



142077

Reports and Testimony: July 1990

Highlights

Department of Defense

The reduced threat of superpower conflict and the soaring budget deficit create a fertile climate for coming to grips with the Defense Department's many costly and long-standing mismanagement problems. Page 42.

Strategic Defense System

The Pentagon will be making a high-risk \$87 billion gamble if by 1993 it advises the President to deploy Phase I of the Strategic Defense System, a risk that stems from recently adding "Brilliant Pebbles" to the "Star Wars" anti-missile design. Page 36.

Retiree Health Coverage

The explosive rise in health care costs and its effect on employers' balance sheets may require Congress to act if it wants to preserve the protection that millions of retirees get from company-sponsored health plans. Pages 19 and 22.

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Reports and Testimony: July 1990

Agriculture and Food

Food Assistance Programs: Recipient and Expert Views on Food Assistance at Four Indian Reservations

GAO/RCED-90-152, June 18.

This is the second of two reports on the availability and adequacy of food assistance on four Indian reservations: Fort Berthold in North Dakota; Pine Ridge in South Dakota; White Earth in Minnesota; and Navajo in Arizona, New Mexico, and Utah. GAO's first report (see GAO/RCED-89-177, Sept. 29, 1989) discussed the availability of food assistance on the four reservations and the nutritional basis of the Food Stamp Program and the Food Distribution Program on Indian Reservations (FDPIR). This report presents recipient and expert views on the programs and discusses characteristics of Indian households that most frequently participate in the programs. According to experts interviewed, some hunger exists at all four reservations, and is more common among those participating in the Food Stamp Program than among those participating in FDPIR, because benefits provided by the Food Stamp Program are subject to disruptions and variances, and because allotments provided are too low to buy an adequate diet. GAO also was told that hunger exists in households that do not qualify or are discouraged from applying for assistance. Recipients and experts were concerned about poor quality and variety of food available under the assistance programs and about the lack of nutrition education, which may contribute to diet-related health problems like diabetes.

Farmers Home Administration: Farm Program Debt, Delinquencies, and Debt Losses as of June 30, 1989

GAO/RCED-90-158BR, June 26.

The Farmers Home Administration—a credit agency of the U.S. Department of Agriculture—is the “lender of last resort” to farmers and is the federal government’s main source of farm credit. In addition to making direct loans to family farmers who cannot get credit at reasonable rates and terms, FmHA guarantees some farm loans made by private lenders. This briefing report provides financial information on FmHA’s portfolio for five major farm loan programs as of June 30, 1989: farm ownership, farm operating, emergency disaster, economic emergency, and soil and water. Overall, GAO found that past due payments on FmHA’s major farm programs rose from \$164 million in 1976 to \$8.7 billion in 1989. Almost

90 percent of this amount is owed by farmers who have not made a payment in three years or more. Over the past 12 years, losses in these major farm programs have grown from about \$41 million to over \$3.3 billion for direct loans and from \$277,000 to more than \$64 million for guaranteed loans.

**Food Safety:
Issues USDA Should Address Before Ending Canadian Meat
Inspections**

GAO/RCED-90-176, July 6.

This report examines the "streamlined" inspection procedures that the U.S. Department of Agriculture's Food Safety and Inspection Service uses for Canadian meat. Beginning in January 1989, the procedures for entry of Canadian meat into this country were eased. Among other things, shipments of Canadian meat no longer have to be unloaded, inspected, and stamped "U.S. Inspected and Passed." GAO has two main concerns about loosening these import controls. First, the Food and Safety Inspection Service lacks the documentation to back up its claim that Canada's inspection system is virtually identical to that of the United States, thereby increasing confidence in the wholesomeness of Canadian meat. Second, for unexplained reasons, rejection rates for Canadian products were higher in 1989 than in 1988. These rates could be interpreted as reflecting a decline in the effectiveness of the Canadian inspection system. GAO believes that the Food Safety and Inspection Service needs to clearly demonstrate and document that American consumers can rely on the Canadian inspection system to ensure the quality of Canadian meat under an open border. GAO summarized this report in testimony before Congress; see:

United States-Canada Open Border Proposal for Meat and Poultry Inspection, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Agricultural Research and General Legislation, Senate Committee on Agriculture, Nutrition and Forestry. GAO/T-RCED-90-96, July 12.

**Conservation Reserve Program:
Determining Program's Effects on Production Depends on
Assumptions**

GAO/RCED-90-201, July 25.

Started in 1985, the Conservation Reserve Program sought to remove 40 to 45 million acres of highly erodible cropland from production by 1990. The intent was to help stop soil erosion, protect long-term agricultural productivity, and curb production of surplus commodities. So far, about 34 million acres have been enrolled. This report discusses assumptions that would influence an analysis of the program's effects on past and future agricultural production.

Budget and Spending

**Impoundments:
Unreported Deferrals of Fiscal Year 1990 Military Construction
Budget Authority**

GAO/OGC-90-5, June 28.

This report describes deferrals of budget authority in military construction programs that should have been, but were not, reported to Congress by the President in accordance with the Impoundment Control Act of 1974.

**Impoundments:
Required Release of Agriculture and Commerce Funds Proposed for
Rescission, but Not Approved by Congress**

GAO/OGC-90-9, July 3.

This report discusses the status of budget authority proposed for rescission by the President in his fifth special impoundment message, dated April 23, 1990. Congress did not act to rescind the budget authority relating to the Departments of Agriculture and Commerce; on June 19, OMB made available all funds proposed for rescission.

Business, Industry, and Consumers

Investment Advisers: Current Level of Oversight Puts Investors at Risk

GAO/GGD-90-83, June 26.

In recent years, more and more people have turned to investment advisers and financial planners for advice on how to invest for retirement, education, and other goals. The Securities and Exchange Commission regulates investment advisers, but GAO has concluded that SEC's oversight provides investors little assurance that the advice they get is reliable or in accordance with regulations. So far, the number of fraud and abuse reports does not reflect a problem with the current level of oversight. But since 1980, the number of investment advisers has tripled to about 14,000 and the amount of assets they manage has increased 10-fold to about \$4.6 trillion while SEC oversight resources have increased much less. These circumstances raise the risk that fraud and abuse will occur. GAO makes specific recommendations aimed at improving oversight to help protect the investing public.

International Trade: Revitalizing the U.S. Machine Tool Industry

GAO/NSIAD-90-182, July 17.

In December 1986, the President initiated a plan to revitalize the U.S. machine tool industry. This plan was the result of several studies concluding that high levels of imports could undermine domestic production of machine tools critical to the national defense. The President's plan required the government to encourage and fund research and development projects that would modernize machine tool and manufacturing technology. The plan also included a five-year voluntary export restraint agreement with Japan and Taiwan to give U.S. domestic industry a chance to increase sales and to improve production capacity. This report discusses (1) the Commerce and Defense Department's implementation of the plan, (2) Commerce's program to monitor and ensure compliance with export restraints, and (3) the impact of these voluntary export limits on the domestic machine tool industry.

Education

Promising Practice: Private Programs Guaranteeing Student Aid for Higher Education

GAO/PEMD-90-16, June 22.

In recent years, individuals and organizations have established guaranteed student aid and support programs to help disadvantaged students. GAO surveyed these programs and found them promising, particularly “sponsorship” programs that include early intervention, personal mentoring, and intensive academic help as well as financial assistance for higher education. Other categories of programs identified by GAO are “last-dollar” programs, which help high school juniors and seniors identify scholarship opportunities and guarantee supplemental funds to make up the difference between available funds and actual costs; “university-based” programs that guarantee admissions and tuition at a particular institution; and “pay-for-grade” programs that guarantee tuition funds only if a student earns specified grades. GAO estimated the cost per student of the most expensive program observed is about \$11,000, not a great deal more than the cost for a student who receives the maximum allowable federal tuition aid under the Pell grant program (\$9,200 for four years). By providing academic support and motivation early on, these programs may help reduce the number of dropouts among disadvantaged students or the number of high school graduates unprepared for higher education. GAO identified three problems faced by the tuition-guarantee programs: (1) funds are difficult to obtain to sustain these programs; (2) pay-for-grade programs appear least likely to improve graduation rates or rates of enrollment in postsecondary education among disadvantaged students; and (3) present data collection and evaluation efforts need improvement, or the effectiveness of the programs will be difficult to assess.

Impact Aid: Most School Construction Requests are Unfunded and Outdated

GAO/HRD-90-90, July 12.

The federal school construction program provides funds for constructing and renovating public schools that serve “federally connected” children—those whose parents work or live on military installations or Indian reservations. But while Congress funded almost all eligible requests between 1950 and 1967, funding has not kept pace with construction requests since then. The result is a substantial backlog of eligible unfunded projects, with requested projects outstripping available

funds by as much as \$200 million in recent years, according to the Department of Education. That figure, however, may include estimates for requested construction projects in school districts no longer eligible for the program and projects that have been completed without federal funding. To improve the program, GAO recommended that (1) Congress amend the law (P.L. 81-815) to require that school construction payments be based on average state per pupil construction costs in the year projects are funded, rather than costs near the time of application; and (2) the Secretary of Education require school districts to apply annually for construction assistance, so that eligibility and cost estimates are regularly reviewed and therefore more accurate.

Testimony

Financial Problems in the Stafford Student Loan Program, by Franklin Frazier, Director of Education and Employment Issues, before the Senate Committee on Banking, Housing and Urban Affairs. GAO/T-HRD-90-52, July 27.

The Stafford Student Loan Program is an important source of funds for students seeking postsecondary education in this country. Between 1983 and 1989, loans made under the program grew from about \$7 billion annually to over \$12 billion—an 83 percent increase. During the same period, however, defaults increased 352 percent—from \$444 million to \$2 billion. GAO testified on (1) how the program works, (2) the growth in loans guaranteed and defaulted, and (3) concerns about the financial problems being experienced by the Higher Education Assistance Foundation.

Energy

Nuclear Waste: Information on DOE's Interim Transuranic Waste Storage Facilities

GAO/RCED-90-166, June 8.

Concerns have been raised that the Waste Isolation Pilot Plant—the Department of Energy's planned permanent disposal facility for transuranic nuclear waste—may require extensive modifications before it can accept waste. This report focuses on the transuranic waste storage capacity at DOE's six interim storage sites. GAO notes that while storage capacity at the six sites will be reached anywhere from early 1991 at the Hanford Site to 100 years at the Nevada Test Site, continued temporary storage of transuranic waste at these interim sites has become a politically contentious issue between DOE and the states where these

facilities are located. GAO believes that it is important for DOE to determine as quickly as possible if the Waste Isolation Pilot Plant can be used as a repository.

**Nuclear Waste:
DOE Needs to Ensure Nevada's Conformance With Grant
Requirements**

GAO/RCED-90-173, July 9.

The state of Nevada opposes DOE's development of a nuclear waste repository at Yucca Mountain. As a result, disputes have arisen over how Nevada has spent financial assistance provided by DOE to pay the state's repository program costs. GAO reviewed Nevada's use of about \$32 million in grant funds provided by DOE through June 1989 and found that Nevada improperly spent about \$1 million. Nevada used as much as \$683,000 for lobbying and litigation expenses that were unauthorized or were expressly prohibited by law, court decision, or grant terms; exceeded a legislative spending limit on socioeconomic studies by about \$96,000; and used, contrary to grant terms, about \$275,000 from one grant period to pay expenses incurred in the prior year. Also, Nevada did not always exercise adequate internal controls over grant funds, such as timely liquidation of funds advanced to contractors. A permissive approach to grant administration by DOE contributed to Nevada's inappropriate use of grant funds.

**Nuclear Health and Safety:
DOE Has Not Demonstrated That Restarting PUREX Is a Sound
Decision**

GAO/RCED-90-207, June 29.

The Plutonium-Uranium Extraction (PUREX) plant at DOE's Hanford Site in Washington state was closed in December 1988 for safety reasons. DOE plans to restart the plant in March 1991 in order to resume extracting weapons-grade plutonium from spent fuel and to dispose of spent fuel that cannot yield weapons-grade plutonium. However, GAO found that DOE's plans for restarting the facility are inadequate. Specifically, DOE has not (1) shown that PUREX is needed for weapons-grade plutonium production or that PUREX is the best alternative for waste disposal purposes, (2) determined that a supplemental environmental impact statement is needed, (3) required that previous safety problems be corrected before the plant is reopened, and (4) provided assurance that staff will

be fully trained to operate PUREX safely. GAO believes that the Secretary of Energy should decide whether reopening PUREX is worth the costs and whether the facility is needed for its intended purposes. If so, a supplemental environmental impact statement should be prepared and all safety- and training-related issues should be resolved before PUREX is restarted.

**Alcohol Fuels:
Impacts From Increased Use of Ethanol Blended Fuels**

GAO/RCED-90-156, July 16.

Ethanol is an alcohol made from grain that can be blended with gasoline to extend petroleum supplies and to increase gasoline octane levels. Congressional proposals to encourage greater use of alternative fuels could increase the demand for ethanol. GAO evaluated the growth potential of the ethanol industry to meet future demand increases and the impacts increased production would have on American agriculture and the federal budget. GAO found that ethanol production could double or triple in the next eight years, and that American farmers could provide the corn for this production increase. While corn growers would benefit, other agricultural segments would not; soybean producers, for example could suffer from increased corn oil production (an ethanol byproduct) and cattle ranchers would be faced with higher feed costs because of higher corn prices. Poultry farmers might benefit from lower priced feed. Overall, net farm cash income would increase, and consumers would see slightly higher food prices. Federal budget impacts would include a reduction in federal farm program outlays by an annual average of between \$930 million (for double current production of ethanol) to \$1.421 billion (for triple production) during the eight-year growth period. However, due to an partial tax exemption for ethanol blended fuels, federal fuel tax revenues could decrease by between \$442 million and \$813 million. GAO notes that the scope of its evaluation of federal budget impacts covered only farm support programs and fuel taxes; other possible impacts were not analyzed.

**Energy:
Bibliography of GAO Documents—January 1986 - December 1989**

GAO/RCED-90-179, July 1990.

Growing dependence on imported oil, the need to develop new technologies to use energy cleanly and efficiently, and the tremendous problems

at the nation's nuclear weapons complex have all thrust DOE and its programs into the limelight once again. This timely bibliography includes information on 1986 GAO documents relating to energy issues. Forms for ordering materials are included.

Testimony

Comments on Smith Barney's Uranium Enrichment Analysis, by Victor S. Rezendes, Director of Energy Issues, before the Subcommittee on Energy and the Environment, House Committee on Interior and Insular Affairs, and before the Subcommittee on Energy and Power, House Committee on Energy and Commerce. GAO/T-RCED-90-101 and GAO/T-RCED-90-101A, July 31.

In a May 1990 report, Smith Barney, Harris Upham and Co. concluded that (1) DOE's uranium enrichment program should be restructured as a government corporation; (2) all past costs have been recovered, and DOE's customers have been overpaid about \$1.2 billion; (3) the government should retain responsibility for environmental and decommissioning costs associated with enriched uranium production before the corporation's formation; and (4) at some future time the corporation could be sold to the private sector. GAO agrees with Smith Barney's recommendation to restructure the enrichment program as a government corporation, but disagrees that DOE's customers have paid for all past costs. Smith Barney did not identify the total environmental or decommissioning costs between the government and the corporation. Since these costs are largely undefined, but could amount to billions, Congress should immediately require the program to begin setting aside funds for these costs. DOE estimates that government purchasers are responsible for 50 percent of the decommissioning costs; therefore, the government should share these costs by matching the corporation's fund contributions. This requirement should continue until the existing plants have been decommissioned.

Environmental Protection

Toxic Substances: Effectiveness of Unreasonable Risk Standards Unclear

GAO/RCED-90-189, July 20.

The 101st Congress considered legislation that would have controlled the health risks from toxic air pollutants by using an unreasonable risk standard similar to that found in the Toxic Substances Control Act. The proposed amendment to the Clean Air Act would have required the

installation of emission control devices to reduce toxic air pollution and would have mandated additional controls when the remaining emissions were found to pose an unreasonable risk to public health and the environment. Because the Clean Air Act that ultimately passed the House deleted the unreasonable risk standard in favor of a different approach to controlling air toxics, GAO discontinued its work in this area. This report summarizes the information GAO obtained for Congress' use during conference on the Clean Air Act reauthorization. GAO specifically looked at (1) the number of substances that have been controlled or proposed for control under the Toxic Substances Control Act unreasonable risk standard and (2) the effectiveness of this standard in controlling toxic air pollutants.

Financial Institutions

Securities and Futures Markets: Assessment of SEC and CFTC Studies of October 1989 Market Volatilities

GAO/GGD-90-108BR, July 17.

This briefing report examines analyses by the Securities and Exchange Commission and by the Commodity Futures Trading Commission of the October 1989 stock market crash. In particular, it addresses the differences in the methodologies and conclusions used in the analyses. GAO also discusses how the current debate about the SEC and CFTC roles in regulating stock index future trading can hamper potential solutions to the data problems GAO identified.

Failed Thrifts: FDIC Oversight of 1988 Deals Needs Improvement

GAO/GGD-90-93, July 19.

Between January 1988 and August 1989, the Federal Savings and Loan Insurance Corporation sold 181 insolvent thrifts to 91 acquirers. These 91 transactions were accompanied by assistance agreements that specified the responsibilities of FSLIC and the 91 assisted thrifts. To help protect the government's interest, the assistance agreements included reporting requirements designed to enable the Federal Deposit Insurance Corporation—which is now responsible for managing these agreements—to oversee the assisted thrifts' disposition of the estimated \$50 billion in covered assets. GAO found that FDIC had not, however, given

enough attention to overseeing the disposition of the assets and to managing the FSLIC assistance agreements. GAO was concerned that without adequate strategies governing the thrifts' disposal of assets, FDIC could not ensure that transaction costs were being minimized. Furthermore, the absence of guidance and monitoring systems exposed the government to potential fraud and abuse in the disposition of these assets—whose \$50 billion value FDIC has guaranteed. In June 1990, FDIC approved a strategic plan for the administration of the assistance agreements, together with a statement of goals and objectives. These documents, which are responsive to GAO's concerns, set forth target completion dates for issuing asset disposition policies, establish the needed management information systems, and expedite completion of the initial inventory audits.

Financial Management

Inspectors General: Treasury's Office of Inspector General Properly Established

GAO/AFMD-90-70, June 14.

GAO found that the Treasury Department has taken steps specified in the Inspector General Act of 1978 to establish an Office of Inspector General, and found no evidence that the OIG has any improper operational responsibility concerning the Department's four law enforcement bureaus (Bureau of Alcohol, Tobacco and Firearms; U.S. Customs Service; Secret Service; and Internal Revenue Service). Also, GAO found no prohibitions of OIG audits or investigations.

Financial Audit: House Office Equipment Service Schedules for Fiscal Year 1989

GAO/AFMD-90-86, July 6.

GAO audited the schedule of Washington office purchased equipment accounts and the schedule of district office purchased furnishings and equipment accounts of the House Office Equipment Service for fiscal year 1989. In GAO's opinion, these schedules present fairly, in all material respects, the Washington office purchased equipment accounts and the district office purchased furnishings and equipment accounts of the House Office Equipment Service.

**Financial Audit:
Federal Savings and Loan Insurance Corporation's 1989 and 1988
Financial Statements**

GAO/AFMD-90-79, July 17.

On the basis of FSLIC financial statements for 1989 and 1988, GAO believes that funds needed to pay off existing obligations and resolve problems of institutions awaiting resolution will be higher than expected—even higher than its own estimate of \$325 billion. That estimate represents a least cost figure based on present conditions that are subject to change and assumptions that may be optimistic. The estimate could easily rise to \$400 billion if more thrifts fail than the 560 identified so far, and could reach \$500 billion if the economy suffers a downturn and interest rates rise.

**Financial Audit:
Export-Import Bank's 1989 and 1988 Financial Statements**

GAO/AFMD-90-80, July 19.

Since fiscal year 1983, GAO has reported the need for the Export-Import Bank to reflect an allowance for possible losses associated with its portfolio of foreign loans and insurance and guarantee claims. The bank's fiscal year 1989 financial statements present for the first time an allowance for these possible losses. Adjustments made to the bank's 1988 statements show losses that occurred before fiscal year 1989; as of September 30, 1989, the bank's accumulated deficit was \$5.3 billion. GAO believes that Congress should enact a recapitalization plan that restores the bank's capital to a positive level, specifies a minimum capital level that the bank must maintain, and provides a mechanism for funding future losses from financial risks inherent in fulfilling the bank's mission.

**Financial Audit:
House Recording Studio Revolving Fund for 1989 and 1988**

GAO/AFMD-90-88, July 19.

This report presents GAO's opinion on the House of Representatives Recording Studio Revolving Fund as of December 31, 1989 and 1988, and the related statements of operations and cash flows for those years. In GAO's view, the financial statements reviewed present fairly, in all

material respects, the financial position of the Revolving Fund for those years.

Testimony

The Congressional Award Program, by Jerry E. Walker, Director of Legislative and Special Audits, before the Subcommittee on Select Education, House Committee on Education and Labor. GAO/T-AFMD-90-24, July 12.

GAO testified on the preliminary results of its audit of the Congressional Award Foundation, which was established to promote initiative and achievement among youths through public service, personal development, and physical activities. GAO found that the financial condition of the Foundation, although still precarious, has improved since GAO's last audit in 1987. Most notable is the reduction in debt and operating expenses. Weaknesses in internal controls persist, however. GAO testified that program officials have responded to many of GAO's recommendations. GAO also commented on proposed amendments to the legislation that authorizes the Congressional Awards Program.

Audits of Employee Benefit Plans Need to Be Strengthened, by David L. Clark, Associate Director for Financial Management Systems and Audit Oversight, before the Subcommittee on Labor, Senate Committee on Labor and Human Resources. GAO/T-AFMD-90-25, July 24.

GAO testified on the role that independent public accountants play in auditing employee benefit plans covered by the Employment Retirement Income Security Act of 1974. Effective controls are necessary to safeguard the nation's employee benefit plans against mismanagement, fraud, and abuse. Independent public accountants are in a prime position to ensure that such safeguards are working to protect the interests of plan participants and the government. To that end, GAO believes that current audit provisions should be strengthened to more effectively use independent public accountants as an oversight and enforcement mechanism under ERISA.

Government Operations

Government Civilian Aircraft: Use of Government Aircraft by the Attorney General and FBI Director

GAO/GGD-90-84, June 15.

GAO reviewed travel by the Attorney General and the Director of the FBI on government aircraft. These planes are made available for security reasons, since each year the Attorney General and the FBI Director receive numerous death threats. During the period GAO reviewed, the Attorney General and FBI Director took 75 trips on government aircraft. Most of the trips were to give speeches, attend meetings, or visit field locations. During their trips, however, the Attorney General and FBI were often accompanied by their wives or other passengers who were not Justice Department employees. While GAO believes that providing for executives' security may be an inherently governmental function, transporting them on Justice aircraft is not. GAO's analysis found that private lease or rental aircraft services could satisfy concerns about ensuring personal safety and providing secure communications.

Coast Guard Acquisitions: Formal Criteria Needed to Ensure Project Manager Qualifications

GAO/RCED-90-178, June 19.

The Coast Guard buys ships, aircraft, and other major systems to carry out its wide-ranging missions. These missions include enforcing federal laws on the high seas and U.S. waters, maintaining aids to maritime navigation, protecting the marine environment, search and rescue, and icebreaking. GAO assessed efforts by the Coast Guard to increase the qualifications and tour of duty, or tenure, of personnel chosen to manage the acquisition of its major systems. GAO found that the Coast Guard has increased the experience and training of its project managers by establishing a screening panel to select qualified officers to serve as project managers and by sending many of the selected officers to a 20-week acquisition management training course. However, officers do not have to have acquisition experience or training to be selected. In addition, the average tenure of the current project managers expected to transfer to new assignments in fiscal year 1990 is three years. Because project management requires an extensive knowledge of procurement practices, GAO believes that retaining these managers longer would allow the Coast Guard to more effectively utilize their experience and training.

**Navy Office Space:
Consolidating Space in Northern Virginia for the Five Systems
Commands**

GAO/GGD-90-39FS, June 28.

As part of its plan to upgrade its space in the National Capital Region, the Navy plans to consolidate its five Systems Commands at a single site in Northern Virginia. This fact sheet provides information on the cost of maintaining the five Naval Systems Commands in the Washington, D.C., area. Specifically, it (1) identifies where the Systems Commands are now located, (2) discusses the status of the current leases for these buildings, and (3) determines the status of efforts by the General Services Administration to negotiate a lease that consolidates the Systems Command in Northern Virginia.

**Distressed Communities:
Public Services Declined in New Jersey Despite Targeted State Aid**

GAO/HRD-90-96, July 9.

New Jersey enjoyed substantial prosperity during the 1980s. Yet not all of its communities participated in this economic expansion. Large and growing disparities emerged between poorer and wealthier communities, with the former facing more difficulties in coping with the loss of federal funds and the expiration of general revenue sharing. This report, the first in a series of three case studies, examines the condition of basic services in poor communities in New Jersey. The other two reports will focus on fiscally distressed communities in California and Texas. This report looks at changing federal-local fiscal relations due to declining federal aid and the loss of general revenue sharing. It also examines local efforts to cope with existing fiscal problems and assesses whether state policies helped to offset these circumstances.

Testimony

1990 Census: Status of Questionnaire Follow-Up Efforts, by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on Census and Population, House Committee on Post Office and Civil Service. GAO/T-GGD-90-52, July 2.

GAO testified on the status of the 1990 decennial census, particularly the Census Bureau's nonresponse follow-up operations, which seek to obtain completed questionnaires from households that did not initially respond

to the census. GAO found that while nonresponse follow-up has been delayed and virtually no offices finished on schedule, most of the district offices now either have finished or expect to finish shortly. At this point, the Bureau does not expect the delays to significantly impede the progress of the census, particularly the Post Enumeration Survey, which begins as offices finish nonresponse work. However, while the Bureau's progress is commendable, it needs to continue working to ensure that its remaining offices complete follow-up efforts as expeditiously as possible in order to meet tight census and Post Enumeration Survey timetables.

Barriers to Installing Energy-Efficient Lighting in Federal Buildings, by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on Environment, Energy and Natural Resources, House Committee on Government Operations, and before the Subcommittee on Energy and Power, House Committee on Energy and Commerce. GAO/T-GGD-90-54, July 11.

Every year the federal government spends about \$4 billion on energy for its 500,000 buildings. In November 1988, Congress passed legislation that seeks to reduce total energy consumption in federal buildings 10 percent by 1995. Efficient lighting is one of the key elements in reducing energy usage in buildings. GAO testified on the barriers to installing energy-saving fluorescent light bulbs in federal buildings.

Analysis of 1990 Census Operations, by L. Nye Stevens, Director of Government Business Operations Issues, before the Senate Committee on Governmental Affairs. GAO/T-GGD-90-55, July 13.

GAO testified that the Census Bureau has been facing many difficult challenges in completing the 1990 census, including adjusting to a reduced level of public cooperation, dealing with recruiting and staffing shortages, funding the census, and improving the quality of census data. While the Bureau has acted to address these problems and appears to have generally put the census back on schedule, GAO notes that the census is not over and that much remains to be done in the months ahead. Important coverage improvement operations are either just beginning or will begin in late summer. GAO believes that the quality of the census data is heavily dependent on how well the Bureau carries out the remaining census operations. The 1990 census experience demonstrates the need to fundamentally rethink how future censuses should be taken. GAO urges Congress to maintain a strong and continuing interest in early planning for the 2000 decennial census.

Government Printing Office: General Management Review, by J. William Gadsby, Director of Federal Management Issues, before the Joint Committee on Printing. GAO/T-GGD-90-57, July 19.

The Government Printing Office opened for business in March 1861 with the expectation that it would lower the cost of government printing. Today, however, GPO is insulated from market forces because of its legal control over most federal printing; the result has been higher costs and unresponsiveness to customer needs. GAO testified on its management review of GPO. GAO discussed (1) the need to define GPO's future role in providing printing services to the government and (2) operational problems at GPO that can be addressed in the short term.

Status of 1990 Census Follow-Up and Evaluation Efforts, by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on Census and Population, House Committee on Post Office and Civil Service. GAO/T-GGD-90-58, July 23.

GAO testified on the Census Bureau's progress in completing nonresponse follow-up efforts and in meeting tight time frames for the Post Enumeration Survey. GAO also discussed early indications of the accuracy and completeness of census data.

Observations on GAO's Experience in Implementing an Independent Personnel System, by Joan M. McCabe, Deputy Assistant Comptroller General for Human Resources, before the Subcommittee on Civil Service, House Committee on Post Office and Civil Service. GAO/T-ACG/OPS-90-1, July 26.

The GAO Personnel Act of 1980 authorized GAO to create its own personnel system—one that is independent of executive branch involvement. An important outcome of GAO's separate personnel system has been the minimization of potential conflicts of interest between GAO oversight of these agencies and the authority that they formerly held over GAO's personnel system. GAO discussed aspects of its personnel system—including recruitment, hiring, pay, and position classification—in which the flexibility to design its own systems and procedures has been particularly beneficial. GAO also discussed aspects of its grievance and appeals procedures.

Risks and Oversight of Government-Sponsored Enterprises, by Richard L. Fogel, Assistant Comptroller General for General Government Programs, before the Subcommittee on Housing and Community Development, House Committee on Banking, Finance and Urban Affairs. GAO/T-GGD-90-59, July 27.

Government-sponsored enterprises are large financial organizations, established by Congress, that undertake various risks to accomplish public policy goals in such areas as housing, agriculture, and student lending. Given their public policy links to the government, a GSE experiencing financial problems could pose tough and potentially expensive decisions for Congress—decisions comparable to those faced during the farm credit and S&L crises. GAO testified that while no GSE appears in danger of imminent failure, caution dictates that the government protect its interests before a crisis actually materializes. GAO believes that a better system of oversight, some reasonable risk-based capital rules, and appropriate enforcement authorities are needed for Fannie Mae, Freddie Mac, and Sallie Mae.

Health

Employee Benefits: Extent of Multiemployer Plan Retiree Health Coverage

GAO/HRD-90-132, July 17.

To what extent do companies provide retiree health coverage indirectly, through multiemployer plans? While just over six percent of all retirees in company-sponsored health plans are covered by multiemployer plans, these plans are an important source of coverage in certain industries—most notably construction—where few individual firms have retiree health benefits. GAO analyzed data on 915 plans and determined the numbers of (1) multiemployer health plans with retiree coverage, (2) workers enrolled in such plans, and (3) retirees in such plans. GAO also estimated the total number of private sector workers and retirees in company-sponsored health plans with retiree coverage.

Medical Devices: Underreporting of Serious Problems With a Home Apnea Monitor

GAO/PEMD-90-17, May 31.

Apnea occurs when breathing stops for long periods of time. Premature and low birthweight babies are particularly prone to this problem,

which can result in brain damage and death. To avoid lengthy hospital stays, consumers have increasingly turned to home apnea monitors—electronic devices that trigger an alarm when breathing stops. Aequitron, a manufacturer of home apnea monitors, received at least 70 complaints that patients died while using its Model 8200 monitor. Additional complaints linked the device with safety hazards and injuries. Some of these complaints, however, were never reported to the Food and Drug Administration because of the manufacturer's interpretation of the medical device reporting requirements. As a result of FDA's intervention in this case and Aequitron's review of its own records, 144 additional medical device reports of malfunctions were submitted. GAO believes that malfunction reports should be treated as seriously as reports of serious injury or the death of a patient, especially as a preventive measure. Although FDA has provided all registered device manufacturers with guidance on reporting requirements, GAO believes that there may be a serious problem in the manufacturers' interpretation of the requirements. GAO summarized this report in testimony before Congress; see:

Medical Device Problem Reporting: A Case Study of a Home Apnea Monitor, by Carl E. Wisler, Director for Planning and Reporting, Program Evaluation and Methodology Division, before the Subcommittee on Health and the Environment, House Committee on Energy and Commerce. GAO/T-PEMD-90-10, July 17.

**Medicare:
Comparative Analyses of Payments for Selected Hospital Services**

GAO/HRD-90-108, July 6.

One of the goals of the Medicare prospective payment system for inpatient hospital services is to set payment rates that are reasonable from Medicare's perspective and, at the same time, equitable to hospitals. This goal has been a challenge in part because the Medicare Hospital Cost Report—the main source of hospital cost and revenue information for policymakers—does not provide all the financial information needed to evaluate Medicare payment rates. This report analyses hospital costs and revenues in terms of the adequacy of Medicare payment rates. GAO compared Medicare payment rates for inpatient hospital services with Medicaid payments for these same services in California, New York, and Ohio. GAO also analyzed differences among these states in Medicare payments and costs for similar inpatient services. GAO found that, on average, hospitals in all three states were paid a greater percentage of billed charges for Medicare patients than for Medicaid patients.

**Home Visiting:
A Promising Early Intervention Strategy for At-Risk Families**

GAO/HRD-90-83, July 11.

Families that are poor, uneducated, or headed by teenage parents often face barriers to getting the health care or social support services they need. On the basis of an extensive examination of selected home visiting programs nationwide and in Europe, GAO concluded that home visiting can be an effective strategy for delivering or improving access to early intervention services that can help at-risk families become healthier and more self-sufficient. GAO believes that home visiting should be targeted to groups most likely to benefit from these personalized services, including for example young, poor, single mothers, or children who are handicapped, developmentally delayed, or at risk of abuse or neglect. Home visiting, the report cautions, is not a panacea for the problems disadvantaged families face. It is no substitute for such community services as prenatal care providers, hospital delivery services, substance abuse treatment, Head Start programs, or affordable housing. GAO identified specific design elements common to successful home visiting programs and suggests that they be incorporated into such programs that are federally funded, including Maternal and Child Health block grant demonstration projects. GAO urges Congress to consider amending title XIX of the Social Security Act to explicitly establish as an optional Medicaid service, where prescribed by a physician or other Medicaid-qualified provider, (1) prenatal and postnatal home-visiting services for high-risk women and (2) home-visiting services for high-risk infants at least up to age one.

**Medicare Appeals Process:
Part B Changes Appear to be Fulfilling Their Purpose**

GAO/HRD-90-57, July 16.

The Medicare Part B program provides supplemental medical insurance coverage to individuals age 65 and older. In 1987 the process by which claimants could appeal decisions was changed to provide an appeals opportunity beyond that provided at the insurance carrier level in cases that involved disputes of \$500 or more. Claimants could elect on-the-record, telephone, or in-person hearings at the carrier level, before an appeal was made to an federal administrative law judge (ALJ). In 1988 the Health Care Financing Administration of HHS introduced the requirement that Part B cases go through a mandatory on-the-record hearing

before being appealed. If disputed amounts still were more than \$500, claimants could then appeal to an ALJ. GAO examined the effects of these changes and found that the percentage of cases receiving a telephone or in-person hearing at the carrier level decreased after the introduction of mandatory on-the-record hearings. The percentage of cases appealed to an ALJ increased. GAO reports that the changes to the Part B appeals process seem to be fulfilling their intended purpose of reducing the number of in-person and telephone hearings and providing claimants an opportunity to appeal beyond the carrier level. GAO did not attempt to determine the reason for its additional observation that the percentage of case decisions resulting in payments to claimants decreased after on-the-record hearings became mandatory.

Testimony

National Institutes of Health: Problems in Implementing Policy on Women in Study Populations, by Mark V. Nadel, Associate Director for National and Public Health Issues, before the Subcommittee on Housing and Consumer Interest, House Select Committee on Aging. GAO/T-HRD-90-50, July 24.

Although it has been over three years since the National Institutes of Health announced a policy of encouraging the inclusion of women in study populations, GAO testified that NIH has done little to put this policy into effect. GAO found that the policy on women is neither well communicated nor understood. For example, because the grant application booklet does not discuss the policy, NIH continues to receive proposals that are unresponsive to the policy. In addition, NIH has only just begun to apply the policy systematically during the grant review process. NIH's various institutes have not applied the policy, and NIH has no way to measure the policy's impact on the research it funds. Furthermore, the policy applies to extramural research only, not to NIH's own intramural research projects. Because implementation of the policy began so late, GAO was unable to determine its effect on the demographic composition of study populations. Furthermore, there is no readily accessible source of data on the demographics of NIH study populations.

Employee Benefits: Trends in Retiree Health Coverage, by Joseph F. Delfico, Director of Income Security Issues, before the Subcommittee on Retirement Income and Employment, House Select Committee on Aging. GAO/T-HRD-90-51, July 27.

Company-sponsored health plans are a main source of health care coverage for retirees. This health care coverage is especially important to

retirees under age 65, because most are ineligible for Medicare. Out of an estimated 96 million private sector workers, about two-thirds lack retiree health coverage. For the other one-third of the workforce with such benefits, GAO testified that the security of company-sponsored retiree health plans is in question. GAO estimates that since 1984, fewer than one percent of companies have terminated retiree health benefits. However, at an increasing rate companies have been shifting costs to retirees or reducing benefits. Retirees now receiving health benefits and active workers who expect to receive these benefits upon retirement currently have few legal protections from corporate cost cutting. GAO believes that Congress may have to take explicit action if it wants to preserve company-sponsored retiree health benefits.

Housing

Homelessness: Changes in the Interagency Council on the Homeless Make It More Effective

GAO/RCED-90-172, July 11.

GAO found that the Interagency Council on the Homeless has made significant changes in response to March 1989 congressional hearings. At those hearings, GAO testified that the Council had been slow to respond to what Congress had characterized as an immediate and unprecedented homelessness crisis. In this report, GAO notes that the leadership of the Council's current chairman—the Secretary of HUD—has improved substantially. For example, by loaning 10 HUD employees to serve as the Council's regional coordinators on a nonreimbursable basis, the Chairman has strengthened the Council's field coordination efforts and has improved services to the homeless. About two-thirds of the state officials and local assistance providers GAO surveyed said that the current Council's improvement efforts were "somewhat" to "very effective." These individuals also thought that the Council should be reauthorized to continue coordinating these efforts. GAO found the Council's 1989 annual report to Congress to be an improvement over last year's publication because it focuses on the federal response to the homeless and addresses the levels of federal funding needed to combat the problem of homelessness.

Testimony

Impact of FHA Loan Policy Changes on Financial Losses and Homebuyers, by John M. Ols, Jr., Director of Housing and Community

Development Issues, before the Subcommittee on Housing and Community Development, House Committee on Banking, Finance, and Urban Affairs. GAO/T-RCED-90-95, July 10.

Congress and the nation face a dilemma: Can the Federal Housing Administration run a financially sound single family mortgage insurance program—one involving reasonable costs and risks—without overburdening low- and moderate-income homebuyers, particularly first-time homebuyers, in order to achieve such financial stability? GAO testified on the effect of proposed policy changes on the FHA Mutual Mortgage Insurance Fund's cash position. Because the Fund has not yet reached the point of requiring assistance from the U.S. Treasury, there is still time to reform the program and reverse the trend toward insolvency before federal financial assistance becomes necessary. GAO believes that in deciding what reforms are appropriate to achieve this goal, Congress should not only carefully balance the desire to assist homebuyers with the federal government's potential financial risk and liability, but it should also base these reforms on its expectations of the housing market's future performance.

Homelessness: Status of the Surplus Property Program, the Interagency Council on the Homeless, and FEMA's EFS Program, by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Senate Committee on Government Affairs. GAO/T-RCED-90-98, July 19.

GAO testified on its work related to provisions of the McKinney Homeless Assistance Act. The Surplus Property Program, which is designed to identify vacant federal property available for homeless shelters, needs improvement. GAO believes that the government needs to be sure properties are truly vacant and available before publicizing them as such, and that comprehensive federal guidance on how to obtain federal properties should be developed. GAO found that changes made by the Interagency Council on the Homeless have significantly improved the Council's services and operations; that review is detailed in a report summarized above, GAO/RCED-90-172, July 11. Finally, GAO's review of the Emergency Food and Shelter Program administered by the Federal Emergency Management Agency revealed that funds are now reaching assistance providers in a more timely fashion than GAO reported previously.

Income Security

Pension Plan Terminations: Effectiveness of Excise Tax in Recovering Tax Benefits in Asset Reversions

GAO/HRD-90-126, July 13.

To encourage savings for retirement, tax policy favors defined benefit and other pension plans. Federal law now permits sponsors to terminate their pension plans, pay each participant only the benefits that have built up to termination date, and keep all the residual assets. Since 1980, it is estimated that reversions by employers in this way have amounted to \$20 billion. GAO evaluated the 15-percent excise tax levied on employers who recover excess pension assets by terminating overfunded pension plans—called asset reversions—and found that it was not high enough to offset the tax benefit portion of pension asset reversions. According to GAO's analysis, the excise rates needed to fully offset pension tax benefits ranged from 17 to 59 percent. These offsetting excise tax rates were very sensitive to variations in the way different types of income were taxed. For example, plans that primarily obtained from sources normally subject to the maximum statutory rate, such as income from corporate bonds, had the highest offsetting tax rates.

Testimony

Social Security: Employment and Health Status of Social Security Denied Applicants, by Joseph F. Delfico, Director of Income Security Issues, before the Senate Special Committee on Aging. GAO/T-HRD-90-48, July 17.

The Social Security Disability Insurance Program is the main source of replacement income for workers who cannot work because of disabling health conditions. GAO summarized in testimony its 1987 survey of disability applicants who were denied benefits in 1984: over two-thirds of these nonworking denied applicants said they had been out of work for at least three years, and 54 percent did not expect to work again. The self-described health status of denied applicants resembled that of beneficiaries, with most members of both groups reporting poor or fair-to-poor health. GAO testified that these findings raise questions about the criteria used to determine an applicant's ability to work and about the determinations themselves. GAO noted that an applicant's residual functional capacity (RFC) was the principal point of disagreement between state disability adjudicators who made initial decisions and administrative law judges to whom initial decisions are appealed. GAO believes that budget constraints during the past few years may be contributing to a

decline in the quality of disability decisions, particularly denial decisions; from 1986 to 1989, the number of cases processed increased 12 percent while staff-years decreased 13 percent.

Information Management

Defense ADP Procurement: Contracting and Market Share Information

GAO/IMTEC-90-60FS, June 8.

As part of its review of compatible computer procurements by federal agencies, GAO looked at the extent to which procurements by Defense Department agencies, excluding branches of the armed services, of mainframe computers and mainframe peripheral equipment required compatibility with IBM or other computer manufacturers. In this fact sheet, GAO examines equipment acquisitions to identify the manufacturers involved and the procurement methods used to obtain equipment.

FAA Procurement: Competition for Major Data-Processing Project was Unjustifiably Limited

GAO/IMTEC-90-71, June 11.

FAA's Computer Resources Nucleus (CORN) project is intended to meet the agency's general-purpose data-processing needs for 10 years and provide optional processing support to other organizations within the Department of Transportation. The agency's original objective for the CORN procurement was to achieve full and open competition and to encourage innovative vendor proposals. FAA initially recognized that varied combinations of hardware and software could meet its needs, but later decided to require a "single architecture" solution. GAO believes that FAA's requirement of a single architecture is not justifiable and may lead to the procurement of a system that does not meet the agency's needs. As a result of this restriction, competition among vendors may have been unnecessarily limited, and potentially cost-saving proposals may have been eliminated.

**Agriculture ADP Procurement:
Contracting and Market Share Information**

GAO/IMTEC-90-62FS, June 27.

As part of a broader GAO review of compatible computer procurements by the federal government, this report focuses on mainframe computer and mainframe peripheral equipment procurements by the Department of Agriculture. In particular, GAO looked at the extent to which Agriculture required compatibility with IBM or other equipment manufacturers. GAO found that during the 3-1/2 fiscal years ending March 1989, Agriculture had 208 procurements for mainframes and mainframe peripherals and that 97 percent of these required some type of compatibility. Agriculture required IBM compatibility 90 percent of the time; the rest required either Honeywell Bull or Unisys compatibility. Agriculture obligated \$64.6 million for the 208 procurements. When GAO used dollars—rather than the number of procurements—for comparison, it found that overall Agriculture obligated more dollars for IBM equipment than for any other manufacturer (\$53.2 million for IBM versus \$11.4 for all others). This report also contains information on Agriculture's procurement methods, including the use of contractors that participate in the Small Business Administration's program for small disadvantaged businesses.

**Information Resources:
Army Should Limit New Initiatives Until Management Program Is Implemented**

GAO/IMTEC-90-58, June 29.

The Army's increasing reliance on information resources is reflected in its automation budget, which rose from \$1.6 billion in fiscal year 1984 to the \$2.9 billion requested for fiscal year 1991. However, GAO found that the Army has been unsuccessful in improving the management and acquisition of its information resources. The Army has not fully implemented its Information Resources Management Program and does not have in place an effective control process for managing information initiatives. While the Army has started to correct information resources management deficiencies, GAO is concerned that—given past experience and the magnitude of these efforts—it may take longer than Army officials recognize or have reported to Congress to resolve the deficiencies. GAO is also concerned that the Army's optimistic estimates may result in premature and overstated claims of problem resolution.

**Financial Markets:
Oversight of Automation Used to Clear and Settle Trades Is Uneven**

GAO/IMTEC-90-47, July 12.

This report—a follow-up to GAO's initial report on the 1987 stock market crash—looks at efforts by federal regulators and financial organizations to oversee the automated systems so vital to the post-trade processing of stock, options, and futures transactions. In GAO's view, the limited federal oversight of these systems, coupled with gaps in the self-regulatory oversight provided by the clearinghouses, suggests that these parties are not taking all the steps needed to detect and avoid problems associated with operating automated systems. Consequently, there is an increased and unnecessary risk that these systems will be unable to consistently process trades promptly and accurately, especially during stressful market periods. This undermines the integrity of the nation's stock, options, and futures markets. GAO recommends that (1) the Securities and Exchange Commission and the Commodity Futures Trading Commission increase their oversight of automated clearinghouse systems; (2) SEC ensure full compliance with its risk assessment standard for stock clearinghouses; (3) CFTC establish standards for the futures clearinghouses to follow in implementing comprehensive systems review programs; and (4) CFTC follow-up to ensure that weaknesses at the futures clearinghouses are resolved.

**Resolution Trust Corporation:
Stronger Information Technology Leadership Needed**

GAO/IMTEC-90-76, July 23.

To help resolve the nation's thrift crisis, Congress passed emergency legislation that created the Resolution Trust Corporation and its Oversight Board. Timely, accurate, and complete financial and operational information on failed thrifts and related assets will be needed if this daunting task is to succeed. RTC now relies on existing information systems from other financial agencies, but it recognizes that they may have to be expanded or replaced. To help define its information needs and to select appropriate equipment, RTC needs effective information resources management leadership and planning. At the time of GAO's review, however, RTC had not adequately planned for its information processing needs. GAO recommends that RTC (1) strengthen its information resources management leadership, (2) develop an information resources management

strategic plans, and (3) develop a systems architecture to pinpoint the information technology that will meet its needs.

**ADP Systems:
HCFA's Failure to Follow Guidelines Makes System Effectiveness
Uncertain**

GAO/IMTEC-90-53, July 26.

GAO reviewed the development, progress, performance, and cost of a Medicare automated information system known as the Common Working File. The system is being implemented by the Health Care Financing Administration—part of the Department of Health and Human Services—to improve Medicare claims processing. However, because HCFA never followed HHS system development guidelines, it has no idea whether the system—which has already been approved and procured—is a sound investment. HCFA did not generate basic information needed during system development, such as total cost estimates and expected benefits (savings). HCFA also did not test the system in a way that would generate useful information. The system is now essentially installed, but will cost an estimated \$30 million each year to operate. GAO believes that if the system cannot generate savings at least equal to this amount, then HCFA should consider discontinuing it.

**Minerals Management Service:
Improvements Planned for Automated Royalty Management
System**

GAO/IMTEC 90-65, July 27.

The royalty management program, which is run by the Department of the Interior's Minerals Management Service, uses automated information systems to collect revenues from mineral leases on public lands and to distribute royalties. However, information-related problems have plagued the program for years, and the federal government risks losing revenues and inaccurately distributing royalties. This report describes efforts by the Minerals Management Service to resolve these problems.

Testimony

Impact of the Governmentwide Computer Security Planning and Review Process, by Jack L. Brock, Jr., Director of Government Information and

Financial Management Issues, before the Subcommittee on Transportation, Aviation and Materials, House Committee on Science, Space, and Technology. GAO/T-IMTEC-90-11, July 10.

On the basis of its review at 10 civilian agencies, GAO testified on efforts by the federal government to develop computer security plans to safeguard sensitive information. Under the Computer Security Act of 1987, agencies are required to (1) identify systems containing sensitive information, (2) develop security plans for these systems and submit them to the National Institute of Standards and to the National Security Agency for review, and (3) establish computer security training programs. GAO believes that the planning and review process has had little effect on agency computer security programs. Agency officials typically describe the plans developed under the process as merely "reporting requirements" rather than as tools for managing their security programs. In addition, more than a year after the initial plans were completed, only 38 percent of the planned controls have been put into effect.

International Affairs

South Africa: Relationship With Western Financial Institutions

GAO/NSIAD-90-189, June 7.

In an attempt to force South Africa to change its racial segregation policy, the United States imposed economic sanctions on trade with South Africa in 1986. GAO found that, while South Africa has significantly reduced its large debt repayments that fall due in 1990, its most critical barrier to long-term, sustained economic growth is still a shortage of capital, due primarily to capital outflow and the unwillingness of international banks to make new, long-term loans. If Western nations decide that additional sanctions are needed, a multilateral ban on trade credits would probably have a significant impact by compelling the cash-short South African economy to pay cash for imports or resort to barter trading. A unilateral U.S. ban would have only limited effect, because many U.S. banks have already voluntarily stopped giving credit associated with trade. Excluding South Africa from the American Depositary Receipt system would have a small impact on South Africa's economy because under the Comprehensive Anti-Apartheid Act, the receipts cannot be used to make new U.S. investments in South Africa. In this report, GAO analyzed South Africa's financial situation, trade credits being provided to that country, the economic impact of denying

such credits, and the implications of excluding South Africa from the American Depositary Receipt system.

**Soviet Refugees:
Issues Affecting Domestic Resettlement**

GAO/HRD-90-106BR, June 26.

This briefing report examines the domestic costs of resettling refugees admitted to the United States, particularly Soviet refugees. GAO (1) obtained estimates of resettlement costs from public and private sector officials, (2) supplemented these estimates with analyses of existing data collected by the Department of Health and Human Services and others, and (3) examined factors that might constrain capacity to resettle more refugees.

**U.S. Information Agency:
Waiver of Exchange Visitor Foreign Residence Requirement**

GAO/NSIAD-90-212FS, July 5.

Under the exchange-visitor (J-visa) program, about 175,000 participants come to the United States each year for educational and cultural purposes. Because some participants have not wanted to return to their home countries, as envisioned by the program, Congress enacted a requirement that some participants must return home for at least two years after completing the program. Under certain conditions, program participants can be granted waivers of the foreign residence requirement. This fact sheet discusses the two-year foreign residence and waiver provisions of the program, the waiver application and review process, and statistics on waivers requested and granted.

**El Salvador:
Extent of U.S. Military Personnel in Country**

GAO/NSIAD-90-227FS, July 9.

This fact sheet provides information on the practice of limiting U.S. military trainers in El Salvador to 55, the number and roles of U.S. military personnel in the country, and the requirements for reporting human rights abuses.

**International Trade:
Soviet Export Data**

GAO/NSIAD-90-209BR, July 18.

In June 1990, the United States and the Soviet Union signed an agreement that would grant the Soviet Union "most-favored-nation" trade status. This briefing report provides information that may be useful in evaluating the impact of the agreement, which still awaits congressional approval. GAO (1) discusses Soviet exports to the United States and the rest of the world, (2) compares the similarity between leading Soviet exports to the United States and other countries, (3) provides data on tariff rates for U.S. imports from the Soviet Union, and (4) compares them to rates for countries granted most-favored-nation status.

**International Trade:
Use of the GATT Antidumping Code**

GAO/NSIAD-90-238FS, July 25.

This fact sheet provides information on the extent of foreign government use of the antidumping code found in the General Agreement on Tariffs and Trade. GAO found that signatories reported a total of 1,456 new antidumping cases to the GATT over the past 10 years. Australia, the United States, Canada, and the European Community accounted for 95 percent of all new cases reported. From 1980 through 1989, 144 new antidumping cases were directed at exports from the United States, and 790 new cases were directed at exports from its major trading partners.

**Foreign Assistance:
Non-Emergency Food Aid Provided Through Private Voluntary
Organizations**

GAO/NSIAD-90-179, July 24.

GAO found that private voluntary organizations and cooperatives remain willing to sponsor non-emergency food aid programs using U.S. commodities, but that they do not plan to expand their participation in the next five years. GAO also found that private voluntary organizations have requested less food for their non-emergency programs in Africa and that they are choosing to sponsor different types of food aid projects. The organizations have experienced problems implementing food aid

projects, which they attribute, in part, to inadequate funding. In addition, financial constraints have precluded the organizations from spending enough money on their financial and management systems. As a result, the projects are vulnerable to waste, fraud, and abuse. To make food aid projects less vulnerable to these problems, GAO recommends that the Agency for International Development consider the adequacy of food aid sponsors' financial and management systems when reviewing their requests to sell title II commodities to generate local currencies. If such systems are inadequate, AID should ensure the enough sales proceeds are set aside for improving these systems.

Testimony

Status of GAO's Review of Estimates of the Soviet Economy, by Allan I. Mendelowitz, Director of International Trade, Energy, and Finance Issues, before the Senate Committee on Foreign Relations. GAO/T-NSIAD-90-55, July 16.

GAO testified on its ongoing review of estimates and analyses of the size of the Soviet economy. GAO (1) identified key estimates and assessments of the economy and (2) outlined, on a preliminary basis, the key issues and areas of debate with respect to these estimates.

Foreign Visitor Facilitation, by Allan I. Mendelowitz, Director of International Trade, Energy, and Finance Issues, before the Subcommittee on Foreign Commerce and Tourism, Senate Committee on Commerce, Science and Transportation. GAO/T-NSIAD-90-56, July 18.

GAO's testimony on foreign tourism focused on the speed and ease with which a foreign visitor can gain entry to the United States. After reviewing conditions at major U.S. international gateway airports, GAO concludes that several factors affect visitor facilitation, including obtaining a visa, the amount of airport congestion, the adequacy of airport facilities, the complexity of the federal inspection process, and the availability of services that airports provide to foreign visitors. GAO testified on the actions and policies of the three entities most directly involved with visitor facilitation—airport authorities, airlines, and the federal inspection services—and made several suggestions on how to better facilitate foreign tourism.

Foreign Investment: Difficulties in Addressing Public Policy Concerns, by Allan I. Mendelowitz, Director of International Trade, Energy, and Finance Issues, before the Senate Committee on Commerce, Science, and Transportation. GAO/T-NSIAD-90-54, July 19.

The rise in foreign investment in the United States has raised concerns about the consequences of foreign ownership of U.S. assets and about the adequacy of government statistics on foreign investments. GAO testified that improvements in foreign investment data would improve public understanding of this economic trend, which is likely to continue for several years. GAO also believes that access to some foreign data that is now closely restricted would allow GAO to better respond to congressional interest in improving public understanding of foreign investment. Some questions cannot be answered due to the limitations of the government's foreign investment data. For example, the data system at the Bureau of Economic Analysis suffers from problems involving timeliness, consolidated reporting, classification methodology, and data access. GAO also identified some questions that demand either policy judgments about the future behavior of foreign investors or data other than foreign investment data.

Justice and Law Enforcement

U.S. Customs Service: Merchandise Processing Fee: Examination of Costs and Alternatives

GAO/GGD-90-91BR, June 15.

Unless Congress extends the merchandise processing fee that the U.S. Customs Service charges to importers, the fee will expire in September 1990. To assist in congressional deliberations on continuing the fee, GAO reviewed Customs' costs of processing imported merchandise to determine whether these costs could be appropriately used as a basis for the fee. This briefing report also looks at (1) Customs' plans for changing the fee to address international trade concerns on the cost basis and excess amounts that Customs collected through the present fee and (2) the problems that Customs could face in changing to the present fee.

D.C. Government: Noneducation Factors Hindered Criminal Justice Initiative

GAO/GGD-90-89, June 27.

In 1983 Congress funded a special program—known as the Criminal Justice Initiative—to expand academic and vocational training in the overcrowded D.C. prison system. The intent was to break the alarming recidivism rate among D.C. offenders by providing them with skills and a trade that they could use to earn a living after their release. This

report answers the following questions: What program challenges did the District face in originally organizing the Criminal Justice Initiative program? What were program operating funds spent on? How many inmates got a job related to the training they received? GAO found that only about 10 percent of almost 4,000 job placements from October 1986 through June 1989 were related to the training that inmates received. This low rate was often influenced by noneducation factors, such as the tendency by inmates to take the first available job because (1) it made them eligible for parole or (2) it offered them better benefits, especially medical coverage. Overall, GAO notes that in order for D.C. managers to make management decisions and to evaluate program results, they need reasonably complete, standardized, and accurate information on the program. GAO's analysis of D.C. Department of Corrections' job placement records, however, showed that they were incomplete, not standardized, and inaccurate.

Testimony

Oversight Hearings on Asset Forfeiture Programs, by J. William Gadsby, Director of Federal Management Issues, before the Senate Committee on Governmental Affairs. GAO/T-GGD-90-56, July 24.

The Comptroller General considers the asset forfeiture programs of the Department of Justice and the Customs Service to be a high-risk area warranting special audit effort. GAO testified on the need for legislation that would strengthen the operations of the asset forfeiture programs by (1) putting millions of dollars in uncontested seized cash to use sooner through administrative forfeiture, (2) requiring audited financial statements, and (3) accelerating the sale of forfeited real property by guaranteeing purchasers against title defects resulting from the forfeiture proceedings. GAO also discussed program oversight and the status of efforts to fix the problems confronting the program.

U.S. Department of Justice: Overview of Civil and Criminal Debt Collection Efforts, by Lowell Dodge, Director of Administration of Justice Issues, before the Subcommittee on Government Information, Justice and Agriculture, House Committee on Government Operations. GAO/T-GGD-90-62, July 31.

Delinquent debt owed the U.S. government grew rapidly during the 1980s. Non-tax debt exceeded \$244 billion at the end of fiscal year 1989; 12 percent of this debt had been delinquent for more than a year. In its testimony on efforts by the Department of Justice to collect this debt, GAO discussed the amount of the debt, its characteristics, and the

amount that has been collected. GAO also discussed problems that may impede debt collection. GAO's main concern is whether Justice has adequate systems and plans to collect this aging and growing debt.

National Defense, Security, and Military Procurement

Strategic Defense System: Stable Design and Adequate Testing Must Precede Decision to Deploy

GAO/IMTEC-90-61, July 6.

The Defense Department plans to spend \$69 to \$87 billion to develop and deploy the first phase of its Strategic Defense System designed to shield the United States from a massive nuclear ballistic missile attack. GAO believes that the President will not be equipped to make a decision to deploy Phase I of the SDS by 1993 as currently scheduled. The law requires that the President certify to the Congress that the system can fulfill its mission. Because of recent design changes and insufficient evaluation plans, GAO concludes that a decision in 1993 to deploy the system would be premature and fraught with risk. A radical change to the 1988 original design is the addition of Brilliant Pebbles, which involves several thousand individual interceptors orbiting the earth to detect and destroy a target by smashing into it. Brilliant Pebbles is supposed to improve SDS's survivability because it would disperse large numbers of interceptors that are smaller and more autonomous than the Space-Based Interceptor. The addition of Brilliant Pebbles impacts the need for some of the space-based elements of the 1988 design; at this point, it is uncertain what Phase I of SDS will include and what functions it will perform. Also, the original plans for full-scale testing of the system have been scaled back, as has the schedule of research efforts. The effect is to reduce the amount of information upon which the President might base a decision to deploy.

Embedded Computers: Navy Not Ready to Buy Avionics Computers for Its LAMPS Mk I Helicopters

GAO/IMTEC-90-54, May 31.

The Navy plans to spend over \$65 million for 150 avionics computer systems as part of a \$896 million overall upgrade to its Light Airborne Multipurpose System (LAMPS) Mk I helicopter. This helicopter is used for antisubmarine warfare, and will rely extensively on the new computer

system to perform this mission. The decision to buy more avionics computer systems and to begin modernizing the Navy's fleet of LAMPS Mk 1 helicopters requires, at a minimum, enough testing to know whether the system will work. In GAO's opinion, this information does not now exist, and the Navy's plans for testing prior to its computer system purchase and initial production decisions will not provide it. Further, the results of laboratory integration testing reveal software discrepancies of such magnitude that the Navy cannot justify going beyond the laboratory at this time, much less decide to buy more computer systems and initially produce the aircraft. The Office of the Assistant Chief of Naval Operations (Air Warfare) believes that the computer system is a minor modification. In GAO's opinion, this position is inappropriate. GAO believes that the Assistant Chief of Naval Operations should take a more active role in overseeing the program and ensure that the Navy's operational testing requirements for the new avionics computer system are met.

**Acquisition Reform:
Authority Delegated the Under Secretary of Defense for
Acquisition**

GAO/NSIAD-90-183, June 6.

GAO found that the current Under Secretary of Defense for Acquisition—appointed August 11, 1989—has been provided the authority and support needed to supervise DOD's acquisition system as envisioned by the Packard Commission. The current Under Secretary's style appears to be one of decentralized decision-making authority. Recent efforts have been made to increase program manager decision-making authority and responsibility and to reduce review layers. These efforts are consistent with the Packard Commission's recommendations. However, GAO believes that decentralizing and delegating authority and responsibility must be done in such a way that does not undermine the intended centralized policy-making and supervisory role of the Under Secretary.

**Aircraft Maintenance:
Air Force Transferred and Eliminated Tasks to Address Funding
Shortfalls**

GAO/NSIAD-90-114, June 7.

In its February 1988 budget request to Congress, the Air Force estimated that total aircraft maintenance requirements would exceed funding by \$156 million in fiscal year 1988 and by \$241 million in fiscal

year 1989. In response to these shortfalls, the Air Force asked operating commands to do some depot work, and the Air Force Logistics Command eliminated and deferred other depot maintenance tasks. GAO reviewed the transfer of maintenance tasks from the depots to the operating commands and found that this action did not significantly duplicate depot activities or increase costs. In fact, these measures contributed to improved aircraft readiness by allowing the Logistics Command to accomplish high-priority tasks. However, the severe funding shortfalls projected for fiscal year 1988 and 1989 never materialized, which raises questions about the validity of requirements and projected shortfalls presented in budget submissions.

**Air Force Budget:
Potential Reductions to the Minuteman II Weapon System Budget**

GAO/NSIAD-90-196BR, June 21.

In light of the anticipated retirement of the Minutemen II force, which consists of 450 single-warhead intercontinental ballistic missiles, GAO examined the Air Force's fiscal year 1990 and 1991 funding requirements for the Minuteman weapon system for potential budget reductions. GAO identified potential reductions of \$65.2 million for Minuteman II procurement. GAO also identified potential reductions of \$30.5 million for depot repairs and modifications.

**Defense Reorganization:
Roles of Joint Military Organizations in Resource Allocations**

GAO/NSIAD-90-76, June 21.

GAO examined DOD's implementation of the resource allocation provisions of the Goldwater-Nichols DOD Reorganization Act of 1986. GAO found that DOD has increased the combatant commanders' influence in the resource allocation process, mainly by expanding their personal input and involvement in the Secretary of Defense's planning, programming, and budget system and the Chairman's joint strategic planning system. The joint strategic planning system enables the Chairman of the Joint Chiefs of Staff to advise the Secretary of Defense on military deficiencies identified by the combatant commanders. However, DOD has not updated its directive and instruction on the planning, programming, and budgeting system necessary for the Chairman to update his policy direction to the Joint Staff. While DOD did not submit a separate budget for

the combatant commanders' activities, the Secretary of Defense has set aside \$50 million for that purpose.

**Arms Control and Disarmament Agency:
More Corrective Actions Needed to Control Classified Codeword Documents**

GAO/NSIAD-90-175, June 22.

The Arms Control and Disarmament Agency—the central government organization responsible for formulating and implementing arms control policy—deals with a substantial amount of classified material, including sensitive intelligence information. Such information, also known as codeword documents, requires special handling, including vault storage. This report describes how the agency and the State Department have responded to GAO recommendations for improving the control, protection, and accountability of codeword documents at the agency's sensitive compartmented information facility in Washington, D.C.

**Arms Control and Disarmament Agency:
Some Progress Made in Protecting Top Secret Documents**

GAO/NSIAD-90-240, July 23.

In November 1988, GAO reported that the Arms Control and Disarmament Agency had been lax in complying with regulations meant to protect national security information from disclosure. As a result, questions were raised about the security of classified materials in the Agency's offices in Washington, D.C., and Geneva, Switzerland. In this report, GAO notes that while the Agency has made improvements, it still is not fully complying with security regulations. For example, GAO found that the Agency has not accounted for 33 of 86 Top Secret documents that were missing during GAO's earlier review. In addition, due to limited inventory procedures, the Agency lacks assurances that employees are properly controlling and storing all classified documents. GAO found that the Agency has not changed combinations as frequently as required, and employees have not always done close-of-business security checks. The Agency has inventoried its security containers three times since GAO's 1988 report. However, the Agency's records continue to contain inaccuracies as to the location and number of security containers, and it has not accounted for all of those that GAO previously reported as missing.

**Industrial Funds:
The Department of Defense's Management of ACP Funds**

GAO/NSIAD-90-202FS, June 28.

DOD has five industrial funds (one each for the Army, Navy, Air Force, Marine Corps, and defense agencies) to finance activities like aircraft depots, shipyards, and public work centers that perform industrial or commercial work. This fact sheet provides information on DOD's management of Asset Capitalization Program funds. GAO determined (1) program obligations and disbursements for fiscal years 1983 through 1989, (2) the balance of unliquidated program obligations as of September 1989 for which cash reserves had not been retained, (3) whether DOD policies and guidance permit the obligation of program funds without retaining the unexpended balance to meet such obligations, and (4) whether DOD had used current year appropriated funds to meet prior year obligations.

**Military Space Programs:
An Unclassified Overview of Defense Satellite Programs and Launch Activities**

GAO/NSIAD-90-154FS, June 29.

DOD satellites perform a variety of missions in such diverse areas as communications, meteorology, navigation, research and development, and national defense. This fact sheet is an unclassified version of a classified report on the relationships and cost of DOD satellites, launch vehicles, and launch facilities. This fact sheet reflects the unclassified DOD satellite program and launch plans to the extent that they existed as of October 1, 1989, for activities through the year 2004.

**Electronic Warfare:
Need to Strengthen Controls Over Air Force Jammer Programs**

GAO/NSIAD-90-168, July 11.

GAO examined the performance of jammers—electronic warfare devices designed to protect aircraft by interfering with radar signals that threat weapons depend on—owned by the Air Force and found that several models do not do the job. Instead of protecting tactical aircraft, some jammers are in storage awaiting design improvements to make them work, and others are being flown on aircraft in Europe with inoperative

components. GAO attributes the situation to the fact that the Air Force bought the jammers before they were tested to make sure they worked. In its report, GAO recommends that the Secretary of Defense prohibit the Air Force from awarding further contracts for jammer production until testing demonstrates that jammers can perform, and require that internal controls be established over Air Force jammer programs to make sure jammers work before they are produced and deployed. GAO also reports that, despite its experience with jammer acquisition in the past, DOD plans further production of some jammers without requiring demonstrated performance. Congress may wish to oppose further funding for these jammers until operational testing demonstrates that the equipment performs.

**Military Health Care:
Savings to CHAMPUS From Using a Prospective Payment System**

GAO/HRD-90-136FS, July 13.

This fact sheet details GAO's analysis of a prospective payment system—under which covered medical expenses are paid according to a predetermined rate schedule rather than according to hospital charges—adopted by the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS). The prospective payment system is modeled on that used by Medicare and is designed to reduce government health care costs and to encourage hospitals to reduce their operating costs.

**Army Maintenance:
Concerns Over the Validity of Depot Requirements and Backlogs**

GAO/NSIAD-90-194BR, July 24.

This briefing report discusses the validity of the Army's depot maintenance requirements and backlogs as reported in its fiscal year 1990 budget submission to Congress. The report also explains the Army's depot maintenance requirements determination process. Several problems call into question the validity of depot maintenance backlogs, including how they are computed. In addition, the Army included information in its fiscal year 1991 budget that was outdated because events caused some of its requirements to increase or decrease. The Army said that is trying to correct some of the practices that caused questionable requirements to be included in the backlog.

**Navy Maintenance:
Cost Growth and Schedule Overrun Problems Continue at the
Shipyards**

GAO/NSIAD-90-144, July 24.

The Navy spends over \$4 billion a year to repair and modernize its ships at public and private shipyards. GAO found cost growth and schedule overruns at both types of shipyards. In the private sector, the cost growth averaged over 30 percent, and 37 percent of the ships had schedule overruns. In the public sector, the cost growth averaged over three percent and 54 percent of the ships had schedule overruns. Many factors contributed to the cost growth and schedule overruns. These ranged from poorly defining the work to be done to adding alterations after work had begun. While the Navy has approved a new plan to correct these problems, GAO believes that more corrective actions are needed. For example, the plan lacks details on how to either improve work packages and specifications or eliminate problems with materials. In addition, the plan deals solely with public shipyards and does not cover private shipyards.

Testimony

Status of the Navy's New Seawolf Attack Submarine and its New Combat System, by Martin M. Ferber, Director of Navy Issues, before the Subcommittee on Seapower and Strategic and Critical Materials, House Committee on Armed Services. GAO/T-NSIAD-90-38, July 24.

In order to quickly field the new Seawolf attack submarine (SSN-21) and its AN-BSY-2 combat system, the Navy is planning to use concurrency—a practice that has proven costly in earlier DOD programs. However, GAO believes that in light of changing geopolitics and a diminishing Soviet threat, the Navy should reexamine these weapon programs. In particular, concerns over affordability and concurrency need to be given careful attention and thorough debate. A part of that debate should focus on alternative shipbuilding plans—including program delays and cancellations and building additional improved Los Angeles class submarines instead of SSN-21s.

Department of Defense: Improving Management to Meet the Challenges of the 1990s, by Charles A. Bowsher, Comptroller General of the United States, before the House Committee on Armed Services. GAO/T-NSIAD-90-57, July 25.

Continuing developments in Eastern Europe and the Soviet Union, as well as the mounting federal budget deficit, require a critical reexamination of future defense spending. The United States faces historic changes to the composition of its military forces, the threats they will defend against, and where they will be deployed in the world. In the Comptroller General's view, the nation also needs to take stock of how its defense programs are being managed and to correct longstanding management problems. The Comptroller General discusses the following areas in need of corrective action: (1) DOD's five year spending plan, which needs to reflect fiscal reality and recent world events. (2) DOD reliance on concurrency, a costly practice that has resulted in weapon systems being rushed into production without ever having been adequately tested. This activity is particularly questionable given the diminishing Soviet threat. (3) Management philosophies, controls, and organizational structures at DOD that do not place a high value on economy, efficiency, and accountability in the inventory system. (4) Financial systems that do not provide decision makers with accurate data on the actual cost of programs, assets, and operations. GAO's audit of the Air Force found that the Air Force lacked accurate cost data for almost all of its non-cash assets, including inventory, equipment, aircraft, and missiles. (5) Ineffective management controls. DOD tends to be reactive rather than proactive in identifying and addressing internal control weaknesses. (6) Duplicative and wasteful DOD organizations and systems that need to be eliminated or streamlined. (7) Overall size of DOD military forces, and the potential for reductions.

Natural Resources

Surface Mining: Interior Is Acting to Improve Its Applicant Violator System

GAO/AFMD-90-63, June 22.

This report discusses actions taken by the Office of Surface Mining Reclamation and Enforcement in response to a January 1989 GAO report (GAO/AFMD-90-32). This report also provides information on the preliminary Department of the Interior-National Wildlife Federation agreement for improving the permit review process. GAO found that while the Office has made progress in improving the permit review process, the Applicant Violator System still cannot be relied on in deciding whether to issue coal mining permits. Although the system's accuracy rate has increased from 54 percent at the time of GAO's last review to 63 percent for the first 10 months of 1989, the present accuracy rate still necessitates manual verification. The Office started a redesigned Applicant

Violator System in May 1990. However, because the system began operating after GAO had completed its review work, GAO was unable to assess its performance. GAO was told that preliminary results of the first two weeks of operations showed a 77-percent accuracy rate.

**Mineral Revenues:
Shortcomings in Onshore Federal Oil and Gas Production
Verification**

GAO/RCED-90-99, June 26.

In 1988 the federal government, states, and American Indians shared almost \$500 million in royalties on oil and gas produced on onshore federal and Indian lands. In light of persistent allegations of royalty underpayment, GAO looked at the Department of the Interior's system for determining oil and gas royalties. A key component of this system is the verification of production. GAO found that in determining royalties, the Bureau of Land Management essentially relies on an honor system involving unverified data reported by companies. The Bureau does make checklist inspections to fulfill legal requirements that major oil and gas leases and those with histories of noncompliance be inspected at least once a year; however, these checklist inspections do not verify production and few production verification inspections are ever done. GAO recommends that the Bureau determine whether other inspection strategies would better identify significant underreporting of production. The Bureau also needs to improve program oversight and the program's official automated data.

**Federal Land Management:
Better Oil and Gas Information Needed to Support Land Use
Decisions**

GAO/RCED-90-71, June 27.

Federal onshore leases produced oil and gas valued at about \$3.3 billion in 1988. The federal government, states, and Indians share a percentage of the revenues from these leases. In making decisions, the Bureau of Land Management—part of the Department of the Interior—must weigh the benefits of oil and gas development against potentially negative effects like environmental damage. This report examines (1) whether land use plans include adequate information on oil and gas activities in areas with high oil and gas potential, (2) whether appropriate mitigating measures are imposed on leases and drilling permits to

minimize the adverse environmental consequences of oil and gas development, and (3) how much it will cost to improve oil and gas information in land use plans.

Testimony

Basic Changes Needed to Avoid Abuse of the 960-Acre Limit, by James Duffus III, Director of Natural Resources Management Issues, before the Subcommittee on Water and Power, Senate Committee on Energy and Natural Resources. GAO/T-RCED-90-100, July 31.

GAO testified on the implementation of the 960-acre limit for federally subsidized water under the Reclamation Reform Act of 1982. GAO found that the act does not preclude multiple landholdings, each of which is within the act's 960-acre limit, from continuing to be operated collectively as one large farm, while individually qualifying for federally subsidized water. For all practical purposes, these smaller landholdings continue to be run collectively as single large farms, much as they were before being reorganized. In GAO's view, these arrangements are inconsistent with Congress' intent in establishing the 960-acre limit.

Science, Space, and Technology

Space Transportation: NASA Has No Firm Need for Increasingly Costly Orbital Maneuvering Vehicle

GAO/NSIAD-90-192, July 31.

The Orbiting Maneuvering Vehicle was conceived in 1986 as a multipurpose space tug. However, the estimated cost of the program has soared from \$405 million to \$736.5 million, and NASA has reduced the vehicle's capabilities in order to cut costs. GAO found that a firm requirement for the vehicle does not exist; NASA can reboost the Hubble Space Telescope and the Advanced X-Ray Astrophysics Facility in other ways that are less expensive. GAO attributes the 82-percent increase in program costs to (1) schedule stretchouts caused by internal NASA budget reductions, (2) program changes, and (3) contract cost growth. Further cost increases appear likely.

Social Services

Older Americans Act: Administration on Aging Does Not Approve Intrastate Funding Formulas

GAO/HRD-90-85, June 8.

The U.S. District Court for the Southern District of Florida ruled in 1987 that Florida's formula for distributing federal grants provided under Title III of the Older Americans Act for supportive and nutrition services was invalid. The court found that the formula not only failed to consider the needs of low-income minorities but also contained factors that discriminated against minorities. GAO reviewed each state's Title III intrastate funding formulas and found, among other things, 20 formulas that contain a factor that was found to discriminate against minorities in the Florida case. While HHS' Administration on Aging, which is responsible for administering the act, reviews and comments on states' funding formulas, the agency believes that the act does not authorize it to approve or disapprove formulas. GAO is concerned that some state formulas may be causing funds to be distributed contrary to the intent of the act and its regulations. As a result, Congress should consider clarifying whether the Administration on Aging should disapprove formulas the agency does not believe meet the intent of the act and its regulations.

Tax Policy and Administration

Tax Administration: IRS Needs More Reliable Information on Enforcement Revenues

GAO/GGD-90-85, June 20.

With continuing high federal budget deficits, can Congress and the administration look to the Internal Revenue Service for greater revenues from its enforcement programs? If so, by how much? GAO found strong evidence to suggest that IRS' after-the-fact estimates of amounts collected from its total enforcement efforts have been far too high—on the order of \$20 billion or about 40 percent off. GAO is concerned about the absence of sufficient documentation to assess the reasons for the variances. Even more troubling to GAO is IRS' continuing inability to report what revenues actually result from its enforcement programs. In response to concerns raised by GAO and others, IRS has several efforts underway to improve information on the results of IRS' enforcement efforts and to develop better estimates of future enforcement revenues.

To ensure that IRS' current efforts succeed, GAO believes that IRS and congressional committees need to exert strong oversight. In the meantime, Congress is still faced with funding and staffing decisions for IRS' enforcement programs. GAO believes that adding more IRS enforcement staff will generate additional revenues, especially over the long run. However, until IRS develops more reliable information on the results of its enforcement efforts, Congress should use the most conservative assumption in its deliberations about additional revenues that can be expected from additional enforcement staff.

Tax Administration:

Data Needed on Whether to Regulate Filers of Information Returns for Others

GAO/GGD-90-95, July 3.

Should service bureaus that send information returns or other documents to IRS on behalf of other persons (payors) be subject to registration or other regulation? In a 1989 study, IRS reported that its Martinsburg Computer Center often must reject information returns sent in by service bureaus on magnetic tape because the tapes contain errors or incorrect record formats that prevent them from being processed on IRS' computers. However, GAO found that IRS has no more of a problem with magnetic tapes filed by service bureaus than with magnetic tapes filed by individuals. Because the percentage of service bureau transmissions with repeated errors is so small, a broader regulatory scheme applicable to all service bureaus may be inappropriate. However, GAO believes that IRS needs better information on the scope and extent of the problem. IRS needs to know who the service bureaus are, exactly what kind of magnetic tape processing errors they cause, and how much it would cost IRS and the industry to regulate or control service bureaus. Once IRS has this kind of information, it will be in a better position to decide what kind of regulation is warranted. This report discusses various options for IRS and Congress to consider.

Tax Administration:

Trends in the Growth and Age of IRS' Accounts Receivable

GAO/GGD-90-111FS, July 30.

This fact sheet describes trends in the growth and age of IRS' year-end accounts receivable balances for fiscal year 1986 through 1989. GAO found that the dollar value of the combined Individual Master File and

the Business Master File accounts receivable has grown by \$13.6 billion, or 32 percent, between the ends of fiscal years 1986 and 1989. At the end of fiscal year 1989, \$30.8 billion, or 55 percent, of these total accounts were over one year old, compared with \$19.6 billion, or 46 percent, at the end of fiscal year 1986.

Tax Policy:

Additional Petroleum Production Tax Incentives Are of Questionable Merit

GAO/GGD-90-75, July 23.

Since 1985 domestic oil production has fallen, and oil imports have risen. While these trends may be largely explained by the decline in the world price of oil and by the relatively high cost of new production in the United States, their implications for U.S. energy security may be more ominous. GAO found that additional federal tax incentives for petroleum investments would result in only limited increases in U.S. petroleum production. Yet the cost of this increased production would be high in terms of foregone federal revenue per barrel. GAO estimates that under current proposals, federal revenue losses could be in the area of \$3 to \$14 for each additional barrel of oil produced. Other policies, such as filling the Strategic Petroleum Reserve, may be more effective in increasing U.S. energy security. In addition, where the incentives benefit activities and classes of producers already favored by the tax code, the result will be the encouragement of relatively inefficient investments. Finally, GAO found that U.S. producers are making petroleum investments abroad not because of tax reasons but because of the lower price of oil and because of more favorable foreign geologic characteristics.

Tax Policy:

Federal Tax Deposit Requirements Should Be Simplified

GAO/GGD-90-102, July 31.

In fiscal year 1988, about 5 million employers deposited over \$627 billion in employee withholding taxes. IRS penalized almost one-third of these employers for not making timely deposits. Deposit requirements are complex and hard to understand because employers can be subject to more than one deposit requirement during a tax period and because the exceptions to the requirements can be confusing. GAO believes that simplifying the deposit rules by requiring all employers to deposit within three days of a payday could improve employer compliance and

ease IRS administration. Any change to the deposit requirements should include the repeal of the safe haven exception for larger employers needing time to calculate their tax liability. This exception is subject to abuse, and any flexibility needed can be provided through waving penalties. The complexities of the federal tax deposit system also make it difficult for IRS to administer the penalties. In 44 percent of the manually assessed penalty cases GAO examined, IRS tax examiners miscalculated the flat rate because in most cases they did not properly apply the deposit requirements. In addition, IRS often does not receive information from employers to accurately associate the deposits with the correct deposit period. Modifying the federal tax deposit coupon to include this information should solve the problem.

Transportation

Air Traffic Control: Ineffective Management Plagues \$1.7-Billion Radar Program

GAO/IMTEC-90-37, May 31.

The Federal Aviation Administration Mode Select (Mode S) program is intended to provide more accurate information on aircraft location and to allow controller and pilots to exchange data. However, 20 years after proposing the idea, FAA has not yet received the first Mode S system, despite having already spent \$145 million to buy 137 Mode S systems. Even so, FAA still plans to spend over a billion dollars to buy 259 more systems. FAA now expects to install fully operational systems at sites beginning in April 1993—five years later than planned. This report discusses FAA's (1) progress in developing and testing the initial 137 systems and (2) justification for the additional 259 systems.

Air Traffic Control: Smaller Terminal Systems' Capacity Requirements Need to Be Defined

GAO/IMTEC-90-50, June 25.

Terminal Radar Approach Control (TRACON) facilities direct arriving or departing planes at airports. Through the use of the Automated Radar Terminal System IIA, FAA is attempting to upgrade existing automation systems and to provide air traffic controllers with automated safety enhancements. GAO found that FAA's installation of safety enhancements at smaller TRACON facilities, such as those in Pensacola, Florida, and in Binghamton, New York, has been delayed for about three years because

FAA did not properly manage the program. FAA failed to ensure that development of the system was complete before awarding the production contract and then modified software requirements after the award of the production contract. FAA also did not require that the contractor do integrated tests. In addition, GAO found that FAA lacks a computer capacity and performance management program at its small TRACONS. This constitutes a material weakness under the Federal Managers' Financial Integrity Act because such a program is an integral part of computer operations that are essential to FAA's air traffic control mission. Further, FAA plans to add computer capacity on the basis of inadequate analysis of current usage, air traffic levels, and future work loads.

**Air Traffic Control:
Inadequate Planning Increases Risk of Computer Failures in Los Angeles**

GAO/IMTEC-90-49, July 16.

The airspace in the Los Angeles basin area, one of the most congested in the world, has experienced more near midair collisions than any other location in the United States. GAO reviewed plans by the Federal Aviation Administration to consolidate four air traffic control facilities in the basin, which FAA believes will help it provide better service in the basin's congested airspace. GAO expressed serious reservations about FAA's planned approach.

**Loma Prieta Earthquake:
Collapse of the Bay Bridge and the Cypress Viaduct**

GAO/RCED-90-177, June 19.

On October 17, 1989, the Loma Prieta Earthquake struck northern California and caused the collapse of a two-level, 1.25-mile section of the Cypress Viaduct on Interstate Route 880 in Oakland; 42 people were killed. A section of the Oakland-San Francisco Bay Bridge also collapsed, resulting in one death. GAO examined what the California Department of Transportation (CALTRANS) knew about the vulnerability of the two structures to earthquake damage; levels of federal and state spending to strengthen bridge and viaduct structures vulnerable to earthquakes; and funding needed to complete California's seismic retrofit program. GAO found that the retrofit program, initiated 18 years ago to correct deficiencies in structures designed before 1971, has been a lower priority project than other highway safety projects. Only the first phase of a

three-phase program has been completed. Had the retrofit program progressed to the third phase — which calls for reinforcement of all multicolumn structures like the Cypress Viaduct — before the October 1898 earthquake, CALTRANS engineers believe they would have identified a structural flaw in the viaduct's support columns that they think contributed to its collapse. CALTRANS officials thought the Bay Bridge had been retrofitted sufficiently before the earthquake. Since the earthquake, the state has focused more attention on completing its retrofit program, creating a separate budget and staff for the project. However, the state has not yet appropriated enough money to complete the program. The decision was deferred until after June 5, 1990, when voters approved a ballot measure intended to make additional transportation funds available.

**Truck Transport:
Little Is Known About Hauling Garbage and Food in the Same
Vehicles**

GAO/RCED-90-161, June 28.

In the spring of 1989, the press reported that trucks hauling garbage from New York and New Jersey to midwestern landfills had carried meat, poultry, and produce on their return trips. Many people had a visceral reaction to this situation, regarding it as disgusting and health endangering that garbage might be hauled in a truck that later carries the food they eat. GAO looked into the matter and found only limited, anecdotal evidence on the extent that food is being transported in trucks that previously carried garbage; the types of trucks that are doing so; or the foodstuffs carried. It is clear, however, that the long-distance transport of garbage is on the rise and that it primarily originates in northeastern communities that produce more garbage than they can dispose of locally. In these communities, the arrival of consumer goods, including food, by truck exceeds the quantity of goods leaving; garbage has become a paying trucking commodity on what otherwise might be an empty return trip. While federal health and safety experts contend that no food contamination in the United States has been linked to cross-hauling garbage and food, GAO found that no research has been done to determine the risk of such contamination. The food industry is responsible for ensuring that the trucks they use meet the cleanliness regulations of the Food and Drug Administration and the U.S. Department of Agriculture. Yet these regulations do not include specific truck cleaning procedures or require records to be maintained that could identify trucks that have also hauled garbage. FDA and USDA inspectors do not

test trucks for bacterial or chemical residues that may remain in a vehicle after it has hauled garbage because the test would be too costly, complex, and time-consuming and because they have found no instances of contamination from cross-hauling. If a truck looks, smells, and feels clean, inspectors consider it safe for food transport.

**Airline Competition:
Higher Fares and Reduced Competition at Concentrated Airports**

GAO/RCED-90-102, July 11.

What has been the effect of increased competition on air fares and service at major airports around the country? In June 1988, GAO testified that fares, on average, rose more at concentrated airports and were about 27 percent higher than fares at airports with more competition. In this report, which extends that analysis to include the first two quarters of 1989, GAO found that fares remained close to 27 percent higher. Fares charged by the dominant carriers tended to rise as their airport market shares increased. While more direct service to more places could be found after airport concentration, the number of routes experiencing competition between carriers fell at most of the concentrated airports, and more routes were served by only one airline.

Testimony

Airline Competition: Passenger Facility Charges Can Provide An Independent Source of Funding for Airport Expansion and Improvement Projects, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Aviation, House Committee on Public Works and Transportation. GAO/T-RCED-90-99, June 19.

Should airports be able to assess a direct charge on passengers in order to fund airport expansion and promote a more competitive environment? Such direct charges, called passenger facility charges, are now prohibited. GAO testified on the need for legislation authorizing such direct charges and on ways to ensure that funds generated would be used for airport capacity expansion and not diverted for other uses. GAO believes that direct charges would give airports an important alternative to reliance on airport funding or guarantees to build and expand airport capacity. Legislation allowing airports to levy passenger facility charges could be structured to protect the interests of consumers while still affording each airport maximum flexibility in meeting its particular needs. Safeguards could also be included in the legislation to prevent pre-existing agreements between airports and airlines from limiting the

effectiveness of passenger facility charges. Thus, these direct charges could help shift more control over airport development, expansion, and use decisions to airports.

Veterans' Affairs

Veterans' Benefits: VA Needs Death Information From Social Security to Avoid Erro- neous Payments

GAO/HRD-90-110, July 27.

Each year, the Department of Veterans Affairs provides billions of dollars in disability compensation and pension benefits to veterans and their surviving spouses. Benefits should end promptly when a beneficiary dies; however, if surviving relatives or others are slow in reporting a beneficiary's death, substantial payment errors can result. GAO matched VA benefit payment files with death information kept by the Social Security Administration and found that in April 1989, VA paid about \$5.7 million to over 1,200 veterans who had been dead for at least four months; about 100 veterans had been dead for 10 years or more. GAO believes that VA and the Social Security Administration need to establish a way to exchange information on deceased beneficiaries. Because many VA beneficiaries do not have social security numbers on file with VA, GAO recommends that Congress authorize VA to require social security numbers of all veterans and their survivors as a condition of eligibility for VA compensation and pension benefits.

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AGRICULTURE AND FOOD

- Food Assistance Programs: Recipient and Expert Views on Food Assistance at Four Indian Reservations
GAO/RCED-90-152, June 18.
- Farmers Home Administration: Farm Program Debt, Delinquencies, and Debt Losses as of June 30, 1989
GAO/RCED-90-158BR, June 26.

Food Safety: Issues USDA Should Address Before Ending Canadian Meat Inspections
GAO/RCED-90-176, July 6.

Conservation Reserve Program: Determining Program's Effects on Production Depends on Assumptions
GAO/RCED-90-201, July 25.

Testimony

United States-Canada Open Border Proposal for Meat and Poultry Inspection
GAO/T-RCED-90-96, July 12.

BUDGET AND SPENDING

Impoundments: Unreported Deferrals of Fiscal Year 1990 Military Construction Budget Authority
GAO/OGC-90-5, June 28.

Impoundments: Required Release of Agriculture and Commerce Funds Proposed for Rescission, but Not Approved by Congress
GAO/OGC-90-9, July 3.

BUSINESS, INDUSTRY, AND CONSUMERS

Investment Advisers: Current Level of Oversight Puts Investors at Risk
GAO/GGD-90-83, June 26.

International Trade: Revitalizing the U.S. Machine Tool Industry
GAO/NSIAD-90-182, July 17.

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