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SENATE

{ REPORT
No. 849

REVOLVING SUPPLY FUND OF THE VETERANS' ADMINISTRATION

AUGUST 31, 1961.—Ordered to be printed

Mr. BYRD of Virginia, from the Committee on Finance, submitted the following

R E P O R T

[To accompany H.R. 8414]

The Committee on Finance, to whom was referred the bill (H.R. 8414) to amend section 5011 of title 38, United States Code, to clarify the authority of the Veterans' Administration to use its revolving supply fund for the repair and reclamation of personal property, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

EXPLANATION OF THE BILL

Section 5011 of title 38 provides a revolving supply fund for the operation and maintenance of the supply system of the agency, including procurement of supplies and equipment and personal services. The fund is reimbursed from appropriations for the cost of all services, equipment, and supplies and is credited with advances from appropriations for the activities to which the services or supplies are furnished. It is also credited with receipts resulting from the operation of the fund, including the proceeds from disposal of scrap, excess or surplus property, and receipts from carriers or others for the loss of or damage to personal property. At the end of each fiscal year any net income from the fund, after making a provision for prior losses, is covered into the Treasury of the United States as miscellaneous receipts.

Because the Comptroller General has ruled that there is no statutory authority, the Veterans' Administration has had to refrain from employing processes and paying for services which may not meet a specific need of the agency, but which would be beneficial to the taxpayer and the Government as a whole. A particular instance

will serve as an example. The Veterans' Administration annually exposes and develops a billion and one-quarter square inches of X-ray film. This film contains on its surface a total of 320,000 troy ounces of silver in the form of silver bromide. Approximately \$144,000 worth of silver is washed off the film in a developing solution. The Veterans' Administration has found it practical to remove approximately 80 percent of the accumulated silver salt from the solution to reduce the annual expenditure for the developer by at least \$30,000. By further efforts approximately \$125,000 worth of silver could be recovered. This legislation would make possible the accomplishment of such savings.

The Veterans' Administration advises there would be no cost to the Government should this bill be enacted but rather there would be substantial savings.

The legislation was formally requested by the Veterans' Administration and the report of that agency follows.

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., July 17, 1961.

HON. LYNDON B. JOHNSON,
President of the Senate, Washington, D.C.

DEAR MR. PRESIDENT: There is transmitted herewith a draft of a bill to amend section 5011 of title 38, United States Code, to clarify the authority of the Veterans' Administration to use its revolving supply fund for the repair and reclamation of personal property.

Section 5011 of title 38, provides a revolving supply fund for the operation and maintenance of the supply system of the agency, including procurement of supplies and equipment and personal services. The fund is reimbursed from appropriations for the cost of all services, equipment, and supplies and is credited with advances from appropriations for the activities to which the services or supplies are furnished. It is also credited with receipts resulting from the operation of the fund, including the proceeds from disposal of scrap, excess or surplus property, and receipts from carriers or others for the loss of or damage to personal property. At the end of each fiscal year any net income from the fund, after making a provision for prior losses, is covered into the Treasury of the United States as miscellaneous receipts.

Within the supply system and financed from the revolving supply fund the Veterans' Administration operates a program for the repair and reclamation of used, spent, or excess supplies and equipment for the purpose of extending their useful life and utilization to meet other needs of the agency.

Unserviceable used equipment made excess at any given location by replacement or other reasons, if economically repairable and required at other locations either currently or in the foreseeable future, is taken back into the supply system, completely rehabilitated and made like new and reissued. At time of issue the appropriation is charged the cost of rehabilitation. In this way the need of appropriations for procurement of equipment is reduced.

A problem has arisen, however, when the process or byproduct of the process involves services which may not meet a specific need of

the Veterans' Administration, but which would be beneficial to the taxpayer, and the Government as a whole. For the lack of appropriate enabling statutory language we have had, from time to time, to forgo certain services which appear to be obviously in the interest of the Government but the supply fund could not cover the initial expense involved.

The particular problem which caused us to seek this legislation arose in connection with the reclamation of exposed X-ray film. The Veterans' Administration exposes and develops annually a billion and a quarter square inches of X-ray film. This film contains on its surface a total of over 320,000 troy ounces of silver in the form of silver bromide. During the developing process approximately 50 percent of this silver, or \$144,000 worth, is washed off the film into the developing solution. It is both feasible and practical by a process of electrolysis in the developing tank to remove approximately 80 percent of the accumulating silver salts from the solution. This would extend the useful life of the solution and reduce the annual expenditures for the developer by at least \$30,000. By further reclamation, approximately \$125,000 worth of silver could be recovered from the deposits removed from the solution. There is a like amount potentially recoverable from film disposed of in our records disposal program.

The Comptroller General, in a decision addressed to the Administrator of Veterans' Affairs, dated December 13, 1960 (B-116651), has held that the language of section 5011 of title 38, United States Code, is such as to "qualify the use of the supply fund on the basis of adjustment between the supply fund and the consuming appropriations for the cost of services, equipment, and supplies furnished the appropriations otherwise available for payment of such expenses."

It follows that the first step in this process, that of removing the silver bromide from the developing solution, and thus extending its life, would properly fall within the authorized scope of the supply fund since appropriations made to the Veterans' Administration for "Inpatient care" and "Outpatient care" (for fiscal year 1962, to be combined into one appropriate item, "Medical care") are available in general terms for expenses necessary to expose and develop X-ray film in the care and treatment of veterans.

In the opinion of the Comptroller General, the second and most important step in the elimination of waste, the reclamation of the silver into salable form, does not fall within the authorized scope of the supply fund since appropriations made to the Veterans' Administration are not available to cover expenses of services not directly supporting its authorized mission.

We have attempted to develop satisfactory contracts for the recovery of this silver from the solution and satisfactory markets for the exposed film without adequate results. Contracts where we have been able to make them are recovering for the Government only \$9,000 a year. We have been able to develop markets for the exposed film interested only in the acetate base. The highest price offered for exposed film approximates 20 cents an avoirdupois pound. As a result over a quarter of a million dollars worth of silver goes to waste each year from the X-ray programs alone of the Veterans' Administration.

This legislation would allow us to halt this type of waste by (1) authorizing the reclamation of used, spent, or excess personal property

of the Veterans' Administration not directly related to the mission of the Veterans' Administration and (2) covering the expenses involved in the reclamation process out of the proceeds of the sale of such property.

In his letter of December 13, 1960, the Comptroller General further stated that "we believe that the plan for a centralized silver reclamation program as a supply fund activity should be brought to the attention of the Congress, and we would recommend favorable consideration by the Congress."

Although we have cited the silver reclamation project as one current example of the type of situation toward which this legislation is directed, we anticipate other situations incident to our repair and reclamation program will arise in which the use of this authority would prove advantageous to the Government.

There would be no net cost to the Government should this bill be enacted rather there should be substantial annual savings.

We are advised by the Bureau of the Budget that there is no objection from the standpoint of this administration's program to the presentation of this report to the committee.

Sincerely,

J. S. GLEASON, Jr.,
Administrator.

CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets; new matter is printed in italic; existing law in which no change is proposed is shown in roman):

SECTION 5011, TITLE 38, UNITED STATES CODE

§ 5011. Revolving supply fund

(a) The revolving supply fund established for the operation and maintenance of a supply system for the Veterans' Administration (including procurement of supplies [and], equipment and personal services *and the repair and reclamation of used, spent, or excess personal property*) shall be—

(1) available without fiscal year limitations for all expenses necessary for the operation and maintenance of such supply system;

(2) reimbursed from appropriations for the cost of all services, equipment, and supplies furnished, at rates determined by the Administrator on the basis of estimated or actual direct and indirect cost; and

(3) credited with advances from appropriations for activities to which services or supplies are to be furnished, and all other receipts resulting from the operation of the fund, including *property returned to the supply system when no longer required by activities to which it had been furnished*, the proceeds of disposal of scrap, excess or surplus personal property of the fund, and receipts from carriers and others for loss of or damage to personal property.

At the end of each fiscal year, any net income of the fund, after making provision for prior losses, shall be covered into the Treasury of the United States as miscellaneous receipts.

(b) An adequate system of accounts for the fund shall be maintained on the accrual method, and financial reports prepared on the basis of such accounts. An annual business type budget shall be prepared for operations under the fund.

(c) The Administrator is authorized to capitalize, at fair and reasonable values as determined by him, all supplies and materials and depot stocks of equipment on hand or on order.

