[11/20/78-Not Submitted] [CF, O/A 548]

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THE WHITE HOUSE
WASHINGTON

11/20

Hold for Stu's Comments
(Stu received copy of top memo 11/20)
MEMORANDUM FOR THE PRESIDENT

Subject: Attached Memorandum from Jay Solomon

Jay Solomon's September 28, 1978, memorandum concerning Federal audiovisual management recommends the establishment of an office at GSA to control Government audiovisual expenditures. The Office of Management and Budget does not favor the establishment of the proposed office for the following reasons:

1. The General Services Administration (GSA) would be placed in the position of imposing its judgment over the judgment of other agencies and departments regarding audiovisual needs and expenditures. We do not believe good management can be achieved by separating agency authority to make audiovisuals from agency responsibility to carry out its missions.

2. Government audiovisual expenditures are estimated at $500 million per year of which the Department of Defense (DOD) spends approximately $350 million -- 70 percent. DOD has recently initiated several audiovisual management improvement efforts including a program to close and consolidate DOD audiovisual facilities located in the Washington, D.C., and Federal Region 9 areas. DOD has the competence to get its own house in order.

3. OMB Circular A-114, issued in April 1978, spells out specific policies and procedures for improving agency and departmental audiovisual management. What is now required is for GSA to commence monitoring the implementation of the Circular in those agencies where sufficient progress has not been achieved. Instead of an 80-person office, four or five people should be adequate. We believe the National Audiovisual Center (NAC), a program element of GSA, should be given specific authority to oversee and monitor Circular A-114. The NAC has specific clearance and distribution functions assigned to it by Circular A-114.

4. We do not recommend that audiovisual expenditures be broken out in agencies' budgets as suggested by GSA. The inclusion of "elements of expense" such as audiovisuals
in budgets is anathema to zero-based budgeting. In addition, the inclusion of a new object classification specifically for audiovisuals would require informal congressional approval which would be difficult to obtain.

In addition to the above substantive objections to the establishment of the proposed office, we are also concerned with Mr. Solomon's efforts to elicit premature budget approval from you on resources necessary to implement his proposal. GSA should be expected to confine any resource requests to the ZBB review process where judgments as to program priorities can be weighed objectively against competing agency functions.

James T. McIntyre, Jr.
Director
MEMORANDUM FOR: THE PRESIDENT
FROM: JAY SOLOMON
SUBJECT: Management Control Over Government Audiovisual Expenditures

A number of studies have been conducted in the present decade on the manner in which the federal government spends money on films, videotapes and mixed media productions. They have universally concluded that there are very large dollar expenditures, typically made with inadequate management on the part of the individual agencies, as well as on the part of any central oversight agency. Several abuses have resulted. Chief among these are: proliferation of films and other audiovisual products; unnecessary duplication of subject matter; faulty and wasteful procurement and contracting processes; waste of audiovisual facilities and equipment owned by the government.

The April 1978 study conducted by Robert Lissit under a White House-generated contract, substantiated these findings and brought them up to date. Lissit reported a 1976 expenditure of $500 million. This figure includes capital expenditures for facilities and equipment, and actual production of 2,300 films, 5,500 television programs, and 5,200 audio and mixed media shows. The numbers relate to both civilian and military agencies. The overall cost of $500 million includes salaries of government workers. Lissit and his co-workers felt their numbers were conservative. This is borne out by the 1977 figure of $632 million for federal audiovisual expenditure, published in a private study. The White House study team identified, in its 1,400 pages of report, many unnecessary products, much wastage, some poor quality films and tapes, and little control within the agencies of such expenditures.
It was pointed out that any attempt to attach a precise dollar figure to government audiovisual expenditures would be impossible; however, there were no substantive rebuttals on the part of agencies to the Lissit estimates, and it was generally felt that the study erred on the conservative side.

The most important single finding of the study was widespread waste and inefficiency in the management of audiovisual expenditures. A major cause of the problem was found to be the lack of supra-agency and intra-agency control over these expenditures.

Lissit's study found that no cabinet department has any kind of effective control over its own productions. Budget analysis, under present reporting procedures, cannot isolate all such expenditures. Agencies are presently not required to submit audiovisual products to external scrutiny, nor to submit assessments of audience approval, or return on investment to the agency for a particular product. Audiovisual facilities have largely been permitted to proliferate, to the point that some are utilized as little as ten percent of available time, or less.

In April 1977, in a Cabinet meeting, you expressed concern over the manner in which agencies handled audiovisual production. A year later, with your approval, OMB Circular A-114 was published, and GSA was asked to monitor its impact and to propose additional steps if needed. This proposal is my response to that assignment.

I propose to establish within GSA an office charged with implementation of OMB Circular A-114 through centralized procurement, operational oversight and through the promulgation of specific audiovisual regulations. Such an office is well within the boundaries of GSA functions, as set forth in its enabling legislation, the Federal Property and Administrative Services Act of 1949. Regulatory and operational oversight of government-wide procurement practices for audiovisual products is parallel to, and consistent with, the oversight GSA traditionally renders in the procurement of personal property and non-personal services.
These authorities are subject to the regulations prescribed by the Administrator for Federal Procurement Policy. In a number of paragraphs of OMB Circular A-114, GSA is specifically mentioned by OMB as responsible for one or more implementation functions. It is particularly noteworthy that OMB Policy Letter No. 78-5, Paragraph 7, states that "The General Services Administration and the Department of Defense shall make such changes to the Federal Procurement Regulations and the Defense Acquisition Regulations as necessary to implement the uniform contracting system."

The most recent assessment of government audiovisual functions was made in the September 21, 1978, hearings of John Burton's Subcommittee on Government Activities and Transportation, of the House Committee on Government Operations. Several important points emerged. After hearing testimony from OMB, five agencies and a number of professional groups, Mr. Burton concluded that the government audiovisual problem is still largely unresolved. Circular A-114 establishes policy, and a recent revision provides some operational guidance, but there still exists no central, operating office that provides a full regulatory and operating service for agencies requiring audiovisual productions. The hearings clearly made the point that little has been accomplished to date, that a policy circular alone cannot be expected to improve well-established operating procedures, and that the same principles of central procurement authority that gave rise to GSA in 1949 obtain today.

GSA's present difficulties notwithstanding, I propose a strong, fully-staffed office that would serve all agencies as a central audiovisual procurement source. This will be the first new, operating-type office to be established in GSA since the revelation of the aberrancies that can occur in a government procurement function. It will be a model office, established with full cognizance of the problems that can arise and with full emphasis on establishing new management techniques aimed at superior performance. I expect to give this new office my fullest support and close attention, and to staff it with the best-trained procurement officers available.
If such an office with government-wide audiovisual procurement functions is established in GSA, it would be your prerogative to make its regulations mandatory for all executive departments and agencies (except as exempted for security and other reasons by Circular A-114, Paragraph 5, and except for civil agency exemptions specifically mentioned in the Property Act.) You could permit across-the-board self-exemption by the Secretary of Defense. GSA's new office would solicit vendors, review their proposals, select the winning bidder and supervise production, with agencies guaranteed through regulations the right to define their own needs and to work closely with GSA during production.

When an approved project has been completed, it would be screened and evaluated by GSA for compliance with the original proposal, cost overruns, etc., and would be registered with the National Audiovisual Center for entry into the data bank as available footage. These tasks would be accomplished without delaying the agency's release of the product. At this point, a final agency proposal for evaluating return-on-investment would be approved. The agency would be required to submit a final report on the project after this analysis is completed for major productions.

The agency requiring the audiovisual service would requisition it from GSA's new office just as agencies now requisition other products and services. GSA would not judge an agency's needs, but would procure the film or other audiovisual service, provided the policy of Circular A-76, Circular A-114, and the regulations relating to procurement practice are all observed. Special provisions would assure close agency liaison during production to retain the agency's self-defined requirement as the compelling force in the procurement and production process.

We estimate a staff of 80 contracting officers and support personnel, specially trained as audiovisual specialists will be required for this function. Their tasks would include procuring production services, drafting special regulations, conducting facility consolidation studies and analyzing budgetary data and investment returns.
During the recent Burton hearings, an oral commitment to provide staffing for GSA audiovisual oversight was made by OMB, though without specific figures.

Based on this plan, I believe every audiovisual project except as excluded in OMB Circular A-114, Paragraph 5, can be centrally procured, and a review can be conducted, with agency cooperation, of every audiovisual facility and of all equipment. Based on Lissit's findings and the facility surveys already underway by the Federal Audiovisual Committee, I believe it will be possible to save approximately $83.1 million in the first full year of operation. This could be considered a conservative estimate. I feel that the Lissit Report clearly indicates unnecessary expenditures that far exceed $83 million annually. It is possible that the waste reaches as high as $150 to $200 million annually, if all factors, (such as non-compliance with A-76, faulty contracting procedures, lack of specific regulatory guidelines, and proliferation), are considered. I think an aggressive, fully-staffed audiovisual office could effect savings substantially greater than $83 million, given your strong support and the proper operating authorities. My conservative figure of $83.1 million saved annually is based on the findings of the Lissit Report, and can be broken down thus:

($-millions)

a. 20% of military agency proposals rejected for inadequate justification or insufficient post-production assessment plans  
29.4

b. 20% of civilian agency proposals rejected for inadequate justification or insufficient post-production assessment plans  
19.6

c. facility and equipment consolidations (first year)  
8.0

d. personnel reductions (first year) - 5%  
13.6

e. savings through improvement in contracting procedures (5% per year excluding salaries)  
12.5

TOTAL  
$83.1
The prospect of a strong and successful new procurement office, functioning efficiently and amply justifying its existence in the first year, an office receiving your personal endorsement and my closest scrutiny, would go far toward rebuilding both internal morale at GSA and in securing the confidence of the federal community, as well as the public. The new office's budget and staff are, in my opinion, fully justified by the huge projected return on the investment, as well as by our intent to monitor agency staffing for audiovisual production. Facility consolidation alone could offset a considerable portion of the new staffing requirement. Finally, I propose that the head of the newly-created office serve as chairman of the Federal Audiovisual Committee, which should be retained as a principal communication device between agencies and the new audiovisual office. I recommend that you approve the proposal in toto, which would imply approval of the points I have presented in these pages. I present the key elements below, in the form of options, for your specific attention.

OPTIONS

(1) Form of Management Control. If the status quo is maintained, Circular A-114 would continue to serve as the basic enforcing document, with each agency responsible for its own compliance, and an annual report due to GSA. A somewhat more aggressive approach would be for GSA to report annually on agency compliance, addressing such issues as under-use of facilities, or unnecessary expenditures for production or equipment. One product of this analysis would be recommendations for budget reductions. A third approach would be to establish a clearance process for certain categories of production where cost is of sufficient magnitude, while other types of projects would be sampled, or monitored in less detail. The most stringent approach, which I favor, would be to establish an office within GSA that would serve as the
government's central procurement staff for audiovisual services, and assume the responsibilities for a government-wide motion picture contracting system. Some of these functions were initially assigned to DOD by revisions to OMB Circular A-114, August 30, 1978, prior to the drafting of this proposal, and would revert to GSA by your approval of this option.

**DECISION**

- Status quo (no new staff)
- GSA monitor through agency annual reports (20 new positions)
- GSA approve/disapprove certain classes of projects (30 new positions)

*(Recommended)*

- GSA establish uniform government-wide system for audiovisual procurement, and serve as central procuring office (80 new positions)

**Exemptions.** It would be possible to permit DOD to exempt itself from the regulatory and operational aspects of the new GSA office. Other agencies, now exempt either totally or in part from the procurement authorities granted by Section 201 of the Property Act to the Administrator of General Services, would be exempted from the requirements of this new audiovisual office. To grant the DOD exemption, however, would be to reduce substantially, from the outset, its potential centralizing role and to reduce possible savings. I would prefer to see you issue an
Executive Order requiring DOD compliance - except for those security and other exceptions of Paragraph 5 of Circular A-114. DOD and the other agencies could then be permitted to negotiate additional exemptions, with the Federal Audiovisual Committee serving as arbiter.

DEcision

Establish new office at GSA but do not issue Executive Order requiring initial DOD compliance. (In effect, permit from the outset substantial exemptions).

(Recommended) Establish new office and issue Executive Order requiring DOD compliance, with FAC serving as arbiter for military and civilian agencies which seek full or partial exemptions.

(3) Staffing. A conservative approach would be to staff the office over a two-year period, requiring 40 new positions in each of the first two years of existence. With overhead and administrative burden, this is estimated at $1 million the first year, and twice that sum the second year. On the other hand, you have placed such emphasis on a prompt solution, that I present full initial staffing as an alternative.

DECISION

phase staff in over two years

(Recommended) full initial staff
(4) **Issue of Budget Exposure.** If your decision (above) is to select an aggressive stance, it would be desirable to create a means for identifying agency audiovisual expenditures in the budget process, so that across the board cuts are possible. It has been proposed that each agency's final ZBB submission contain a line accounting for all audiovisual expenditures, just as the travel category is now exposed. This would have the dual benefit of requiring agencies to isolate and formally approve all such expenditures and would provide the oversight office with an excellent assessment device. On the negative side, it would require detailed definition of what is to be included and would require additional analysis on the part of agencies which presently do not isolate these figures. I feel these objections are minor compared to the potential benefits, and recommend the separate line item.

**DECISION**

__________no separate line item

(Recommended) ________separate line item

(5) **Issue of Computerized Data Base.** The National Audiovisual Center would accession all government-produced audiovisual projects, and would compile, from distribution libraries, data on commercially produced films, tapes, etc. Title and key word searches would be made by agencies contemplating a new production, and this service would be offered to commercial producers on a reimbursable basis. It is believed that many proposed projects could be eliminated and an existing government or commercial film substituted. The inclusion of commercial products in such a data base would require an annual budget of $257,000, but
I feel it would save many times that amount by reducing government duplication. Such an office now exists for the mandatory title check under Circular A-114, but without the commercial data base. The addition of the commercial products, however, would enhance the government's cost-avoidance endeavor and would be greatly appreciated by the commercial distribution network. I favor adoption of the second option.

**DECISION**

________do not include commercial products in data base

(Recommended) ______include commercial products in data base

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JAY SOLOMON
THE WHITE HOUSE
WASHINGTON

Ch my / Johnson
DATE: 04 OCT 78
FOR ACTION: STU EIZENSTAT  JIM MCINTYRE
RICHARD PETTIGREW

INFO ONLY: THE VICE PRESIDENT  JERRY RAFSHOON
JACK WATSON

SUBJECT: SOLOMON MEMO RE MANAGEMENT CONTROL OVER GOVERNMENT AUDIOVISUAL EXPENDITURES

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: +

ACTION REQUESTED:

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:
A number of studies have been conducted in the present decade on the manner in which the federal government spends money on films, videotapes and mixed media productions. They have universally concluded that there are very large dollar expenditures, typically made with inadequate management on the part of the individual agencies, as well as on the part of any central oversight agency. Several abuses have resulted. Chief among these are: proliferation of films and other audiovisual products; unnecessary duplication of subject matter; faulty and wasteful procurement and contracting processes; waste of audiovisual facilities and equipment owned by the government.

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TOTAL $83.1
The prospect of a strong and successful new procurement office, functioning efficiently and amply justifying its existence in the first year, an office receiving your personal endorsement and my closest scrutiny, would go far toward rebuilding both internal morale at GSA and in securing the confidence of the federal community, as well as the public. The new office's budget and staff are, in my opinion, fully justified by the huge projected return on the investment, as well as by our intent to monitor agency staffing for audiovisual production. Facility consolidation alone could offset a considerable portion of the new staffing requirement. Finally, I propose that the head of the newly-created office serve as chairman of the Federal Audiovisual Committee, which should be retained as a principal communication device between agencies and the new audiovisual office. I recommend that you approve the proposal in toto, which would imply approval of the points I have presented in these pages. I present the key elements below, in the form of options, for your specific attention.

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**DECISION**

- ________ Status quo (no new staff)
- ________ GSA monitor through agency annual reports (20 new positions)
- ________ GSA approve/disapprove certain classes of projects (30 new positions)
- (Recommended) ________ GSA establish uniform government-wide system for audiovisual procurement, and serve as central procuring office (80 new positions)

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Executive Order requiring DOD compliance - except for those security and other exceptions of Paragraph 5 of Circular A-114. DOD and the other agencies could then be permitted to negotiate additional exemptions, with the Federal Audiovisual Committee serving as arbiter.

DECISION

Establish new office at GSA but do not issue Executive Order requiring initial DOD compliance. (In effect, permit from the outset substantial exemptions).

(Recommended) Establish new office and issue Executive Order requiring DOD compliance, with FAC serving as arbiter for military and civilian agencies which seek full or partial exemptions.

(3) Staffing. A conservative approach would be to staff the office over a two-year period, requiring 40 new positions in each of the first two years of existence. With overhead and administrative burden, this is estimated at $1 million the first year, and twice that sum the second year. On the other hand, you have placed such emphasis on a prompt solution, that I present full initial staffing as an alternative.

DECISION

phase staff in over two years

(Recommended) full initial staff
(4) **Issue of Budget Exposure.** If your decision (above) is to select an aggressive stance, it would be desirable to create a means for identifying agency audiovisual expenditures in the budget process, so that across the board cuts are possible. It has been proposed that each agency's final ZBB submission contain a line accounting for all audiovisual expenditures, just as the travel category is now exposed. This would have the dual benefit of requiring agencies to isolate and formally approve all such expenditures and would provide the oversight office with an excellent assessment device. On the negative side, it would require detailed definition of what is to be included and would require additional analysis on the part of agencies which presently do not isolate these figures. I feel these objections are minor compared to the potential benefits, and recommend the separate line item.

DECISION

___________no separate line item

(Recommended) __________separate line item

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**DECISION**

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__Jay Solomon__
FOR STAFFING
FOR INFORMATION
FROM PRESIDENT'S OUTBOX
LOG IN/TO PRESIDENT TODAY
IMMEDIATE TURNAROUND
NO DEADLINE
LAST DAY FOR ACTION

ADMIN CONFIDENTIAL
CONFIDENTIAL
SECRET
EYES ONLY

VICE PRESIDENT
JORDAN
EIZENSTAT
KRAFT
LIPSHUTZ
MOORE
POWELL
RAFSHOON
WATSON
WEXLER
BRZEZINSKI
MCINTYRE
SCHULTZE

ARAGON
BUTLER
H. CARTER
CLOUGH
CRUIKSHANK
FALLOWS
FIRST LADY
GAMMILL
HARDEN
HUTCHESON
LINDER
MARTIN
MOE
PETEerson
PETTIGREW
PRESS
SANDERS
VOORDE
WARREN
WISE

ADAMS
ANDRUS
BELL
BERGLAND
BLUMENTHAL
BROWN
CALIFANO
HARRIS
KREPS
MARSHALL
SCHLESINGER
STRAUSS
VANCE
I am not persuaded that all audio-visual procurement should be centralized. The paper does not make a convincing case that centralizing this function in one agency will be more effective and/or less expensive.

I suggest that the President should specifically raise this issue with the agencies by directing each Secretary and Agency Head to establish separate budget and program controls for the audio-visual function. Each department should set zero based goals to be monitored by OMB. The goals can be revised on a quarterly experience basis provided they are set annually, rolling the revised goals forward every three months. Such a program will surely (a) make clear the President's determination to hold down audio-visual costs and (b) do so without creating a new central bureaucracy.