, supply, mail distribution, space, time and leave records, and reproduction services;

"A strengthening of the influence and control to be exercised by the Agency Division of Service Operations in both the headquarters and field offices;

"A better delineation between the provinces of the Division of Service Operations and the Office of Field Services in the Office of the Administrator."

Savings: Amount unspecified.

Source: Preliminary Report of the Committee on Post Office and Civil Service, House of Representatives, 81st Cong., 2d Sess., Investigation of Employee Utilization in the Executive Departments and Agencies, Part I, pp. 15, 22-23.

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PROCUREMENT

"Although each of the constituent bureaus has some kind of service facility, there is little or no control over them from the Agency level. The Division of Service Operations in the Office of the Agency Administrator carries on what is described as a decentralized operation. It provides all of the functions listed above for the Office of the Administrator and some of these services for the Commissioner of Social Security, the Bureau of Public Assistance, Children's Bureau, and the Bureau of Federal Credit Unions. In addition to this consolidated service, there are 31 persons in these small bureaus doing the same kind of work in the same headquarters building. At the departmental level the Food and Drug Administration has an additional 53 employees; the Office of Vocational Rehabilitation, 8 persons; and the Office of Education,