



Reports and Testimony: April 1990

Highlights

Savings and Loan Crisis

GAO puts a \$325 billion "low cost" price tag on the savings and loan bailout, \$68 billion more than estimated only eight months ago, and warns of a much sharper increase if interest rates rise, thrifts continue failing, and seized assets aren't disposed of more quickly. Page 16.

Gasoline Marketing

The federal government is doing little to prevent gas stations from selling low-octane fuel at high-octane prices, a mislabeling practice affecting about nine percent of all gas sales nationwide and cheating more than \$150 million annually from motorists. Page 8.

Apache Helicopter

The Army should stop producing its most advanced helicopter gunship because it has many apparently uncorrectable problems and concentrate instead on maintaining the 675 AH-64 Apaches it already has. Page 45.

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Special Publications

Report of the National Advisory Commission on Law Enforcement OCG-90-2, Apr. 25.

This report presents the findings and recommendations of the National Advisory Commission on Law Enforcement. The Commission, chaired by Charles A. Bowsher, Comptroller General of the United States, was established by the Anti-Drug Abuse Act of 1988. It was charged with studying pay, benefits, and other issues related to the recruitment, retention, and morale of federal law enforcement officers.

Diversifying and Expanding Technical Skills at GAO

GAO/PEMD-90-18 (Vol. 1) and GAO/PEMD-90-18S (Vol. 2), April 1990.

In September 1988, the Comptroller General established a Task Force on Interdisciplinary Management to review the utilization, training, and management of technical staff within the General Accounting Office, and to recommend any needed changes in the agency's management practices. Volume 1 of this report contains the analyses and recommendations of the task force. Volume 2 provides more detailed descriptions of the various data collection efforts conducted by the task force.

Agriculture and Food

Wool and Mohair Program: Need for Program Still in Question

GAO/RCED-90-51, Mar. 6.

Following a decade of dramatic decline in the U.S. sheep industry, Congress established a price support program for wool and mohair in 1954. Payments under the program totaled about \$2 billion through 1988. GAO reported in 1982 that the wool portion of the program had a limited effect on its objectives and was not an effective way to solve the sheep industry's problems. These findings are still valid. Domestic wool production has continued to decline. GAO estimated that in 1988 the additional output of wool attributable to the program cost the government \$3.04 a pound, while the average market price of wool produced that year was only \$1.38 a pound. The wool program is partly justified on the basis that wool is a strategic commodity for military and emergency purposes. However, as GAO reported in 1982, wool is no longer classified as strategic. At the time of GAO's 1982 report, mohair payments represented only a small portion of the overall program payments. This situation has changed. In 1988 mohair payments represented over 53 percent

of the total payments made. Even so, specific legislative objectives have not been set for mohair.

**1990 Farm Bill:
Opportunities for Change**

GAO/RCED-90-142, Apr. 10.

The 1990 farm bill is one of the most significant pieces of legislation to be developed this year. Revised about every five years, the farm bill governs \$40 to \$50 billion in annual federal spending and affects virtually all aspects of the nation's economy, including international trade, the environment, rural development, and domestic social welfare. This report addresses issues that GAO believes Congress should consider during the farm bill debate. In GAO's view, high on any farm bill agenda should be major changes to price and income support programs—by eliminating some programs and restructuring others—to encourage greater opportunities for marketing. Another priority should be an overhaul of the way farm credit and agricultural disaster assistance, especially crop insurance, are provided to farmers. This report covers the following major program areas: (1) commodity price and income supports, (2) farm finance, (3) crop disaster assistance, (4) conservation and environmental programs, (5) international programs, (6) food stamps, and (7) USDA management.

**Farming and Farm Programs:
Impact on the Rural Economy and on Farmers**

GAO/RCED-90-108BR, Apr. 24.

This briefing report presents information on (1) the relative importance of farm sector employment (full-time and part-time) and nonfarm employment to the rural economy and (2) the distribution of farm program payments. GAO analyzed the payment distribution by production specialty, sales class, region of the country, and the level of income earned by farm operators on and off the farm. In summary, GAO found that the number of farming-dependent counties is decreasing, and agricultural employment in rural counties is increasingly important to those economies. Nine out of 10 rural workers are employed by nonfarm industries. Over half of U.S. farm families have one or more family members working at nonfarm jobs. For the most part, the distribution of farm program payments did not change substantially after passage of the 1985 farm bill.

Testimony

Observations on Aflatoxin Detection and Control Activities of Federal, State, and Private Organizations, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Wheat, Soybeans, and Feed Grains, House Committee on Agriculture. GAO/T-RCED-90-60, Apr. 2.

GAO discussed its ongoing work on aflatoxin—a naturally occurring toxin produced by a common fungus on crops like corn and peanuts. While aflatoxin is safety concern, food safety experts do not consider it as serious as several other food safety risks, including microbes like salmonella and contaminants like lead and mercury. An infrastructure of federal, state, and industry groups test and control the incidence of aflatoxin in the food supply. At this time, FDA considers that supply to be safe from aflatoxin. Nevertheless, GAO found that there is not enough information to determine the extent of aflatoxin in the U.S. corn crop. If it is decided that more testing is necessary, GAO believes a logical place to begin is the point of greatest risk—the approximately 100 mills where corn is processed into food.

Views on Temporary Emergency Food Assistance Program and Commodities for Soup Kitchens, by John W. Harman, Director of Food and Agriculture Issues, before the Senate Committee on Agriculture, Nutrition, and Forestry. GAO/T-RCED-90-69, Apr. 18.

This statement for the record contains information GAO gathered on the effectiveness of two programs extended or authorized by the Hunger Prevention Act of 1988—the Department of Agriculture’s Temporary Emergency Food Assistance Program and a new program to provide commodities to soup kitchens or food banks. In summary, USDA and state officials told GAO that USDA’s management of commodity purchases seems to be working effectively after initial program “start-up” delays. Recipient agency officials said they were generally satisfied with the amounts, types, and delivery schedules of the commodities received. GAO lists suggestions by state and local officials and well as by recipients for improving the programs.

Budget and Spending

Impoundments:

Release of DOD Budget Authority Deferred for Policy Reasons

GAO/OGC-90-6, Apr. 9.

In a March 6, 1990, report, GAO addressed 18 of the 19 deferrals mentioned in the President's third special impoundment message for fiscal year 1990. GAO noted that it was in the process of gathering information on the remaining deferral and that it would report the results of that review separately. However, in a March 28, 1990, letter, the Director of OMB said that the administration no longer planned to withhold the funds reported as deferred. The latest apportionment statement for the Air Force's Research, Development, and Evaluation account shows that the \$100,000 reported in the remaining deferral has been released and is now available for obligation. As a result, GAO no longer plans to report on the subject deferral.

Testimony

Need for Improved Budgetary Controls Over Federal Credit Programs, by Charles A. Bowsher, Comptroller General of the United States, before the Task Force on Urgent Fiscal Issues, House Committee on the Budget. GAO/T-AFMD-90-18, Apr. 11.

The Comptroller General testified on the need for improved budgetary controls over federal credit programs. The congressional budget committees, the Office of Management and Budget, the Congressional Budget Office, and GAO are in substantial agreement on the need for credit budgeting reform. This testimony outlines the common features as well as variations of the reform proposals of these organizations. The Comptroller General emphasizes the need for a broad perspective on the problem—one that is not restricted simply to direct loans and loan guarantees. He stresses that the government must also consider the budgetary implications of federal insurance programs and the activities of government-sponsored enterprises.

Testimony on H.R. 3929 and Other Budgetary Matters, by Charles A. Bowsher, Comptroller General of the United States, before the Subcommittee on the Legislative Process, House Committee on Rules. GAO/T-AFMD-90-20, Apr. 19.

The Comptroller General spoke on H.R. 3929, the Budget Process Reform Act of 1990, and on other budget issues. In the 1980s, the federal deficit burgeoned as taxes were cut and government spending

increased. If current trends continue, the public debt will reach \$4 trillion by the mid-1990s, consuming \$250 to \$300 billion per year of the nation's scarce supply of savings that should be flowing into productive capital investment. This threatens the nation's future economic growth and international competitiveness. America's ability to respond to both its interests abroad and to domestic problems will be increasingly constrained. The Comptroller General cited several structural problems with the current unified budget. For example, the merger of growing trust fund surpluses—Social Security being the largest—with general operating amounts gives the illusion that progress has been made in reducing the deficit. In addition, the budget now tends to greatly understate many costs, such as the trillions in potential losses associated with federal credit and insurance programs. The Gramm-Rudman-Hollings process has not resulted in meaningful deficit reduction, and the Comptroller General believes a different approach to budgeting is needed. H.R. 3929 would repeal Gramm-Rudman-Hollings and substitute a "pay-as-you-go" approach to deficit reduction. GAO is concerned that pay-as-you-go procedures would obscure accountability for budgetary results and would encourage a new round of budgetary gimmicks. The Comptroller General favors more comprehensive legislation that would include many of H.R. 3929's provisions designed to enhance budget discipline. He also urges consideration of GAO's budget restructuring proposal or similar proposals aimed at overcoming the limitations of the current unified budget. The treatment of costs, commitments, and unmet needs also should be addressed.

Business, Industry, and Consumers

Testimony

Small Business: Development Centers Meet Counseling Needs of Most Clients, by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Senate Committee on Small Business. GAO/T-RCED-90-65, Apr. 18.

GAO testified on its November 1989 report on the Small Business Administration's Small Business Development Center program (see GAO/RCED-90-38BR). In summary, GAO found that the centers are meeting the counseling needs of most clients. A high percentage of clients are satisfied with the help they received and believe they were assisted

quickly. They also believe they received the kind and amount of assistance they wanted, and most would use the program again. GAO believes the improvements being considered by the Small Business Administration should further enhance the services provided by the centers.

Education

Guaranteed Student Loans: Credit Bureau Reporting Practices by Guaranty Agencies and Lenders

GAO/HRD-90-71BR, Apr. 9.

This report provides information on the implementation of provisions in the Higher Education Amendments of 1986, which require guaranty agencies and lenders to report information on Stafford student loan program borrowers to credit bureaus. The intent is to promote greater borrower responsibility and repayment of student loans, thus helping to reduce growing loan default costs. GAO obtained the opinions of guaranty agency and lender representatives on (1) the effectiveness of the credit bureau reporting requirements in preventing defaults; (2) the impact that credit reporting is having on the availability of other kinds of consumer credit for student loan borrowers; and (3) improvements that could be made to existing legislative, regulatory, or other Department of Education requirements.

Employment

Workers' Compensation: The Impact of 1984 Amendments on the Longshore Program

GAO/HRD-90-76BR, Mar. 8.

GAO reviewed the Longshore and Harbor Workers' Compensation Act Amendments of 1984 to determine whether they had expedited or improved the processing of claims involving occupationally induced diseases. GAO's work at three Department of Labor district offices—San Francisco, Boston, and Jacksonville (Florida)—indicates that the amendments have not reduced average case processing time or the backlog of cases. Also, employers and claimants continue to dispute many other issues, such as the cause and extent of injuries and who is the liable employer when employees have worked for more than one employer. Employers routinely contest claims involving occupational diseases and seldom provide benefits voluntarily. In addition, at the

offices GAO visited, the majority of claims filed since the 1984 amendments are still pending resolution. Labor officials said that most of the cases pending were either because the attorneys representing the parties were still developing evidence or they were awaiting resolution from third parties, such as asbestos manufacturers.

**Employee Benefits:
Extent of Companies' Retiree Health Coverage**

GAO/HRD-90-92, Mar. 28.

Companies provide health coverage to active workers more often than they do to retirees. Only about four percent of companies provide retiree health coverage. However, because these companies tend to be larger, a relatively high percentage of people—about 40 percent of private sector employees—work for firms with retiree health coverage. Since 1984 fewer than one percent of companies have terminated a health plan that resulted in retirees or active workers losing their health coverage. Yet companies are trying to limit retiree health costs. Over one-third of companies with health plans for active workers or retirees require participants to help pay for coverage. Existing law provides limited protection to current and future retirees against company actions to reduce or terminate benefits. In addition, the proposal by the Financial Accounting Standards Board that companies recognize retiree health liabilities on their financial statements has caused some companies to reconsider whether they will be able to continue providing benefits. Congress has several options if it decides to strengthen the security of retiree health benefits. These options range from (1) applying a full pension-type model, including requiring advance funding regulated by comprehensive legislation like the Employee Retirement Income Security Act of 1974, to (2) requiring companies with health plans to allow retirees under age 65 to purchase coverage at group rates similar to the coverage now provided by 1985 legislation.

Energy

**Gasoline Marketing:
Consumers Have Limited Assurance That Octane Ratings Are Accurate**

GAO/RCED-90-50, Apr. 16.

In 1978 Congress passed the Petroleum Marketing Practices Act. This legislation requires uniform posting of accurate octane ratings on gas

pumps to let consumers know the octane rating of the gasoline they are buying. However, because the Federal Trade Commission and the Environmental Protection Agency have not carried out their octane testing and enforcement responsibilities under the Act, there are no federal controls to ensure that gasoline octane postings are accurate. Octane mislabeling is a problem in some states, and GAO believes consumers may be paying millions of dollars each year for gasoline with lower octane rating than what is posted on the pump. GAO is also concerned that the Act lacks provisions for posting octane ratings for gasoline-alcohol blends and has other provisions that may interfere with state octane enforcement efforts.

**Energy Management:
Extent of Crude Oil Contamination Is Uncertain**

GAO/RCED-90-114BR, Mar. 8.

GAO examined allegations that crude oil in Oklahoma and elsewhere in the United States may be contaminated with hazardous wastes and/or other noncrude substances. Some substances occur naturally in crude oil, while others could be intentionally or unintentionally added when the oil is produced and transported. These substances include organic chlorides, sulfur, waste oil, and PCBs. This briefing report provides information on the following: (1) instances of crude oil contamination, the substances found in crude oil, the circumstances involved, the safety and environmental effects of refining contaminated crude, and the extent to which refinery fires and explosions can be linked to the processing of contaminated crude oil; (2) what impact the Resources Conservation and Recovery Act and the Hazardous Liquid Pipeline Safety Act have on the crude oil contamination issues; and (3) what government and industry actions are being taken to address the contamination issue.

**Nuclear Regulation:
The Military Would Benefit From a Comprehensive Waste Disposal Program**

GAO/RCED-90-96, Mar. 23.

Because of an accidental release in 1986 of low-level waste stored at the Wright-Patterson Air Force Base, Ohio, several individuals inhaled small

amounts of a radioactive substance. GAO examined the Nuclear Regulatory Commission's oversight of the Department of Defense's use, handling, and disposal of radioactive material and found that (1) no comprehensive DOD waste disposal program exists and (2) none of the three services knows the full extent of its low-level radioactive waste disposal problems. Throughout the 1980s, the Army and the Air Force had, on occasion, been banned from disposal sites for failing to comply with federal and state requirements. By December 1992, two of the three sites now used by DOD to dispose of waste will close, and only a limited number of new sites may be available for several years. In the interim, DOD will pay substantial surcharges to dispose of waste. After January 1993, DOD will have to comply with disposal requirements for as many as 16 sites or store waste on-site pending the availability of new sites. GAO believes DOD needs to take full advantage of the time between now and January 1993 to establish a low-level radioactive waste disposal program. DOD also needs to work with other federal agencies, compacts, and states to determine the feasibility of dedicating a portion of one or more disposal sites for the government's use.

**Nuclear Health and Safety:
Need for Improved Responsiveness to Problems at DOE Sites**

GAO/RCED-90-101, Mar. 28.

This report summarizes the responsiveness of DOE and contractors to findings contained in DOE technical safety appraisals and environmental surveys. These appraisals and surveys have been done at DOE facilities and sites to find out the extent of the environmental, safety, and health problems and to prioritize them for corrective action. As of January 1990, DOE computer data showed over 1,700 safety and health problems and almost 1,300 environmental problems. The majority of these problems, however, have not yet been corrected. GAO also looked at the extent to which DOE has developed a computerized tracking system to monitor the status of its environmental, safety, and health problems. GAO found that the computer system lacks important information, such as various field office and independent appraisals. Inclusion of this information would provide a more complete picture of the problems at the sites.

**Nuclear Waste:
Quarterly Report as of December 31, 1989**

GAO/RCED-90-130, Apr. 30.

This is GAO's most recent quarterly status report on the implementation of the Nuclear Waste Policy Act of 1982, which requires DOE to carry out a federal program for the safe and permanent disposal of high-level nuclear waste in geologic repositories. GAO found that the Nuclear Regulatory Commission and others are concerned that EPA's repository containment standards may be written in such a way that it may be difficult, if not impossible, for DOE to satisfactorily demonstrate compliance. The specific concern is that limitations and uncertainties in the methods and data for making the necessary numerical calculations—such as predicting the occurrence of uncertain events like earthquakes over the long period of time—could lead to lengthy licensing delays unless EPA and/or NRC provide enough guidance on acceptable ways for addressing these limitations and uncertainties. NRC's staff has taken initial steps in what it expects to be a collaborative process with EPA to develop more guidance on how DOE is to demonstrate whether or not the Yucca Mountain site complies with the containment standard. Furthermore, both NRC and EPA expect that DOE's experience over the next several years in demonstrating that its new repository for certain defense wastes—DOE's Waste Isolation Pilot Plant—complies with EPA's standards should provide valuable insight into the problems that can be expected in demonstrating compliance with the containment standard for an NRC-licensed repository.

Testimony

Efforts to Improve DOE's Management of the Nuclear Weapons Complex, statement for the record by Victor S. Rezendes, Director of Energy Issues, before the Subcommittee on Natural Resources, Agriculture Research and Environment, House Committee on Science, Space and Technology. GAO/T-RCED-90-64, Mar. 28.

GAO's statement for the record discusses DOE's efforts to improve management of environmental, safety, and health matters at the nuclear weapons complex. Specifically, GAO addresses the following issues: (1) DOE's environmental, safety, and operational problems; (2) longstanding management problems of the complex; (3) recent DOE initiatives to improve its management of the complex; and (4) key management issues that could affect DOE's recent initiatives.

Performance of Participants in DOE's Inertial Confinement Fusion Program, by Victor S. Rezendes, Director of Energy Issues, before the Department of Energy, Defense Nuclear Facilities Panel, House Committee on Armed Services. GAO/T-RCED-90-58, Apr. 5.

GAO testified on the performance of KMS Fusion, Inc. and the other five participants in DOE's Inertial Confinement Fusion Program. The goal of the program is to create a small thermonuclear explosion in the laboratory for weapons physics studies. DOE had alleged that KMS' performance had not met program expectations. This testimony summarizes the results of two previous GAO reports; see GAO/RCED-90-113BR, Mar. 15, 1990, and GAO/RCED-90-115FS, Mar. 15, 1990.

Alaskan Crude Oil Exports, by Judy England-Joseph, Associate Director for Energy Issues, before the Subcommittee on International Economic Policy and Trade, House Committee on Foreign Affairs. GAO/T-RCED-90-59, Apr. 5.

What will the consequences be of lifting the existing ban on the export of Alaskan North Slope crude oil? GAO testified that if the ban is removed, some of this oil will almost certainly be exported to Pacific Rim countries. This is because it is inexpensive to transport oil to the Pacific Rim and because the characteristics of Alaskan North Slope crude may make it more suitable to Pacific Rim rather than West Coast refiners. This would probably lead to gains in economic efficiency, but would also probably harm the maritime industry and independent refiners on the West Coast. It would, of course, benefit crude oil producers in Alaska and California. From an energy security standpoint, lifting the ban would increase total U.S. oil imports but, probably, decrease net imports as a result of increased oil production and improvement in refinery efficiency.

Environmental Protection

Water Pollution: Serious Problems Confront Emerging Municipal Sludge Management Program

GAO/RCED-90-57, Mar. 5.

Nationwide, municipal treatment plants have doubled their annual generation of sewage sludge since the early 1970s. The present level of 7.7 million dry metric tons is expected to double again by the year 2000. GAO found that fundamental problems have prevented EPA's interim sludge

program from achieving its objectives of protecting peoples' health from contaminated sludge and helping states to establish administrative mechanisms for sludge management. Among the problems are (1) low state participation in the program and (2) EPA regions not fulfilling basic program responsibilities, like identifying the treatment plants to be permitted, in those states not fully participating in the program. Insufficient state and EPA resources have significantly impeded implementation of program requirements. Among the major obstacles that may affect the permanent program are (1) continued questions over the sufficiency of EPA and state resources and (2) the need to develop an enforcement program to deter program violations and to bring about compliance when violations do occur. By anticipating and dealing with these issues before they become major factors in the permanent program, EPA can help avert the type of problems that have affected the interim program. EPA has experienced great difficulty and years of delay in developing its final technical sludge regulations. However, reaction to these regulations—released in February 1989—suggest that these problems have yet to be resolved. State and treatment plant officials and scientists are particularly concerned that the proposal's pollution limits would discourage beneficial uses of sludge.

**Medical Waste Regulation:
Health and Environmental Risks Need to Be Fully Assessed**

GAO/RCED-90-86, Mar. 6.

The medical waste that washed ashore during the summers of 1987 and 1988 raised serious health concerns. The public, fearing that the used syringes littering the sand might transmit AIDS and other diseases, stayed away from the seashore. Some beaches closed. GAO examined how six states—Arizona, California, Illinois, New York, South Carolina, and Wisconsin—regulate infectious medical waste. GAO found that while all six states regulate infectious waste in some way, they vary in regulatory authorities; the type of waste defined as infectious; categories of waste generators regulated; and handling, treatment, and disposal requirements. In addition, their programs are generally low in priority relative to others, such as those for hazardous waste. The Medical Waste Tracking Act of 1988 established a two-year demonstration program to track medical waste from generation to proper disposal. GAO found that EPA and the Agency for Toxic Substances and Disease Registry have made progress in implementing the requirements of the Act. For example, EPA has issued regulations for the demonstration program, and the participating states have started to carry them out. EPA has also started

to gather information on the public health and environmental threat. The main concern about medical waste is its potential to transmit disease. Because there is limited documented evidence of this likelihood, the assessment of health and environmental risks is an important first step in deciding the government's future response to the medical waste problem. The assessment should also help address the related issue of the specific types of medical waste to be considered infectious for management and regulatory purposes. Any major data gaps, however, could limit the usefulness of the assessment for these purposes or delay deliberations on the need for additional regulation until the gaps are filled.

**Hazardous Waste:
Status and Resources of EPA's Corrective Action Program**

GAO/RCED-90-144, Apr. 19.

GAO studied EPA's program for cleaning up hazardous waste that could be contaminating the land and air and seeping into the nation's ground and surface waters from facilities that treat, store, incinerate, or dispose of this waste. GAO found that most hazardous waste facilities have not yet been examined for possible leaks. Out of 4,615 facilities, 1,711 have been assessed. Cleanup remedies are being studied, proposed, selected, or implemented at 95 of the assessed facilities. This report details (1) the status of the corrective action at facilities, including those owned by the federal government, and (2) the level of staff resources that EPA's 10 regional offices are committing to the corrective action program.

Financial Institutions

**Chicago Futures Market:
Emergency Action Procedures**

GAO/GGD-90-64, Apr. 9.

On July 11, 1989, the Board of Directors of the Chicago Board of Trade (CBT) ordered everyone holding soybean futures positions in excess of the 3 million bushel speculative position limit to liquidate those positions to no more than 1 million bushels as of the expiration of trading on July 20, 1989. A futures position is a market commitment associated with the purchase or sale of a futures contract. CBT officials said they took this action to prevent a potential disorderly expiration and defaults in the July soybean futures contract. Using the July 1989 soybean futures emergency action as a case study, GAO examined the Commodity Futures Trading Commission (CFTC) and the CBT policies, procedures,

and practices related to emergency actions. This report provides information on how (1) CFTC and CBT identify emergencies; (2) CFTC and CBT use their emergency action authority; (3) CBT controls leaks of nonpublic information related to emergency action decisionmaking; (4) CBT avoids conflicts of interest in emergency action decisionmaking, including how its approach differs from that in proposed CFTC reauthorization legislation; and (5) CFTC reviews exchange emergency actions.

**Clearance and Settlement Reform:
The Stock, Options, and Futures Markets Are Still at Risk**

GAO/GGD-90-33, Apr. 11.

After the October 1987 stock market crash, the President created a Working Group on Financial Markets to identify issues, make recommendations, and help resolve the complex problems raised by the crash. The Working Group is chaired by the Secretary of the Treasury and counts among its members the Chairmen of the Securities and Exchange Commission, the Commodity Futures Trading Commission, and the Federal Reserve System. The Group of Thirty, an international private sector group, has also made recommendations for improving securities clearance and settlement systems. GAO evaluated the two groups' recommendations for clearance and examined the progress made in implementing these recommendations. GAO found that some of the weaknesses in clearance and settlement systems revealed by the 1987 stock market crash still exist, making clearance and settlement systems vulnerable to instability in the event of another large and sudden market adjustment. Much progress has been made in increasing exchange and clearing organization capability to handle large volumes of trades and processing trade information. Yet more needs to be done to improve procedures used to manage financial risk and to ensure that payments are made within time frames established by the stock, options, and futures markets.

Testimony

Failed Thrifts: Resolution Trust Corporation and 1988 Bank Board Resolution Actions, by Richard L. Fogel, Assistant Comptroller General for General Government Programs, before the House Committee on Banking, Finance and Urban Affairs. GAO/T-GGD-90-29, Apr. 2.

GAO testified on the progress made by the Resolution Trust Corporation in meeting its legislative mandate to resolve insolvent savings and loans.

GAO (1) compares the pace, structure, and marketing and selection process of the RTC's recent and planned resolution actions with the Federal Home Loan Bank Board's 1988 resolution actions; (2) discusses concerns it has with RTC management of thrifts in its conservatorship program; and (3) mentions some of its work involving oversight of the federal response to improper or illegal activities that contributed to thrift failures.

Resolving the Savings and Loan Crisis: Billions More and Additional Reforms Needed, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Banking, Housing and Urban Affairs. GAO/T-AFMD-90-15, Apr. 6.

How much money will be needed to resolve the savings and loan crisis? From 1984 through August 1989, the Federal Savings and Loan Insurance Corporation lost \$100 billion—the largest loss ever reported by a public or private corporation. On the basis of OMB budget outlay projections, GAO had estimated that \$257 billion would be needed over the next 33 years to pay off FSLIC's obligations, pay interest on the \$30 billion in bonds the Resolution Funding Corporation was to issue, and pay some administrative expenses. GAO has revised this figure upward: at least \$68 billion more, or a total of \$325 billion, will be needed. This is a "least cost" estimate made on the basis of present conditions. The cost could well be higher should interest rates and other factors change. The Comptroller General testified that it is vitally important to give the taxpayers a complete and accurate accounting of the costs to put the savings and loan crisis behind us. He recommends that the Chairmen of the RTC Oversight Board and FDIC jointly report at least semi-annually to Congress on the total cash needs, net costs, and sources of funds necessary to cover FSLIC's obligations, RTC's resolutions, and related costs. In addition, the Justice Department should take vigorous action against those individuals whose violations of regulations have contributed to the massive thrift losses. To help prevent another crisis of this magnitude, the Comptroller General believes it is crucial to identify, correct, and prevent the internal control and compliance abuses of the past. At the same time, the RTC Oversight Board and the Federal Deposit Insurance Corporation need to develop proposals to deal with the shortfall between the funds authorized by the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 to resolve troubled savings institutions and the funds that will be needed.

Financial Management

Inspectors General: Establishment of the National Science Foundation's Office of Inspector General

GAO/AFMD-90-15, Apr. 10.

The Inspector General Act Amendments of 1988 required the National Science Foundation to establish an Office of Inspector General and designated the National Science Board as the head of NSF for purposes of the Act. GAO reviewed whether the Board is the appropriate designee to appoint and generally supervise the newly created NSF inspector general and whether the Board's resolution establishing and providing instruction to the inspector general was consistent with the inspectors general act and the 1988 amendments. GAO also looked at whether heads of 19 agencies with presidentially appointed inspectors general had issued written supervisory instructions similar to those approved by the Board. GAO contacted seven presidential appointees to obtain their reactions to the Board's instructions.

Inspectors General: Progress in Establishing OIGs at Designated Federal Entities

GAO/AFMD-90-46, Apr. 24.

The Inspector General Act Amendments of 1988 established offices of inspector general (OIG) in 33 designated federal entities. GAO found that these federal entities have taken steps to establish their OIGs in accordance with the 1988 amendments. All of the entities have officially established an OIG and have appointed either an inspector general or an acting inspector general. GAO found that the independence, authority and capability of the inspectors general were sometimes constrained by limitations imposed by the entities. While most of these constraints were removed following GAO discussions with officials at the federal entities, problems remain. For example, (1) at least eight of the new OIGs have inadequate resources and (2) the entity head responsible for supervising the inspectors general has not been correctly identified at two entities.

Financial Audit:
Federal Crop Insurance Corporation's Fiscal Year 1988 Financial Statements

GAO/AFMD-90-43, Apr. 18.

This report presents GAO's opinion on the Federal Crop Insurance Corporation's financial statements for fiscal year 1988. GAO believes the Corporation's financial statements present fairly, in all materials respects, its financial position, the results of its operations, and its cash flows. At the same time, however, GAO's opinion on the financial statements emphasizes the Corporation's continued losses, which are due to claims exceeding premiums, and the need for more government capital to sustain operations. Losses in 1988 amounted to \$617 million, and the Corporation's accumulated deficit amounts to about \$1.8 billion. Without significant changes in insurance program operations, the Corporation's ability to pay will depend on more government assistance. GAO's report on internal accounting controls discusses weaknesses regarding (1) the Corporation's oversight of reinsured companies and (2) controls over processing and payment of administrative expenses. GAO found that the Corporation complied with laws and regulations for the transactions GAO tested.

Financial Audit:
House Child Care Financial Statements for the Years Ending 8-31-89 and 8-31-88

GAO/AFMD-90-65, Apr. 23.

GAO audited the balance sheets of the House of Representatives Child Care Center, Inc., as of August 31, 1989 and 1988, and the related statements of revenue, expenses, and fund balance for the fiscal years then ended. GAO also audited the statement of cash flows for the fiscal year ended August 31, 1989. In GAO's opinion, the financial statements present fairly, in all material respects, the Center's financial position, the results of its operations, and its cash flows in conformity with generally accepted accounting principles.

**Financial Management:
Additional Actions Needed to Improve Federal Financial Management Systems**

GAO/AFMD-90-14, Apr. 27.

Existing financial management systems in the federal government are antiquated, in a general state of disrepair, and costly to operate and maintain. Overall, they do not produce the complete, timely, and reliable financial data needed to help make policy and management decisions. GAO has long pointed out the need for and importance of comprehensive, long-range planning to help the government improve federal financial management. In April 1989, OMB, working with the Chief Financial Officer Council, began to outline the concepts and principal ingredients for a plan. GAO believes that this effort is an important first step in ensuring that a long-range, governmentwide plan is developed and implemented. While OMB and most agency officials interviewed believe that the Federal Agency Financial Systems Program has been of some help, there is a need now to reevaluate the role and expectations of the program.

Testimony

Federal Internal Control and Financial Management Systems: Major Reform Efforts Are Needed, by Donald H. Chapin, Assistant Comptroller General for Accounting and Financial Management, before the Subcommittee on HUD/Moderate Rehabilitation Investigation, Senate Committee on Banking, Housing and Urban Affairs. GAO/T-AFMD-90-14, Apr. 18.

In 1982 Congress passed the Federal Managers' Financial Integrity Act to strengthen internal control and accounting systems throughout the federal government and to reduce fraud, waste, abuse, and mismanagement. Unfortunately, seven years after passage of the Act, little has changed. Agency reviews, audits, and media reports continue to identify serious problems that reveal a government unable to manage its programs, protect its assets, or provide taxpayers with the effective and economical services they expect and deserve. GAO's testimony focuses on the condition of internal control and financial management systems in the federal government today. Also discussed are the actions needed to help eliminate the system weaknesses that exist throughout the government. GAO encourages increased congressional oversight and passage of financial management legislation. Such legislation should (1) establish chief financial officer positions in each of the federal agencies and

(2) require the annual preparation and audit of agency financial statements and a report to the President and Congress. Are there more HUDS today? GAO notes that it has developed a "high risk" program that focuses on 14 of the most vulnerable areas in the government. GAO is working with the agencies to solve the problems associated with these programs, is monitoring and reporting on corrective actions, and will recommend legislation needed to ensure that corrective measures are taken.

Government Operations

OMB Circular A-76: DOD's Reported Savings Figures Are Incomplete and Inaccurate

GAO/GGD-90-58, Mar. 15.

According to the Office of Management and Budget, annual A-76 savings for fiscal year 1988 totaled over \$133 million. More than 80 percent of these reported governmentwide savings come from the Department of Defense. Yet GAO's evaluation of DOD's savings data shows that OMB's figures do not accurately reflect the extent to which economy in government operations is being achieved. GAO found that neither DOD nor OMB has reliable information on which to assess the soundness of savings estimates or knows the extent to which expected savings are realized. Complete and accurate savings information would help to reduce some of the controversy surrounding the A-76 program. As mentioned in earlier GAO reports, agencies are not embracing the program and Congress has prohibited A-76 cost studies of certain functions. In addition, there is no unanimity that the A-76 program is the appropriate way to get governmentwide efficiencies. The process is characterized as burdensome and time-consuming, agencies say the goals assigned them by OMB are unrealistic, and Congress has not fully accepted the program.

Federal Personnel: Observations on the Navy's Managing To Payroll Program

GAO/GGD-90-47, Mar. 27.

In response to the congressional criticism of the Navy's management of its civilian personnel budget, the Navy established the Managing To Payroll program in October 1986. GAO found that the program has provided the Navy with better information to use in monitoring and controlling its civilian payroll budget. In general, Navy managers said the increased accountability provided through the program has made them more

aware of payroll costs. Moreover, officials from the Navy Comptroller's office said that the changes to the payroll budget that do occur are now better justified. Since the program's implementation, the Navy's overall payroll expenditures have been either under or within about one percent of its budget. Although some problems have been attributed to the program, Navy officials said that the problems were actually caused by budget constraints, hiring freezes, or other factors that did not result from the program.

**District's Workforce:
Annual Report Required by the District of Columbia Retirement
Reform Act**

GAO/GGD-90-70, Apr. 4.

This report contains GAO's comments on a report by an actuary on the disability retirement rate of District of Columbia police officers and firefighters. The District of Columbia Retirement Reform Act provides for annual federal payments to the D.C. Police Officers and Fire Fighters' Retirement Fund. These payments, however, must be reduced when the disability retirement rate exceeds an established limit. This is to encourage the D.C. government to control disability retirement costs. In GAO's opinion, the determination made by the enrolled actuary meets, in all material respects, the requirement of the law. Since the disability retirement rates calculated by the actuary are both less than 0.8 percent, no reduction is required in the fiscal year 1991 payment to the District's police and firefighters' retirement fund.

**1990 Census:
Enhanced Oversight Should Strengthen Recruitment Program**

GAO/GGD-90-65, Apr. 13.

Hiring and retaining the 390,000 temporary employees needed to finish the 1990 census is a major challenge. GAO found that almost one-half of the Census Bureau's district offices were unable to meet the 1989 recruiting goal of four applicants for every field position during prec canvass. The Bureau generally was able to overcome its recruiting difficulties and finish prec canvass on time, although staff shortages in some offices led to delays in completing prec canvass, increased costs, and forced changes in the Bureau's staffing procedures. Problems meeting 1989 recruitment goals have raised concerns about the Bureau's ability to attract enough staff in 1990. There are many obstacles to attracting

workers, including the temporary nature of census jobs. While the Bureau has made progress in developing a recruitment program, more recruiter training is needed on how to manage a major recruitment effort. Local planning also needs to better address the diverse demographic and economic challenges facing the Bureau, such as how to compete in high-employment areas. The Bureau's regions are addressing these problems, but headquarters needs to make sure the improvements are consistent and sufficient.

**Communities in Fiscal Distress:
State Grant Targeting Provides Limited Help**

GAO/HRD-90-69, Apr. 13.

Between 1977 and 1987, direct federal aid to counties, cities, and townships declined by about three-fifths, to 5.2 percent of local revenues. Although cuts took place in many programs, the expiration of the \$4.6 billion general revenue-sharing program in 1986 accounted for 40 percent of the reductions and affected nearly 39,000 local governments. In response to concerns that these funding cuts may seriously affect fiscally distressed communities, GAO looked at how state governments were meeting the fiscal needs of these local communities. GAO also looked at how the loss of revenue affected such communities. This report identified states with wide differences in local tax burdens (fiscal disparities) and discusses the extent to which state general purpose fiscal assistance programs reduce disparities between the fiscally distressed and better-off communities.

**Pay and Benefits:
Contract Court Security Officers Compared to U.S. Deputy Marshals**

GAO/GGD-90-67FS, Apr. 16.

GAO compared the pay and benefits of court security officers—contract employees who provide routine court security services in federal court buildings—with the pay and benefits of U.S. Marshals Service deputy marshals, who could alternatively fill this role. GAO found that the contract cost for court security officers' pay and benefits generally was lower than the cost of using deputy marshals. With the exception of basic life insurance, retirement and health benefits for court security officers also were generally less costly than those provided to deputy marshals.

**Postal Service:
Employee-Management Relations at the Indianapolis Post Office
Are Strained**

GAO/GGD-90-63, Apr. 16.

In the mid-1980s, the Indianapolis Post Office underwent major organizational and personnel changes. These changes were unpopular with some employees and spawned unrest. Many postal employees brought complaints about division management to Congress and the media. In this review of employee-management relations problems at the Indianapolis Post Office, GAO looks at concerns about the displacement of senior black managers, the integrity of promotion decisions, the treatment of workers, the handling of complaints about equal employment opportunities, and the actions taken by management to resolve employee complaints and concerns. GAO found that while the postal service has made several efforts to improve employee-management relations, an atmosphere of distrust and dissatisfaction prevails. GAO notes that the effectiveness of any present or future initiatives will depend largely on the sustained cooperation of both management and employees.

Testimony

Savings Opportunity for the United States Mint's Promotional Mailings, by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on Consumer Affairs and Coinage, House Committee on Banking, Finance, and Urban Affairs. GAO/T-GGD-90-34, Apr. 18.

GAO discussed ways to reduce postage costs at the United States Mint. The Mint has taken several positive steps to reduce its mailing costs. However, all Mint promotional mailings are now sent first class. GAO believes that Mint could reduce its basic, recurring postage cost of about \$4 million by \$2.4 million annually, as well as gain considerable marketing flexibility, by using third class (bulk business rate) as the commercial sector does.

Achieving Cost Efficiencies in Commercial Activities, by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-GGD-90-35, Apr. 25.

The objective of the A-76 program is to achieve efficiencies by encouraging competition between the federal workforce and the private sector in

providing quality commercial services needed by government agencies. GAO testified on its work on OMB's Circular A-76 and on H.R. 4015, the Commercial Activities Contracting Procedures Act of 1990. GAO believes that legislating a commercial activities cost-study program, as proposed in H.R. 4015, would remove any doubt about the program's importance. As a result, agencies would assign greater priority and resources to doing cost studies. Also, in theory, requirements for agencies to collect and report activity cost and savings data should result in more accurate cost studies and more reliable savings estimates. However, GAO is concerned that H.R. 4015 by itself may not remove several obstacles that have historically hindered A-76 implementation.

Postal Service Oversight, by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on Federal Services, Post Office and Civil Service, Senate Committee on Governmental Affairs. GAO/T-GGD-90-36, Apr. 27.

While 1989 was a year of challenge and controversy for the Postal Service, the Service faces a critical juncture in 1990 as it addresses disappointing financial performance, a newly filed rate case, and a new round of bargaining with its unions. GAO's testimony summarizes its work at the Postal Service over the past year, describes the Service's recent financial performance, and comments on the competitive challenge facing the Service in coming years.

Health

Cosmetics Regulation: Information on Voluntary Actions Agreed to by FDA and the Industry

GAO/HRD-90-58, Mar. 13.

In 1988 congressional hearings, witnesses reported that cosmetics used by cosmetologists have caused asthma, upper respiratory infections, skin diseases, reproductive complications, and neurological damage. Also made public was a list of chemicals used in cosmetics that in animal laboratory tests have shown such harmful side effects as biological mutation, reproductive complications, acute toxicity, tumors, and skin and eye irritation. As a result, FDA's ability to ensure the safety of cosmetics was called into question. FDA now cannot require cosmetics manufacturers to register their establishments with FDA, to test their products

for safety and effectiveness, or to report to FDA ingredients used in products and included in consumer complaints or safety tests. Since the hearings, FDA and industry officials have said they have improved the voluntary testing program for regulating the industry. Yet FDA and the industry continue to disagree about the extent of participation in the voluntary registration program. Because FDA cannot mandate participation, it cannot accurately assess how many companies may be avoiding registration. In addition, FDA has not assessed whether industry efforts have increased reporting of data on safety testing. Because it is a voluntary program, however, FDA will never be able to require reporting from all companies, particularly those that may be least likely to report because they have had problems with their cosmetics. FDA officials continue to believe that they need injury reports on 100 percent of the cosmetics marketed. While FDA has been studying the industry report on toxic chemicals used in cosmetics, it has not committed any resources to do its own safety reviews and ranking.

**Medicare:
Alternatives for Computing Payments for Hospital Outpatient
Surgery**

GAO/HRD-90-78, Apr. 3.

GAO notes that Medicare may be paying more than necessary for hospital outpatient surgery due to current methods of calculating patient reimbursement. A Medicare prospective payment system for surgery done in hospital outpatient departments is now being considered and, if adopted, should eliminate many of the shortcomings of the current system. Because it may be a while before a new system starts up, an interim solution may be desirable. This report discusses three alternatives to the existing payment methodology that Congress should consider.

**Drug Treatment:
Some Clinics Not Meeting Goal of Prompt Treatment for Intravenous
Drug Users**

GAO/HRD-90-80BR, Apr. 30.

To qualify for alcohol, drug abuse, and mental health services block grant funds, a state must assure the Department of Health and Human Services that it will provide drug abusers with treatment at clinics

within seven days of request. GAO reviewed the extent to which programs receiving these block grant funds in three states—California, New York, and Oregon—were providing timely treatment to intravenous drug abusers. While the three states generally did provide prompt treatment, some clinics in two of the three states did not always provide drug treatment within seven days of request. In addition, HHS' current reporting system does not require states to provide enough information to measure their progress in reaching the goal of providing treatment within seven days. GAO summarized this report in testimony before Congress; see:

HHS Cannot Currently Measure States' Progress in Meeting the Prompt Treatment Goal for Intravenous Drug Users, by Linda G. Morra, Director of Intergovernmental and Management Issues, before the Subcommittee on Health and the Environment, House Committee on Energy and Commerce. GAO/T-HRD-90-25, Apr. 30.

Testimony

Medical Malpractice: A Continuing Problem With Far-Reaching Implications, by Charles A. Bowsher, Comptroller General of the United States, before the Subcommittee on Health, House Committee on Ways and Means. GAO/T-HRD-90-24, Apr. 26.

The United States is spending over half a trillion dollars each year on health care, more than 40 percent of it publicly financed. Health care expenditures have grown from six percent of the gross national product in 1965 to 12 percent today and are projected to reach 15 percent in the next decade. At the same time, medical malpractice costs are now running into the billions of dollars. While the extent to which medical malpractice costs are contributing to the burgeoning health bill is unknown, these costs are having a profound effect on the practice of medicine in this country. If the availability and affordability of malpractice insurance again becomes a major problem, Congress and the state legislatures can expect to be petitioned again to take remedial action. In GAO's view, however, such action will not be enough to address the more fundamental issues of how best to (1) reduce the incidence of negligent care, (2) fairly compensate individuals injured through medical negligence, and (3) deal with the complexities involved in efforts to enhance overall quality of care provided in this country. Both government and private sector efforts to come to grips with these issues will have significant cost implications and will undoubtedly help shape how medicine is practiced for years to come.

Housing

Homelessness: Too Early to Tell What Kinds of Prevention Assistance Work Best

GAO/HRD-90-89, Apr. 24.

Although no reliable national data exist, estimates of the homeless population in the United States range from 250,000 to 3 million. An even greater number may be at risk of becoming homeless due to eviction and/or mortgage foreclosure. Hundreds of state and local groups provide homelessness prevention assistance. Yet GAO could not determine the effectiveness of this assistance because few assistance providers have the resources to collect the client follow-up data needed for such evaluations. Prevention assistance usually takes the form of one-time rent, mortgage, or utility payments. Counseling may also be involved. While at least six federal programs provide funds in support of these efforts, state and local organizations decide for themselves whether to use funds for homelessness prevention or other assistance, like emergency food and shelter for those who are already homeless. Even though many groups provide homeless prevention aid, the demand for their help is so great that some programs have run out of money or have had to cut back their assistance to individuals. GAO believes that collecting and evaluating data on the different types of assistance would help groups to target their limited resources to the most effective programs.

Testimony

Low-Income Housing Tax Credit Utilization and Syndication, by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Subcommittee on HUD/Moderate Rehabilitation Investigations, Senate Committee on Banking, Housing, and Urban Affairs. GAO/T-RCED-90-73, Apr. 27.

Use of the low-income housing tax credit program has steadily grown since the program began, and today the program has become the nation's primary effort to encourage low-income housing production. GAO's testimony discusses three issues: (1) the amount of low-income housing tax credits allocated to states and awarded to projects for calendar years 1987 through 1989 and the number of low-income housing units developed in connection with these awards, (2) the syndication process used to help raise capital to finance low-income housing projects that have been awarded tax credits, and (3) the net amount of equity capital raised through the syndication of projects awarded tax credits relative to the amount of the credit award. If the existing tax credit program is to be continued on either a temporary or permanent basis, GAO

believes that adequate controls need to be developed to ensure that projects that receive credits are maintained and operated in accordance with program requirements. Projects that have been awarded credits should be carefully monitored to ensure that they continue to qualify for the annual credits by serving low-income families. These efforts should help discourage program abuses.

Income Security

Social Security: Taxing Nonqualified Deferred Compensation

GAO/HRD-90-82, Mar. 15.

In this report, GAO looks at whether self-employed taxpayers use deferred income arrangements that achieve similar income tax treatments as plans called "nonqualified deferred compensation plans" used by employers and employees. These nonqualified plans are basically employer IOUs to pay employees future benefits in return for current services. GAO also looks at how the imposition of the social security tax on employees using these kinds of plans differs from its imposition on self-employed taxpayers for similar types of income. GAO summarized this report in testimony before Congress; see:

Social Security: Taxing Nonqualified Deferred Compensation, by Lawrence H. Thompson, Assistant Comptroller General for Human Resources Programs, before the Subcommittee on Social Security, House Committee on Ways and Means. GAO/T-HRD-90-21, Apr. 5.

Testimony

The Social Security Administration's Supplemental Security Income Outreach Activities, by Joseph F. Delfico, Director of Income Security Issues, joint hearing before the Subcommittee on Retirement Income and Employment, House Select Committee on Aging. GAO/T-HRD-90-22, Apr. 5.

The Supplemental Security Income program provides financial support to the aged, blind, and disabled who have limited income and resources. Since the program began in the mid-1970s, there has been concern that many people who are eligible for the program are not participating. The Social Security Administration, which administers the program, uses various outreach methods like radio, television, and speeches to increase awareness of the program. However, GAO testified that more needs to be done to determine which outreach mode is the most effective. GAO surveyed SSA district office managers, a number of whom believe that not

enough outreach is being done because of a lack of staff. GAO's survey also found that outreach for the non-English speaking needs particular attention. In addition, GAO testified on its evaluation of various Supplemental Security Income outreach demonstration projects sponsored by the American Association of Retired Persons.

Comments on S. 214—A Bill to Enhance the Integrity of the Social Security Card, by Joseph F. Delfico, Director of Income Security Issues, before the Subcommittee on Social Security and Family Policy, Senate Committee on Finance. GAO/T-HRD-90-23, Apr. 18.

GAO testified on S. 214, which would require the Department of Health and Human Services to develop a prototype of a counterfeit-resistant social security card. The intent is to provide a more reliable means for verifying employment eligibility under the Immigration Reform and Control Act of 1986. The bill would also require HHS to issue a report to Congress on the different options for improving the social security card application process. GAO believes that improving the social security card alone, without focusing on the verification system as a whole, may have only a minimal effect on the security of the verification system or on employer confidence. One approach that GAO believes is worth more study is the use of state drivers licenses that have been printed with a validated social security number. This approach was suggested by the Secretary of HHS in a 1988 report to Congress.

Information Management

Tax System Modernization: IRS' Efforts to Improve Taxpayer Correspondence

GAO/IMTEC-90-26, Mar. 22.

GAO looked at IRS' efforts to provide quicker and more accurate responses to taxpayer correspondence. The backlog of taxpayer correspondence is now substantial. In 1989 IRS' monthly inventories of unanswered mail ranged between 323,000 and 740,000 pieces of correspondence. The Automated Inventory Control System, a part of IRS' Tax System Modernization program, is intended to improve the timeliness and accuracy of IRS responses to taxpayers. However, the system has not yet been designed and the master plan for modernization has not been completed. It seems unlikely that any significant improvement will occur before 1992, when IRS' Automated Inventory Control System is expected to be in operation. In the meantime, interim projects—such as

using facsimile equipment and expanding telephone usage—are under-way or planned to help handle taxpayer correspondence.

**Defense Acquisition:
Air Force Prematurely Recommends ADP Acquisitions**

GAO/IMTEC-90-7, Mar. 29.

Automated data processing acquisitions are an increasingly important part of Department of Defense procurement; DOD requested almost \$9 billion for ADP resources in fiscal year 1990. GAO evaluated seven ongoing or proposed ADP acquisitions by the Air Force with an estimated development cost of \$4.5 billion. Air Force regulations clearly state that system requirements should be defined and alternative solutions evaluated before recommending the acquisition of a system and competing it for funding in the DOD budget process. For the seven ADP acquisitions GAO reviewed, however, the Air Force prematurely recommended acquisition. In three cases, initial system requirements had not been adequately defined or were continually changed; in four cases, alternative solutions had not been evaluated. The Air Force's failure to follow its own regulations indicates a lack of commitment to the process and a lack of appreciation for its criticality. Until this situation is remedied, future ADP system acquisitions can be expected to encounter cost growth and schedule delays.

**Retirement System:
Concerns About OPM's FERS Automated Processing System
Procurement**

GAO/IMTEC-90-45, Apr. 4.

GAO reviewed a planned \$54 million procurement by the Office of Personnel Management. OPM plans to develop an automated system to support the Federal Employees Retirement System. OPM also plans to buy hardware compatible with IBM equipment for the new system. GAO found that the technical specifications in the FERS request for proposals were not unduly restrictive. GAO also found that OPM did not act improperly in obtaining assistance from two outside sources in developing the request for the proposal. However, in seeking to reduce project risk, OPM required prospective vendors to meet six experience requirements on a strict go/no go basis. GAO believes that OPM's objective of reducing risk was proper but that the go/no go basis for evaluation may have unnecessarily restricted competition for the procurement. Further, even after

complaints by potential offerors that the go/no go requirements were overly restrictive, OPM did not adequately evaluate the effect of these requirements on potential competition. GAO believes OPM should see if a less restrictive approach, like awarding offerors points for their experience, would meet the agency's minimum requirements.

**Automated Information Systems:
Defense's Oversight Process Should Be Improved**

GAO/IMTEC-90-36, Apr. 16.

GAO found that the Office of the Secretary of Defense is not effectively enforcing established policies for controlling the acquisition of major automated information systems. The repeated identification of life cycle management deficiencies suggests that the Office of the Secretary of Defense needs to be more aggressive in holding the military services accountable for compliance with DOD policies.

**Computer Matching:
Need for Guidelines on Data Collection and Analysis**

GAO/HRD-90-30, Apr. 17.

After a presidential commission reported that federal and state governments spent more than \$4 billion in 1982 on ineligible claims or inappropriate payments by certain welfare programs, Congress established the Income and Eligibility Verification System. To reduce inappropriate payments, the system requires states to verify data provided by program applicants and recipients with IRS and Social Security Administration data, and to do so in a cost-effective way. This verification process, which is automated, is often referred to as "computer matching." GAO's report discusses the need for the Office of Management and Budget to (1) work with federal agencies to develop guidance on data collection and reporting for evaluating the cost effectiveness of the Income and Eligibility Verification System and (2) coordinate that guidance with OMB's regulations for cost-benefit analysis under the Computer Matching and Privacy Protection Act of 1988. This legislation requires cost-benefit analyses of computer matching efforts when a federal database is needed.

**Information Resources:
Management Commitment Needed to Meet Information Challenges**

GAO/IMTEC-90-27, Apr. 19.

As part of its ongoing general management review, GAO evaluated information resources management at the Department of Veterans Affairs. GAO found that top managers at VA do not have information readily available to assess the quality of health care or the effectiveness of services provided to veterans. VA information is now contained in over 150 fragmented automated systems and in multiple, ad hoc manual systems. The information is neither efficiently collected nor easily accessed. These weaknesses have hindered VA's ability to effectively manage programs and have contributed to service delays. Because VA lacks a structured approach to systematically plan, prioritize, and implement its near- and long-term information needs, the agency cannot effectively evaluate its own performance and fix accountability. Individual agency components—medical, benefits, and national cemetery—have striven to automate and improve technology, but their very autonomy hinders development of an integrated information resources management program at VA. Further, VA has not sufficiently developed or implemented policies to foster systems' integration and data sharing. VA has started to correct these deficiencies by streamlining its central information resources management organization and by developing a process that would include strategic planning. But remaining challenges will require continued VA commitment and support.

**DOD Embedded Computers:
Better Focus on This Technology Could Benefit Billion Dollar Weapons Programs**

GAO/IMTEC-90-34, Apr. 19.

Embedded computer resources include hardware, software, and firmware that is physically part of and necessary for a weapons system to operate. The use of embedded computer resources in DOD weaponry grew dramatically in the 1980s, and this trend is expected to continue. Compounding this situation is the fact that defective software is being linked to weapons system cost, schedule, and performance problems. How successful DOD will be in avoiding such problems in the future as it incorporates more and more technology in its weapons system will depend, in part, on how well it supervises the development of the embedded computer resources upon which the weapons systems rely so

heavily. This report discusses (1) how important and prevalent embedded computer resources are to DOD weapons systems, how the Office of the Secretary of Defense oversees the development of embedded computer resources, and how the oversight process has evolved since 1976; and (2) whether DOD is effectively controlling the acquisition of major automated information systems. GAO summarized this report in testimony before Congress; see:

Importance and Prevalence of Embedded Computer Systems and Oversight of This Technology by the Office of the Secretary of Defense, by Ralph V. Carlone, Assistant Comptroller General for Information Management and Technology Programs, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-IMTEC-90-8, Apr. 26.

**Coast Guard:
Strategic Focus Needed to Improve Information Resources
Management**

GAO/IMTEC-90-32, Apr. 24.

Whether it is justifying vessel boardings, responding to oil spills, closing facilities in response to budget cuts, or tracking hazardous waste violations at its own stations, the Coast Guard needs, but in many cases does not have, accurate and timely information. GAO found three main weaknesses that contribute to the Coast Guard's information resources management problems. First, top-level leadership and planning in information resources management is lacking. Second, the absence of a strategic information resources information plan makes it difficult to ensure that ongoing and proposed systems development projects logically support agency missions and goals. Third, the evaluation, development, implementation, and review of information systems is jeopardized by a lack of information resources management policies, standards, and procedures. By creating a solid information resources management framework that corrects these problems, the Coast Guard will be in a better position to identify and obtain the information it needs to accomplish its missions. GAO summarized this report in testimony before Congress; see:

Strategic Focus Needed to Improve the Coast Guard's Information Resources Management, by JayEtta Hecker, Director of Resources, Community, and Economic Development Systems, before the Subcommittee on Coast Guard and Navigation, House Committee on Merchant Marine and Fisheries. GAO/T-IMTEC-90-7, Apr. 24.

Testimony

FAA Encountering Problems in Acquiring Major Automated Systems, by JayEtta Hecker, Director of Resources, Community, and Economic Development Systems, before the Subcommittee on Transportation and Related Agencies, House Committee on Appropriations. GAO/T-IMTEC-90-6, Apr. 18; and

FAA Encountering Problems in Acquiring Major Automated Systems, by JayEtta Hecker, Director of Resources, Community, and Economic Development Systems, before the Subcommittee on Transportation and Related Agencies, Senate Committee on Appropriations. GAO/T-IMTEC-90-9, Apr. 26.

GAO testified on the Federal Aviation Administration's efforts to modernize and upgrade its automated systems. In the past GAO has found consistent, fundamental weaknesses in FAA's acquisition of major automated systems. These weaknesses have resulted in further delays in delivering important components for air traffic control modernization, an increased risk that existing air traffic control systems will be stressed beyond capacity, and expensive and inadequately justified procurements. FAA needs to elevate the importance of acquisition management within the agency. While FAA recently reorganized to give acquisition increased emphasis, such reorganization must be accompanied by adequate management policies and practices. Until FAA gets its acquisition house in order and breaks the trend of unjustified, costly, and delayed procurements, the American public has no guarantee that its money is being well spent. The continued air safety of the public is also called into question.

Copyright Law Constraints on the Transfer of Certain Federal Computer Software With Commercial Applications, by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Subcommittee on Science, Research, and Technology, House Committee on Science, Space, and Technology. GAO/T-RCED-90-63, Apr. 26.

Copyright law prohibits copyrighting the federal government's computer software. GAO found no evidence that federal agencies are improperly copyrighting software developed by federal employees. However, officials at four agencies said that at least 10 percent of their laboratories' software may not be effectively transferred and used because of the copyright prohibition. This software may have significant commercial applications with potentially important technological and economic benefits for the United States. Effective transfer of this software is an appropriate goal that could be achieved by amending the copyright law

to provide copyright and licensing authority. Such a fundamental change, however, must be balanced against the concern that it might reduce the public's access to federal databases and shift the federal laboratories' basic research mission. To accommodate these concerns and still achieve effective transfer, it may be appropriate to provide copyright authority for software with wider commercial applications that needs further investment to be effectively transferred. This could be achieved by amending the copyright law to allow federal agencies to copyright and grant nonexclusive, partially exclusive, or exclusive licenses to computer software on a case-by-case basis. Alternatively, federal agencies could be authorized to copyright and grant licenses to federal software under a cooperative R&D agreement. Under either option, consideration should be given to allowing federal employees who develop software that is subsequently commercialized to share in royalties.

International Affairs

Foreign Technology: U.S. Monitoring and Dissemination of the Results of Foreign Research

GAO/NSIAD-90-117, Mar. 21.

The scientific research now being generated throughout the world has important implications for U.S. competitiveness. If the United States is aware of foreign research activity, American scientific research and policy formulation can be enhanced. GAO looked at federal programs and activities that monitor foreign dual-use technologies—items that have both commercial and military uses. GAO found that six departments and independent agencies account for much of the current monitoring. Within these agencies, GAO identified 62 federal civilian and military agency offices and divisions that monitor foreign technology. There is, however, no central source for identifying and coordinating agency monitoring. As a result, duplication and gaps in monitoring are more likely. While federal monitoring has produced substantial information that would be of use to researchers, program managers, and policymakers in other federal agencies and in the private sector, there are several obstacles to the dissemination of this information. These obstacles include different hardware and software requirements to access databases, diverse foreign copyright laws, and limited resources for translating documents into English. Several possibilities exist to help improve access to monitoring information, such as a computer concept called gateways.

**International Trade:
Competition for Japan's High Value Agricultural Market**

GAO/NSIAD-90-134, Mar. 30.

GAO reviewed the market development activities of the United States' major competitors in Japan's high value agricultural market. These competitors include New Zealand, Australia, Canada, France, West Germany, the United Kingdom, the Netherlands, Italy, and Denmark. Agricultural imports from these nine countries and the United States represented about 63 percent of all agricultural imports to Japan in 1988. To succeed in the Japanese market, marketing organizations must be prepared to spend considerable time and money to learn the intricacies of the marketplace and to develop relationships with importers, wholesalers, and distributors. In addition, their products must meet Japanese consumers' demanding standards for uniqueness, convenience, ingredients, and packaging. Foreign marketing organizations in Japan have found that trade and consumer education are particularly useful in developing demand. Alternative importation methods to bypass the expensive and restrictive Japanese distribution system lowers costs and are therefore an attractive way for organizations to gain access to the Japanese market.

**International Procurement:
Problems in Identifying Foreign Discrimination Against U.S. Companies**

GAO/NSIAD-90-127, Apr. 5.

Title VII of the Omnibus Trade and Competitiveness Act of 1988 requires the President to identify, in an annual report, countries that discriminate against U.S. firms in their government procurement practices. Countries found to be discriminating are subject to sanctions that would limit their access to U.S. procurement, if negotiations to correct these inequitable practices are unsuccessful. GAO found that implementation of Title VII was slow getting started, and the first report is due April 30, 1990. The U.S. Trade Representative has decided to take a broad look at virtually every country around the world to identify discrimination. As a result, the current investigation seeks detailed information on the procurement procedures and practices of many countries that, in some cases, sell less than \$100,000 worth of goods to the United States. At the same time, the varying quantity and quality of available

information on foreign procurement practices has affected U.S. determinations about discrimination. It is generally acknowledged that the government's ability to obtain information about foreign government procurement has been limited in the past by a lack of expertise and by resource constraints. Nevertheless, the U.S. Trade Representative is still relying on these same methods and sources for the Title VII investigation. GAO believes that the scope of future Title VII investigations should be narrowed to those countries over which the United States has leverage.

Testimony

Using Local Currency Generated by U.S. Food Aid for Development Purposes, by Harold J. Johnson, Director of Foreign Economic Assistance Issues, before the Subcommittee on International Economic Policy and Trade, House Committee on Foreign Affairs. GAO/T-NSIAD-90-32, Apr. 18.

GAO testified on local currencies generated from U.S. foreign assistance programs. GAO believes that the Agency for International Development should strengthen its oversight of the use of local currencies in ways that will help to improve the financial management capabilities of the host governments. GAO specifically discussed (1) whether local currencies are used to achieve development goals in recipient countries, (2) who owns the local currencies generated under titles I and II of Public Law 480, and (3) how to improve accountability for these local currencies.

Justice and Law Enforcement

Drug Control: Anti-Drug Efforts in the Bahamas

GAO/GGD-90-42, Mar. 8.

Due to its strategic location between the United States and drug-producing countries, the Bahamas play a vital role in the U.S. war on drugs. U.S. anti-drug activities in the Bahamas, once relatively simple and inexpensive, now involve five federal agencies. About \$76 million has been spent over the past three years on this effort. Managing and planning anti-drug programs and operations have tended to be decentralized, with little or no central control imposed over resources or strategic decisions. While a comprehensive strategic plan could yield management benefits, GAO believes the current strategy is a workable one that may facilitate flexible responses to future changes in drug smuggling. U.S. agencies are expanding air interdiction efforts in the Bahamas, including

acquisition of more radars, helicopters, and bases. These acquisitions will improve detection and apprehension of drug smugglers. They will also be costly and will not eliminate limitations of the interdiction system. Good arguments exist for maintaining the current level of drug interdiction efforts in the Bahamas. GAO is not convinced, however, that present air interdiction efforts should be significantly expanded.

Testimony

The Department of Justice's Efforts to Compile State Crime Statistics, by Lowell Dodge, Director of Administration of Justice Issues, before the Subcommittee on Criminal Justice, House Committee on the Judiciary. GAO/T-GGD-90-33, Apr. 19.

GAO testified on the results of its examination of state crime statistics, which involved reviewing reports and documents from and interviewing officials of the Bureau of Justice Statistics, FBI, Bureau of Justice Associates, and the Criminal Justice Statistics Association. GAO also spoke with officials having knowledge of criminal history records repositories in Illinois, Rhode Island, and Texas. GAO found that using Bureau of Justice Associates and FBI data on the level of reported crime without making adjustments for differences in how the statistics are constructed can lead to inconsistent conclusions. GAO also found problems with the quality, completeness, and consistency of state criminal history systems. In GAO's opinion, these problems limit the usefulness of the systems. Compounding these problems is inadequate automation in many state criminal records repositories that precludes the efficient collection of state crime data by the Department of Justice. Even though these problems have been widely reported, they will not be easily resolved and can be expected to continue for the foreseeable future. GAO believes that the Department of Justice needs to (1) forge a consensus on a core of consistent and reliable state data for measuring crime and (2) establish the level of federal funding needed to improve automated data collection and reporting at the state level.

National Defense,
Security, and Military
Procurement

**Aircraft Development:
Navy's Participation in Air Force's Advanced Tactical Fighter
Program**

GAO/NSIAD-90-54, Mar. 7.

The Air Force is developing the Advanced Tactical Fighter to replace its land-based F-15 air superiority fighter, and the Navy is evaluating a

variance of the plane as a possible replacement for its carrier-based F-14. Since World War II, no U.S. fighter aircraft developed to operate from land has been successfully adapted to operate from carriers and procured by both the Air Force and the Navy. Although the Navy's involvement and financial participation in the Advanced Tactical Fighter program has increased over the last few years, the Navy is uncertain if it will continue development and actual procurement of the aircraft. The Navy's main concern is about the suitability of the plane's airframe design for carrier operations. The Air Force and the Navy expect their fighters' airframes to have some commonality, even though the services have different requirements for their aircraft. The Navy's fighter, however, needs a stronger structure and excellent low-speed flying abilities to operate on a carrier. Even though achieving airframe commonality may be difficult, the Air Force and the Navy plan to select the same airframe and engine contractors and expect the engines and avionics to be highly common.

**Navy Command and Control:
Data Fusion Needs and Capabilities for Battle Group Commanders**

GAO/NSIAD-90-69BR, Mar. 7.

GAO assessed the acquisition management of selected data fusion efforts within the U.S. Navy Command and Control System. Data fusion, which is defined as the merging of information from many sources, is essential for making sound and timely combat decisions. This briefing report provides the results of the first phase of GAO's review, which addresses battle group commanders' data fusion needs and capabilities at sea to support combat decisions. The second phase, now underway, will address Navy commanders' data fusion needs and capabilities ashore. According to the Navy, automated data fusion development has been hampered because of funding problems. As an alternative approach, the Navy is developing a limited interim system, has expanded and plans to modify existing systems, and has consolidated some data fusion programs. However, these efforts will not fully meet the data fusion requirements. As a result, battle group commanders will continue to face an unsatisfactory tactical picture.

**Lease Refinancing:
Progress in Reducing Army's Equipment Leasing Costs**

GAO/AFMD-90-67BR, Mar. 13.

GAO examined the progress of the Army's equipment lease refinancing program, which was initiated to reduce equipment leasing costs. GAO found that DOD equipment leasing declined between 1985 and 1988 at least in part because of an earlier DOD program to buy out uneconomical automated data equipment leases. The Army, which has over half of DOD's lease obligations, discovered that only a small portion of the lease obligations covered by its program may be viable candidates for pooling and refinancing. The Army is also pursuing individual lease renegotiations as a way to reduce leasing costs. GAO's analysis to determine whether lease refinancing should be considered as a cost-cutting method for other DOD components is not yet complete.

**Defense Inventory:
Defense Logistics Agency's Materiel Returns Program**

GAO/NSIAD-90-58, Mar. 14.

GAO examined the Defense Logistic Agency's materiel returns program and its impact on inventory growth. Specifically, GAO evaluated the Defense Logistic Agency's management of customer returns of excess materiel. GAO reviewed how returns can contribute to inventory growth and described what the services are doing to reduce excess and returns. Customer returns, excluding fuel and subsistence items, totaled about \$3.1 billion for fiscal years 1981 through 1988 and averaged about 8.5 percent of sales. For the same period, the Defense Logistic Agency's total inventory increased \$5.7 billion, from \$3.1 billion to \$8.8 billion, or about 184 percent. Stocks excess to current operations and war reserve needs more than tripled from \$1 billion to \$3.5 billion. However, GAO could not determine how much materiel returns contributed to this inventory growth and excess materiel because of the high number of transactions involved and the inability of the accounting systems to provide such data. The Defense Logistics Agency and the services have many initiatives underway to avoid excess and to reduce returns. The services also have programs to improve their internal redistribution procedures for excess materiel.

**Communications Acquisition:
Issues Involving Army's Single Channel Ground and Airborne Radio
System**

GAO/NSIAD-90-80BR, Mar. 20.

In July 1988, Congress raised concerns that a large number of radios were being scheduled for production by the ITT Corporation before operational testing was completed. GAO evaluated the Army's Single Channel Ground and Airborne Radio System program and found that DOD and the Army took several steps between June and August 1989 to reduce program risk. For the ground integrated communications security radio, the Army (1) slowed the production rate until a successful operational test, (2) rescheduled operational testing to occur nine months earlier than previously planned, and (3) planned to defer exercise of the next production option for 12,375 radios until successful completion of the test. The Army further reduced risk by making similar changes to its airborne acquisition strategy.

**Government Contracting:
Contractor Promotional Advertising Costs Are Unallowable**

GAO/NSIAD-90-52, Apr. 10.

GAO reviewed the costs of national advertisements placed by major defense contractors. These advertisements urged public support of weapons programs like Northrop's B-2 advanced technology bomber, McDonnell Douglas' F-15E Strike Eagle, Grumman's F-14D Tomcat shipboard interceptor, and Boeing-Textron's V-22 tilt-rotor aircraft. Government policy is that such costs cannot be charged to government contracts. The contractors GAO visited treat promotional advertising costs as an unallowable charge to government contracts. The contractors planned to spend about \$2 million on advertising for the four weapons systems. In accordance with federal income tax regulations, they plan to claim at least \$1.4 million as deductible.

**Military Personnel:
Navy Enlisted Personnel Management**

GAO/NSIAD-90-135FS, Apr. 11.

For this fact sheet, GAO obtained information on the following: (1) prior Navy studies of the feasibility of moving the Naval Personnel Command

from Washington, D.C., and (2) possible duplication of functions between a new Navy headquarters Fleet Liaison Branch and the Enlisted Personnel Management Center, located in New Orleans, Louisiana.

**NATO-Warsaw Pact:
Issues Related to Implementation of a Conventional Forces Treaty**

GAO/NSIAD-90-130, Apr. 16.

If proposals to reduce conventional forces and equipment in Europe are adopted, how much of a "peace dividend" will the United States and its NATO allies reap? GAO looked at the savings associated with a conventional forces reduction treaty and found that only a limited NATO peace dividend will result directly from the treaty proposals. Further, this dividend will not be shared equally by all NATO allies. Under the treaty, only the United States and the Soviet Union are required to make troop cuts. U.S. savings would result from the DOD decision to reduce the total number of its forces rather than simply relocate personnel from Europe. Implementing a Conventional Armed Forces in Europe treaty will be a complex task that will result in all NATO allies incurring certain costs. For example, verifying compliance with the treaty may require extensive NATO inspection and monitoring of Warsaw Pact force levels and treaty-limited equipment. NATO will incur additional costs in complying with treaty provisions that require the destruction of many conventional weapons. The United States and its NATO allies are now discussing how best to ensure the equitable distribution of the costs and benefits of implementing a conventional forces treaty.

**Navy Contracting:
Military Sealift Command's Contract for Operating Oceanographic Ships**

GAO/NSIAD-90-151, Apr. 18.

GAO examined the contracting practices of the Military Sealift Command, particularly those concerning the recent award of a five-year contract for the operation of 10 oceanographic ships. GAO's review showed that (1) the Military Sealift Command complied with the Service Contract Act in making the award for the operation of the oceanographic ships and (2) the suggestion that former Military Sealift Command employees improperly influenced the contract award is unsubstantiated.

**Navy Ships:
Status of SSN-21 Ship Construction Program**

GAO/NSIAD-90-163, Apr. 19.

This is the unclassified version of a classified report GAO issued in November 1989 on its review of the Navy's Seawolf Nuclear Attack Submarine (SSN-21) construction program. The Navy is using two shipyards to design the SSN-21 and is proceeding with its ship building plans. The program has already experienced some cost increases and a revised delivery schedule, and further cost increases and schedule adjustments are possible. It is unclear whether overall performance goals will be met since the lead submarine will not be ready for testing until 1995. Construction of the SSN-21 is intended to help meet the Navy's goal of a 100 nuclear attack submarine force. However, fiscal constraints and ship cost may prevent the Navy from meeting its goal. GAO summarized this report and also provided information on the Seawolf's combat system—the AN/BSY-2—in testimony before Congress; see:

Status of the Navy's New Seawolf Attack Submarine and Its New Combat System, by Frank C. Conahan, Assistant Comptroller General for National Security and International Affairs Programs, before the Legislation and National Security Subcommittee, House Committee on Government Operations. GAO/T-NSIAD-90-36, Apr. 26.

**Spare Parts Procurement:
Contractor Qualification Requirements**

GAO/NSIAD-90-138, Apr. 27.

A small contractor in Alabama had alleged that engineers in the acquisition divisions at the Ogden Air Logistics Center were restricting competition by subjecting contractors to unnecessary qualification requirements. GAO looked at the use of precontract award qualification requirements at the Center to determine whether it is complying with certain federal laws and regulations intended to foster competition. Specifically, this reports addresses precontract award qualification requirements used in the acquisition of aircraft and missile spare parts. The government uses these requirements to make certain that all potential sources can meet the strict manufacturing tolerances or other operating characteristics needed for critical spare parts. GAO found that Ogden acquisition and competition advocacy personnel often do not comply with federal acquisition laws and regulations. In addition, they do not

regularly perform important duties that affect whether contractors will engage in unrestricted competition or will have to meet precontract award qualification requirements when bidding for contracts.

Testimony

Review of the Cost and Operations of DOD's Service Academies, by Paul L. Jones, Director of Manpower Issues, before the Subcommittee on Manpower and Personnel, Senate Committee on Armed Services.
GAO/T-NSIAD-90-28, Apr. 4.

GAO testified on the preliminary results of its on-going review of the cost and operations of the U.S. Military Academy, the U.S. Naval Academy, and the U.S. Air Force Academy. GAO addresses the academies' academic and military programs, including organizational structure, staffing patterns, performance of graduates, the cost and financial operations, and program oversight.

U.S.-Korea Fighter Coproduction Program, by Joseph E. Kelley, Director of Security and International Relations Issues, before the Subcommittee on Investigations, House Committee on Armed Services.
GAO/T-NSIAD-90-29, Apr. 4.

GAO testified on the results of its work on the U.S.-Korean fighter program. Specifically, GAO reviewed the negotiating history and contractors' marketing efforts to date on this program and Korea's aerospace industrial experience, goals, and plans. GAO addresses four main points. First, although Korea has a military need for these fighters, GAO believes the Koreans' desire for a coproduction program has been driven by their industrial development goals and interests. Second, over time, the program concept—a mix of off-the-shelf and kit purchases with phased-in licensed production—will accommodate Korea's industrial development goals to some extent. But until the program is fully defined and Korea selects the items it wishes to assemble or produce, it is uncertain to what extent the program will satisfy Korea's industrial needs or what the U.S.-Korean work shares will actually be. Third, DOD has (1) inhibited the success of certain elements of the Korean negotiation position but compromised on others, (2) taken steps to make certain technologies are unavailable for Korean licensed production, and (3) along with the Department of Commerce, tried to limit the additional industrial benefits Korea had expected to derive from the program. Finally, some important aspects of the program that remained unclear at the time of GAO's review are raised for further consideration.

Lessons Learned During GAO's Reviews That Can Be Applied to the Restructuring and Training of U.S. Forces, by Richard A. Davis, Director of Army Issues, before the Subcommittee on Readiness, House Committee on Armed Services. GAO/T-NSIAD-90-13, Apr. 4.

Not since Vietnam have DOD—and the Army in particular—faced restructuring decisions of such magnitude. A major challenge over the next several years will be to maintain balance in the quality, resourcing, training, and readiness of a reduced force. On the basis of its recently completed work, GAO sees a need for improvements in assigning missions to active and reserve components, better management of the full-time support program for reservists, and more effective management of reservists' training. GAO's work on Army land acquisition and alternatives to acquiring land for training also suggests a need for improved Army decision-making to make better use of its limited resources. In addition, GAO discusses DOD's forward thinking approach in using simulation in its recently completed REFORGER exercise.

Army's Apache Helicopter Has Proven Difficult to Support, by Richard A. Davis, Director of Army Issues, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce. GAO/T-NSIAD-90-33, Apr. 19.

The AH-64 Apache helicopter is the Army's primary attack helicopter. Its special strengths are fighting at night and destroying tanks with laser-guided missiles. GAO testified that while the Apache can perform impressively, too often it is not ready to do the job. The helicopter's fully-mission capable rate has fallen far short of goals and has actually declined as Apache battalions have accumulated flight hours. GAO believes that the Army must step up its efforts to identify and resolve support problems likely to be encountered during combat.

Comments on H.R. 2274 and Our Report on Contracting Practices for Military Base Support Contracts, by Paul F. Math, Director of Research, Development, and Procurement Issues, before the Subcommittee on Procurement, House Committee on Small Business. GAO/T-NSIAD-90-34, Apr. 19.

This testimony focuses on H.R. 2274, the Small Business Protection Act, and on a February 1987 GAO report entitled Procurement: Opportunities to Use More Preferred Practices for Base Support Contracts (GAO/NSIAD-87-7). Both the legislation and the GAO report seek to require additional justification, and promote better analysis of alternatives,

when warranted, before decisions are made to consolidate work functions into larger contracts. Information GAO collected on military base support contracts for its 1987 report raised concerns about the adverse effect on small businesses of consolidating single function contracts into large contracts. GAO believes H.R. 2274 proposes a reasonable approach for ensuring that, before deciding whether to consolidate contract work, procuring agencies take into account the opportunities given to small businesses to participate.

Comparison of Defense Department's Methods for Providing Military Family Housing, by Henry Hinton, Associate Director for Army Issues, before the Subcommittee on Readiness, Sustainability, and Support, Senate Committee on Armed Services. GAO/T-NSIAD-90-30, Apr. 20.

Given a shrinking defense budget, potential base closings, and force reductions, GAO believes that housing allowances, which help service members obtain housing in the private market, are the preferred approach to providing military family housing. GAO is concerned about the adequacy of DOD's justifications for long-term construction projects. GAO also testified on the costs of section 801 build-to-lease projects already approved by Congress, DOD's budget requests for funding for section 801 projects, and the status of the 802 program.

Navy Ships: Status of Strategic Homeporting Program, by Martin M. Ferber, Director of Navy Issues, before the Subcommittee on Seapower and Strategic and Critical Materials and before the Subcommittee on Military Installations and Facilities, House Committee on Armed Services. GAO/T-NSIAD-90-37, Apr. 24.

In 1982 the Navy was faced with the challenge of accommodating the additional vessels that would comprise the proposed 600-ship fleet. What evolved was a plan adjusting the mix of ships in existing ports and establishing several new ports. GAO testified that the 1982 justifications for the new homeports should be revisited. GAO believes that before the Navy proceeds with the strategic homeporting program, it must (1) reconsider the need for the program in light of changing world events and budget cutbacks and (2) analyze the total costs of the program, which will exceed \$1 billion, and consider other alternatives.

Natural Resources

Forest Service: Timber Harvesting, Planting, Assistance Programs and Tax Provisions

GAO/RCED-90-107BR, Apr. 13.

This briefing report answers the following questions: How did timber harvesting and planting and seeding levels change from 1986 to 1988? What are the impacts of federal timber assistance programs, and what were their costs from 1986 to 1988? What federal income tax provisions currently apply to the timber industry, and what are their impacts on federal revenues? What future changes are expected in timber harvesting levels nationally and by region from 1986 to 2040? What future changes are expected in timber industry employment nationally and by region from 1985 to 2040? GAO's study relies primarily on Forest Service and Agricultural Stabilization and Conservation Service data.

Testimony

GAO Observations on Timber Harvesting and Forest Development Needs on Indian Reservations, by James Duffus III, Director of Natural Resources Management Issues, before the Senate Select Committee on Indian Affairs. GAO/T-RCED-90-71, Apr. 24.

This statement for the record discusses GAO's ongoing work on the Bureau of Indian Affairs' forestry program. In summary, much has changed in the intervening years since GAO issued its 1975 report on maximizing timber production on Indian forest lands and since the Bureau identified its 1977 backlog of forest development work. In timber harvesting today, greater emphasis is being placed on satisfying tribal preferences rather than on maximizing production. While some tribal harvesting policies and practices produce less volume and contribute to shortfalls in meeting harvesting goals, such harvesting is more compatible with tribal views on land use. Also, the passage of time has made the Bureau's previously identified backlog outdated and unrepresentative of current forest development needs.

Science, Space, and Technology

High Definition Television: The Effects of Standards on U.S. Entertainment Industries

GAO/IMTEC-90-33, Mar. 16.

Although efforts to adopt a single worldwide high definition television standard have been unsuccessful, the U.S. entertainment industry should still be able to successfully market its movies and television programs. The U.S. motion picture industry will continue to produce movies and television programs in 35 millimeter film and convert them to accommodate multiple high definition television standards. Manufacturers of production equipment like studio cameras will need to produce multiple lines of high definition television equipment, but believe they will otherwise be unaffected by the lack of a single standard. However, in the area of over-the-air transmission, U.S. broadcasters may be at a competitive disadvantage. Because of regulatory and technical constraints, they may be unable to transmit a television picture comparable to that of cable and satellite. Furthermore, because television design is closely linked to the transmission system, television manufacturers need to know what transmission system will be used in order to build the appropriate sets.

Foreign Technology: Federal Awareness of the Development of High Definition Television

GAO/NSIAD-90-140, Mar. 21.

Was the United States unaware until recently of the development of high definition television, thereby producing a gap in U.S. knowledge of a major foreign technological development? In tracing federal awareness of high definition television from its development to the present, GAO found that federal agencies as well as the private sector have been aware of high definition television's development for years. In particular, the Departments of Commerce and Defense, as well as the National Science Foundation, have followed advances in the industry since the 1970s. Congressional hearings as far back as 1981 addressed the development and application of high definition television.

**Metric Conversion:
Plans, Progress, and Problems in the Federal Government**

GAO/RCED-90-131, Mar. 30.

U.S. conversion to the metric system has become a more pressing concern in light of growing world markets and international competitiveness. Because the United States remains the only major industrialized nation with a non-metric measurement system, it may be at a serious disadvantage in global markets. GAO found that there may be obstacles to the timely and comprehensive conversion of the federal government to the metric system. Although officials at key agencies consider the conversion inevitable, federal agencies have not shown a commitment to conversion. Staff resources assigned by government agencies to support the effort have been minimal, and nine of 10 important interagency subcommittees on metric conversion have not convened. In addition, agencies have not gone beyond the early planning stages. While some activities are underway to promote metric conversion, progress is limited. Some agencies, including GSA and DOD, consider the lack of metrication in private sector areas, like the construction industry, to be an obstacle. The Department of Commerce, as the lead agency in the federal metric transition effort, needs to respond to these problems. GAO summarized this report in testimony before Congress; see:

Metric Conversion: Plans, Progress, and Problems in the Federal Government, by J. Dexter Peach, Assistant Comptroller General for Resources, Community, and Economic Development Programs, before the Subcommittee on Science, Research, and Technology, House Committee on Science, Space, and Technology. GAO/T-RCED-90-61, Apr. 24.

**Space Program:
Space Debris a Potential Threat to Space Station and Shuttle**

GAO/IMTEC-90-18, Apr. 6.

Experts estimate that more than 3.5 million man-made objects—everything from complete rockets to discarded equipment from space missions—are orbiting the earth. About 24,500 of these objects are large enough pose a threat to future space shuttle missions and to the planned space station. GAO found that the 1984 model NASA is now using to design the space station significantly underestimates the amount of debris expected by 2005. The space station program director rejected updated data reflecting a more severe environment because of increased costs to

the space station and because of the need for more analysis of the risks and hazards posed by space debris. As the 1992 decision deadline for space station design approaches, NASA continues to grapple with the space debris issue. GAO also looked at current NASA and DOD debris-tracking capabilities. NASA relies on DOD to track earth-orbiting objects. This information is used to plan launches as well as collision-avoidance maneuvers for the shuttle. NASA has not yet established collision avoidance requirements for the space station. Shuttle operations have been only slightly affected by space debris. One and possibly two shuttles have been struck by debris. While the damage was not life-threatening, these incidents underscore the need to deal with this potentially catastrophic problem before the space station is designed and constructed.

Tax Policy and Administration

Tax Administration: Profile of Major Components of the Tax Gap

GAO/GGD-90-53BR, Apr. 4.

IRS defines the gross tax gap as the difference between the amount of income tax that taxpayers owed and the amount they voluntarily paid. IRS estimates the tax gap was \$84.9 billion for 1987, the most recent year of IRS' estimates. However, IRS' estimates provide little descriptive information beyond identifying components of the gap and related dollar amounts. This report provides detailed information on the following four major groups, which comprise \$45 billion of the 1987 gap: (1) sole proprietors, or those reporting business income on a schedule C of an income tax return; (2) informal suppliers, or those operating on a cash basis without formal books and records; (3) small corporations, or those with assets under \$10 million; and (4) large corporations, defined as those with assets of \$10 million or more. For each component, GAO compiled information on the types of taxpayers who were noncompliant, issues of noncompliance, IRS' enforcement programs to pursue noncompliance, and ways in which IRS could better pursue it. GAO summarized this report in testimony before Congress; see:

IRS Can Use Tax Gap Data to Improve Its Programs for Reducing Non-compliance, by Paul L. Posner, Associate Director for Tax Policy and Administration Issues, before the Subcommittee on Oversight, House Committee on Ways and Means. GAO/T-GGD-90-32, Apr. 19.

**Tax Administration:
Potential Audit Revenues Lost While Training New Revenue Agents**

GAO/GGD-90-77, Apr. 6.

In an effort to increase revenues, Congress provided IRS with funds for 2,500 more examination staff in fiscal year 1987 and another 2,500 staff in fiscal year 1988. Most of these positions were for more revenue agents—the IRS employees responsible for examining complex tax returns. Between 1986 and 1988, IRS hired about 7,300 revenue agents. GAO found that in terms of unrealized audit revenues, the cost of using experienced revenue agents to train these new hires was significant. By the time IRS finishes training the new hires in the five IRS districts GAO examined, IRS could lose about \$980 million in audit revenues. IRS 1989 estimates of such losses was about half as much as GAO's—a difference attributable to various differences in methodologies used. Regardless, the conclusion is the same—unrealized audit revenues associated with training new revenue agents have been substantial. As a result, IRS is planning to begin contracting out some of its training in fiscal year 1991 and is considering other alternatives to its current training program.

**Tax Policy:
Taxation of Pension Income for Retired New Jersey Police and Firefighters**

GAO/GGD-90-73BR, Apr. 13.

According to the New Jersey Policeman's Benevolent Association, police and firefighters have shorter life expectancies than do the general public. The Association believes that if police and firefighters could use actuarial tables reflecting their shorter life expectancy, their taxable income and, therefore, their taxes in the early years of retirement would be less under current law. In this briefing report, GAO evaluates the fairness of the actuarial tables used by IRS in computing taxable pension income. GAO also looks at the feasibility of using actuarial tables that take into account occupation and other factors. GAO found that the life expectancies of police and firefighters are essentially the same as those of the general public. In addition, GAO believes that developing separate tables would create a troublesome precedent since other occupational or demographic groups may request their own tables. GAO does recommend that IRS revise its publications to clarify when retirees can use the simplified rule to their advantage.

Transportation

Air Traffic Control: Status of FAA's Effort to Modernize the System

GAO/RCED-90-146FS, Apr. 17.

This fact sheet provides information on the status of the Federal Aviation Administration's air traffic control modernization program. By replacing computers, increasing automation, consolidating facilities, and upgrading navigational aids, this program seeks to achieve a significantly safer and more efficient air traffic control system while limiting costs incurred by the government and airspace users. GAO looked at (1) the overall status of the program in terms of projects completed and funds allocated and (2) the projected cost and schedule of the program's 12 major systems as of January 1990.

Testimony

Effects of Airline Entry Barriers on Fares, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Aviation, Senate Committee on Commerce, Science, and Transportation.

GAO/T-RCED-90-62, Apr. 5.

In June 1989, GAO testified that airline yields—or fares per passenger-mile—at 15 concentrated airports in 1988 were 27 percent higher than at 38 nonconcentrated airports. GAO considers an airport market concentrated if one airline handles 60 percent of the flights or if two airlines handle 85 percent. GAO updated its data and found that the gap persists. It is now 26 percent. A Department of Transportation study reached similar conclusions. GAO's work suggests that no single factor is responsible for the higher fares at concentrated airports, but that it is the interaction of a number of factors that allows carriers at these airports to charge higher fares. GAO has reservations about presuming all concentrated hubs to be anticompetitive. Increased capacity would be helpful, but GAO is concerned that increasing capacity would take too long and that increases in capacity alone will not solve all the problems of anticompetitiveness. GAO's testimony lists several policy options to reduce the anticompetitive effects of various industry operating and marketing practices.

Issues Related to FAA's Fiscal Year 1991 Budget Request, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Transportation, House Committee on Appropriations. GAO/T-RCED-90-66, Apr. 18.

GAO testified on the Federal Aviation Administration's fiscal year 1991 budget request. FAA's budget continues to grow. Its request of almost \$8.3 billion represents a 16 percent increase over the fiscal year 1990 appropriation. The two major components of the budget are the Operations account, which funds ongoing and maintenance of the Air Traffic Control system, and the Facilities and Equipment Account, which funds modernization of the Air Traffic Control system. These two areas comprise 80 percent of the total fiscal year 1991 request. While there is no doubt that the extraordinary needs of both maintaining and modernizing the Air Traffic Control system will require substantial increases in FAA's funding, GAO believes it is critical that FAA clearly show Congress, the aviation community, and the flying public how these increases will result in measurable benefits.

Preserving the Interstate System, by John W. Hill, Jr., Associate Director for Transportation Issues, before the Subcommittee on Surface Transportation, House Committee on Public Works and Transportation. GAO/T-RCED-90-68, Apr. 24.

Although the Interstate Highway System represents only one percent of all roads, Interstate routes carry 21 percent of the nation's vehicle traffic. Due to the system's dominant and vital role in the nation's transportation network, preservation of the over \$100 billion federal investment in Interstate construction must be ensured. Yet in 1988 DOT classified 43 percent of the nation's Interstate pavements as in either fair or poor condition. GAO's testimony presents several options for Congress to consider in re-aligning federal responsibilities and funding the program to better protect the nation's investment in the Interstate Highway System.

Issues Related to DOT's Fiscal Year 1991 Budget Request, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Transportation and Related Agencies, Senate Committee on Appropriations. GAO/T-RCED-90-72, Apr. 26.

GAO testified on aspects of the Department of Transportation's fiscal year 1991 budget request. The cost of meeting transportation needs is staggering and is certain to exceed the level of federal funding being programmed. The administration is aware of this and has proposed shifting the burden of payment to the states and localities, especially in the surface transportation and airport areas. In light of continuing budget constraints, it is critical that federal transportation dollars are well spent. GAO believes that establishing goals and priorities can help in

FAA's air traffic modernization program, interstate highway construction, and improvement of rail service. Since Congress faces important budget decisions on FAA, the interstate highway program, and Amtrak, GAO's testimony provides an overview of its work in each of these areas.

Veterans' Affairs

VA Health Care: Delays in Awarding Major Construction Contracts

GAO/HRD-90-91, Apr. 5.

The Department of Veterans Affairs' appropriation for fiscal year 1989 contained funding for 18 major construction projects, each estimated to cost \$2 million or more. The appropriation required that (1) working drawings contracts for these projects be awarded by September 30, 1989, and (2) construction contracts be awarded by September 30, 1990. VA's appropriation for fiscal year 1988 contained funding for 15 other projects for which construction contracts were to be awarded by September 30, 1989. VA is required to inform Congress and GAO of the projects that did not meet these time limits. GAO believes that VA's February 1990 letter to congressional committees and to the Comptroller General includes all projects awarded by September 30, 1989, that lacked the required working drawings or construction contracts. GAO also believes the contracting delays for the 17 construction projects included in VA's letter do not constitute an impoundment of budget authority under the Impoundment Control Act. VA's actions show no intent to refrain from using the funds. VA officials attributed the delays to several programmatic considerations, including changes in the projects' scope or design and receipt of bids that exceeded the funds available. VA has awarded or expects to award contracts for 14 of the 17 projects by September 30, 1990.

Infection Control: Military Programs Are Comparable to VA and Nonfederal Programs but Can Be Enhanced

GAO/HRD-90-74, Apr. 27.

The Centers for Disease Control estimates that about five percent of the patients who enter a hospital each year—approximately 40,000 people—contract at least one infection during their stay. GAO worked with groups like the CDC and the American Hospital Association to develop a list of 56 basic elements of an effective infection control program. GAO

assessed the completeness and accuracy of military infection control programs and compared those program with programs run in similar-sized VA and nonfederal hospitals. While military service guidelines do not include most of GAO's elements, the elements were used in the military hospitals GAO visited. This was largely due to the individual initiative of the infection control practitioners. The extent of use by military hospitals was similar to that of VA and nonfederal hospitals. However, military programs need more support from hospital management and more technical assistance from the services.

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OCG-90-2, Apr. 25.

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GAO/PEMD-90-18 (Vol. 1) and GAO/PEMD-90-18S (Vol. 2), April 1990.

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Wool and Mohair Program: Need for Program Still in Question
GAO/RCED-90-51, Mar. 6.

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GAO/RCED-90-142, Apr. 10.

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GAO/RCED-90-108BR, Apr. 24.

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GAO/T-AFMD-90-20, Apr. 19.

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Nuclear Waste: Quarterly Report as of December 31, 1989
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