



Reports and Testimony: February 1990

Highlights

Air Force Audit

GAO's largest audit ever reveals that grossly inadequate accounting systems have caused the Air Force to misstate by billions of dollars the actual costs of buying and operating weapons and maintaining equipment inventories. Page 15.

B-2 Bomber

Huge cost overruns, slipped schedules, and design problems in the multibillion dollar B-2 program prompt GAO to conclude that it would be prudent to reduce the "stealth" bomber's funding and production pace until the aircraft's critical performance elements are adequately evaluated. Page 35.

Social Security Tax

The proposal to roll back the Social Security payroll tax stirs a spirited public debate on how "blue smoke and mirrors" have masked the true size of the federal deficit—a condition that has concerned GAO for the past several years. Page 25.

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Reports and Testimony: February 1990

Special Publication

Meeting the Government's Technology Challenge: Results of a GAO Symposium

GAO/IMTEC-90-23, February 1990.

Managing the federal government's information technology is a monumental task. Over 53,000 government computer and telecommunications systems touch the lives of Americans each day. The government will have to modernize these vital systems in the 1990s if the public is to continue to receive the services it expects and deserves. Although the federal government is spending about \$20 billion annually for this purpose, progress has been painfully slow. In October 1989, GAO sponsored a symposium that brought together leaders from government and industry to explore better ways to use information technology. This report builds on the symposium's results to provide a framework for acquiring and managing information technology.

Agriculture and Food

Food Stamp Program: A Demographic Analysis of Participation and Nonparticipation

GAO/PEMD-90-8, Jan. 19.

Why do some households that are eligible for food stamps not receive them? GAO found that in 1987 over 56 percent of eligible households did not participate in the Food Stamp program. Households receiving other welfare benefits were more likely to participate in the Food Stamp program. On the other hand, households receiving social security, those headed by the elderly, and those headed by both white and nonwhite single men were less likely to receive Food Stamps. The main reasons given for not participating in the Food Stamp program were (1) lack of interest in the benefits, (2) a lack of information about the program, and (3) problems with the program or lack of access to it. Given that outreach efforts may be resumed under the Hunger Prevention Act, GAO believes states should be encouraged to target those groups that would most benefit from it.

**Farmers Home Administration:
Use of Loan Funds by Farmer Program Borrowers**

GAO/RCED-90-95BR, Feb. 8.

This briefing report provides information on the use of Farmers Home Administration loan funds by farmer program borrowers. GAO focused on the use of funds for four major types of farm program loans during fiscal year 1988 (direct farm ownership loans, direct farm operating loans, guaranteed farm ownership loans, and guaranteed farm operating loans), the extent to which loan funds were used to refinance farmers' existing debts, and lenders' views on using FmHA loan guarantees. GAO found that most of fiscal year 1988 farm loan funds were used for farm operating expenses and refinancing existing debt. Some funds were also used for purchasing farm property. In testimony before Congress, GAO discussed FmHA's deteriorating financial condition as well as the future role and mission of that agency. The outstanding principal in FmHA's direct farm loan programs, as well as delinquencies and loan losses, have increased dramatically since the mid-1970s, placing the federal government and, ultimately, the taxpayers, at considerable risk. Although Congress and FmHA have used existing credit policies to keep farmers in business and to help rural communities, Congress may want to examine the long-term effect of these policies on borrowers. GAO believes FmHA and its borrowers need to realistically assess borrowers' chances of financial recovery before they lose additional equity through continued borrowing. See:

Issues Surrounding the Role and Mission of the Farmers Home Administration's Farm Loan Programs, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Agricultural Credit, Senate Committee on Agriculture, Nutrition, and Forestry.

GAO/T-RCED-90-27, Feb. 8.

**Federal Dairy Programs:
Insights Into Their Past Provide Perspectives on Their Future**

GAO/RCED-90-88, Feb. 28.

During the 1980s, excessive milk production resulted in large government purchases of surplus dairy products. However, as the nation enters the 1990s, federal surplus dairy purchases have declined to such an extent that concerns have arisen about the availability of dairy products

for government donation programs. The 1990 farm bill may include policy and program changes that affect the level of future surplus purchases. To aid in these deliberations, GAO examined federal dairy programs. This report discusses (1) how the dairy industry has changed since the federal government first enacted specific dairy legislation in the 1930s; (2) the evolution of federal involvement in the dairy industry; and (3) how federal programs, according to previous GAO analyses, have affected milk supplies.

Testimony

The Farmers Home Administration's Guaranteed Farm Loan Program, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Agricultural Credit, Senate Committee on Agriculture, Nutrition, and Forestry. GAO/T-RCED-90-31, Feb. 20.

GAO is concerned about FmHA's guaranteed farm loan program and the implications of the shift from direct to guaranteed farm loans. GAO found that even though guaranteed farm loans have increased, most loans are being made to commercial lenders' existing customers who have become financially stressed. The rate of guaranteed loan losses since 1984 has increased faster than has the amount of guaranteed loans. FmHA has contributed to these losses by inadequately assessing borrowers' financial conditions before approving guaranteed loans and by insufficiently overseeing lenders' servicing of loan guarantees after approval. Because more guaranteed loan losses mean more budget outlays, it is increasingly urgent that the underlying problems behind these losses be corrected.

Adequacy of Nutrition Programs on Indian Reservations, by Flora H. Milans, Associate Director for Food and Agriculture Issues, before the Senate Committee on Agriculture, Nutrition and Forestry and before the Senate Select Committee on Indian Affairs. GAO/T-RCED-90-30, Feb. 20.

GAO testified on its findings regarding the U.S. Department of Agriculture's food assistance programs. While the Food Stamp program along with commodity foods have helped improve the diet of Indians, GAO found evidence of hunger on the four reservations it visited. Indians attributed the hunger to (1) obstacles in applying and qualifying for food stamps, (2) heavy reliance on federal programs that are not intended to provide a full diet for most households, (3) procedural requirements of the Food Stamp program that influence the size and delivery of benefits, and (4) high food prices that erode the purchasing power of food stamp benefits. Of greater concern to those GAO spoke

with is the prevalence of diet-related problems like obesity, diabetes, heart disease, and hypertension. Even healthy individuals have concerns about the limited variety and poor quality of some commodity foods; for participants with diseases that require special diets, these foods can present serious problems. GAO believes better access to food assistance, an adequate and nutritious diet, and proper nutrition education could improve the quality of life on the reservations.

Status of the Food and Agriculture Councils Needs to Be Elevated, by John W. Harman, Director of Food and Agriculture Issues, before the Subcommittee on Government Information, Justice, and Agriculture, House Committee on Government Operations. GAO/T-RCED-90-36, Feb. 28.

The U.S. Department of Agriculture established the Food and Agriculture Councils to provide a vital communication link between headquarters and its agencies in the field, as well as other federal agencies. The councils, which are comprised of representatives from the various USDA agencies, notably the farm agencies, could serve a vital management function in the Department. Unfortunately, the lack of top management support has diminished the councils' effectiveness in recent years. GAO believes the councils have a potentially important role as ongoing trends, particularly declining budgets, put pressure on the Department to reassess the mission and design of its 1930s-era system of delivering farm programs. The councils, if properly structured, could provide USDA's top management and Congress with valuable input for periodically evaluating how well the field system is doing.

Business, Industry, and Consumers

Minority Business: Management Improvements Needed at Minority Business Development Agency

GAO/RCED-90-69, Jan. 19.

The Department of Commerce created the Minority Business Development Agency in 1969 to promote opportunities for the nation's minority businesses. For a nominal fee, the agency provides management, marketing, and technical help to minorities who want to start, expand, or improve their businesses. GAO found that delays in funding and the ineffective use of staff have hindered the agency's delivery of service. Despite these problems, a nationwide GAO survey found that agency clients (1) were generally satisfied with the services, (2) believed the services have been useful, (3) would seek help from the agency again. GAO

identified several problems with grant applications that delayed their review and approval until the problems were resolved. Since the Minority Business Development Centers—which actually provide the services to clients—cannot be funded without an approved application, some centers have had to shut down from one to four months. Commerce officials have been working on these problems over the past year, but it is too early to tell if their efforts have been successful. GAO also found that although the agency's program funds, and thus its programs, were reduced by about 43 percent between fiscal years 1980 and 1989, only minimal reductions in staff occurred. Thus, the agency is overstaffed today. The agency's new Director said he is trying to resolve the problems with timely processing of grant applications and with effective staff use.

Testimony

Underground Petroleum Storage Tank Owners' Ability to Comply With Federal Financial Responsibility Requirements, by Peter F. Gerrero, Associate Director for Environmental Protection Issues, before the Subcommittee on Environmental Protection, Senate Committee on Environment and Public Works. GAO/T-RCED-90-29, Feb. 20.

In a January 1988 report, GAO found that insurance for underground petroleum tanks was generally unavailable and that the alternatives to insurance permitted by law, such as self-insurance, were impractical or unavailable for small businesses. Such insurance is intended to ensure that tank owners have the money to clean up any tank leaks and compensate anyone harmed by the leaks. In this testimony, GAO concludes that too much uncertainty exists about the insurance market for smaller tank owners and too few states have approved trust funds to reasonably ensure that smaller firms can generally comply with the financial responsibility requirements at this time.

Product Liability: The Tort System in Five States, by Joseph F. Delfico, Director of Income Security Issues, before the Subcommittee on Consumer, Senate Committee on Commerce, Science, and Transportation. GAO/T-HRD-90-14, Feb. 22.

Over the past several decades, there have been important changes in the area of product liability. Juries have increased the size of awards and, largely through case law, liability has been expanded by varying degrees in different states. The outcome has been greater variation among state law. Are these changes the symptom of a malfunctioning tort system? GAO testified on the results of its 1989 report that looked at

verdicts and case resolutions in five states: Arizona, Massachusetts, Missouri, North Dakota, and South Carolina. GAO found that the size of awards was strongly associated with the severity of an injury, that jury awards do consider the defendant's conduct, and that it takes considerable time and money to resolve civil claims that go to trial. Arguing that state reforms have resulted in greater variation in state laws, tort reform proponents have continued to call for reform at the federal level. GAO concludes that federal reforms, if sufficiently clear, would undoubtedly reduce variation across states. At the same time, however, deliberations focusing on burdens facing defendants will need to strike a difficult balance and provide both enough incentive to prevent injury and fair compensation for those who are injured through the fault of another.

Education

Supplemental Student Loans: Who Are the Largest Lenders?

GAO/HRD-90-72FS, Feb. 21.

The Supplemental Loans for Students program makes market-rate loans to postsecondary students in addition to, or in lieu of, other financial aid like Stafford loans and Pell grants. This fact sheet presents information on loan volume and default data for the 10 largest program lenders from each of the nine guaranty agencies that GAO reported on previously. For each lender, GAO provides data on the volume of loans made to students attending trade schools and other postsecondary education institutions, as well as information on the extent of borrowing by freshman as compared with students in their second or later years of schooling. The fact sheet also addresses the amount of defaulted program loans.

Pell Grants: How the Department of Education Estimates Program Costs

GAO/HRD-90-73BR, Feb. 21.

The Pell grant program, which is managed by the Department of Education, provides grants to financially needy students pursuing a postsecondary education. This briefing report describes the Department's process for estimating Pell grant program costs. It also looks at what factors caused or contributed to the Department revising its fiscal year 1990 budget estimate. The Department's latest estimate is \$696 million higher

than its initial request for fiscal year 1990. GAO concludes that underestimating the number of recipients was the main reason for the Department's increased budget request.

Testimony

The Stafford Student Loan Program, by Franklin Frazier, Director of Education and Employment Issues, before the Subcommittee on Permanent Investigations, Senate Committee on Governmental Affairs. GAO/T-HRD-90-13, Feb. 20.

The Stafford Student Loan Program is a major source of loans for students seeking postsecondary education. Recently the program has become the target of scrutiny because of borrower defaults on student loans. GAO's testimony focuses on (1) how the Stafford program works, (2) the growth in loans guaranteed and defaulted, and (3) past GAO recommendations and recent legislative and regulatory changes.

Employment

Dislocated Workers: Expenditures Under Title III of the Job Training Partnership Act

GAO/HRD-90-93FS, Feb. 23.

GAO looked at state spending patterns for dislocated worker assistance under Title III of the Job Training Partnership Act and the Economic Dislocation and Worker Adjustment Assistance Act. This fact sheet summarizes GAO's preliminary information on the following four issues: (1) state Title III spending patterns, (2) costs per participant, (3) expenditures related to transition to the Economic Dislocation and Worker Adjustment Assistance Act, and (4) allocation and spending patterns related to the Secretary of Labor's discretionary fund.

Age Discrimination: Use of Age-Specific Provisions in Company Exit Incentive Programs

GAO/HRD-90-87BR, Feb. 27.

Age-specific provisions in company exit incentive programs either bar a certain group of older workers from program participation or exclude these workers from enhanced benefits available to younger eligible workers. Companies sometimes use short-term exit incentive programs to reduce their work forces when downsizing their operations. Although very few of the exit incentive programs GAO identified had age-specific

provisions for eligibility, most used age-specific provisions for enhanced benefits. Specifically, GAO found that only 5 percent of the Fortune 100 company exit incentive programs used age-specific eligibility provisions. These programs used age brackets or set a cap on the age of workers to which the incentive was offered. GAO also found that a majority of existing incentive programs offered workers age-specific enhanced benefits.

Testimony

Unemployment Insurance: Comments on H.R. 3896, the Unemployment Compensation Reform Act of 1990, by Lawrence H. Thompson, Assistant Comptroller General for Human Resources Programs, before the Subcommittee on Human Resources, House Committee on Ways and Means. GAO/T-HRD-90-15, Feb. 22.

GAO discussed pending legislation—H.R. 3896—that would revise the unemployment compensation system. Under the bill, taxable wages would rise from the current level of \$7,000 to \$10,000. GAO believes that such an increase in the taxable wage base would contribute to the financial stability of the unemployment insurance system. Recent recessions have exhausted many state reserves, prompting states to borrow from federal unemployment insurance accounts in order to pay benefits. Even though trust fund reserves have risen in recent years, it is doubtful whether they could handle a severe recession. An increase in the taxable wage base would improve federal trust fund reserves, reduce the chance that general fund advances would be needed in a major recession, and help reestablish the forward funding principle within the system. H.R. 3896 would also provide states with \$3 billion annually for administrative costs. While GAO is uncertain whether this is the right amount or mechanism for funding administration, it endorses further exploration of this matter.

Energy

**Nuclear Health and Safety:
Savannah River's Unusual Occurrence Reporting Program Has Been Ineffective**

GAO/RCED-90-53, Dec. 20.

Since its beginning in 1981, DOE's Unusual Occurrence Reporting program has provided an incomplete picture of unusual reactor-related events at the Savannah River site. Between 1982 and 1987, only 39 percent of the events identified by the contractor as having "significant

consequence or hazard potential" were reported to DOE as unusual occurrences. GAO believes most of these events should have been reported. The problem of underreporting is mainly due to inadequate oversight of contractor operations by the Savannah River Operations Office. While DOE's Savannah River Office is trying to improve oversight of contractor operations, GAO believes the Operations Office can do more to ensure that the contractor reports all significant unusual occurrences. GAO also believes DOE headquarters could clarify its criteria for identifying reactor-related events that should be reported.

**Nuclear Health and Safety:
Better Earthquake Protection Needed at DOE's Savannah River Site**

GAO/RCED-90-24, Dec. 26.

In 1886 an earthquake measuring about seven on the Richter scale devastated Charleston, South Carolina. GAO examined whether today DOE, in the event of a major earthquake at its Savannah River site, can ensure the safety of its employees and the public. The Savannah River site is about 80 miles east of Charleston. GAO found that only in 1988 and 1989 did DOE begin to systematically correct seismic problems that have existed at Savannah River for years. Many structures now at the reactor site might not withstand a major earthquake, thereby threatening employees and the public with releases of radiation. While DOE has begun a comprehensive seismic program for the reactors and other facilities at Savannah River, it will take years to adequately protect the site from earthquakes. GAO recommends that DOE establish a comprehensive, systematic seismic program for the reactors and high-risk nuclear facilities at Savannah River. Because of the potential for earthquakes elsewhere, GAO also recommends that DOE look at upgrading seismic programs at DOE locations with high-risk nuclear facilities.

**Nuclear Science:
The Feasibility of Using a Particle Accelerator to Produce Tritium**

GAO/RCED-90-73BR, Feb. 2.

Nuclear reactors are now the only proven way to produce the amount of tritium needed for nuclear weapons. GAO looked at whether DOE could produce this critical material by using a linear accelerator rather than a reactor. This briefing report examines (1) whether using an accelerator

as a tritium production facility seems feasible; (2) whether DOE adequately considered particle accelerator technologies during its examination of future tritium production options; and (3) what cost, safety, and environmental advantages accelerator production of tritium might have over production by a nuclear reactor.

Testimony

Perspectives on Potential Agricultural and Budgetary Impacts From an Increased Use of Ethanol Fuels, by Judy England-Joseph, Associate Director for Energy Issues, before the House Committee on Ways and Means. GAO/T-RCED-90-23, Feb. 1.

GAO testified on its use of an econometric model to assess the affects of expanded ethanol production in this country. Its conclusion: that expanded use of fuels would financially benefits some sectors of agriculture, increase consumer foods costs, decrease federal farm program outlays, and reduce federal motor fuel tax revenues. GAO's study was not designed to reach a conclusion on whether to extend the ethanol fuel tax exemption or the blenders income tax credit, and GAO does not take a position on these matters. GAO does believe, however, that other factors not addressed in its study, including important environmental, energy security, and economic growth consequences attributable to the use of ethanol as a fuel or a fuel blend, need to be factored into the debate on ethanol tax issues.

Environmental Protection

Global Warming: Administration Approach Cautious Pending Validation of Threat

GAO/NSIAD-90-63, Jan. 8.

The earth seems to be getting warmer, but scientists are unsure about the rate and extent of this trend. GAO found that the administration has not established a national policy, defined agency role and interagency relationships, or provided adequate guidance to agencies on how to address the global warming issue. Administration policy so far has concentrated on doing the scientific research needed to reduce any uncertainty about the timing and threat of global warming. The United States has also focused on assuming a leading international role in formulating policy responses aimed at limiting or adapting to world climate change. Although the United States is in a strong position to foster international

cooperation on the issue, its early approach has been to proceed cautiously and to defer specific new commitments until more is known about the validity and consequences of global warming.

**Coast Guard:
Preparation and Response for Oil Spills in Philadelphia and New York Ports**

GAO/RCED-90-83, Jan. 26.

GAO found the situation in the Philadelphia and New York ports similar to that in Prince William Sound—neither industry nor the Coast Guard are prepared to respond to major oil spills. This unpreparedness is due to a lack of (1) specificity in the industry and Coast Guard's plans on how to deal with spills of various sizes and (2) Coast Guard authority to require ship owners and operators to have contingency plans or to require changes in existing plans. On the basis of recent experiences, GAO believes that prevention of oil spills rather than responding to them should be the main priority. Experiences in Prince William Sound and in Philadelphia, however, show that much needs to be done to improve prevention measures like monitoring and guiding ship movements and using harbor pilots or vessel escorts. Industry and government efforts are now underway to improve prevention and response capabilities, but achieving greater protection will require more money. Leadership will also be needed to pull together the various options to make national improvements, and GAO believes a single entity within the federal government should assume this role.

**Coast Guard:
Federal Costs Resulting From the Exxon Valdez Oil Spill**

GAO/RCED-90-91FS, Jan. 26.

When the Exxon Valdez grounded in Alaska's Prince William Sound in March 1989, it released 10 million gallons of oil—the largest oil spill in U.S. history. How much will the the federal government have to spend to clean up the Exxon Valdez spill? GAO's ongoing work is examining the costs federal agencies estimate they have incurred, whether the agencies had procedures to seek reimbursement from Exxon, and the extent to which these agencies have been reimbursed. This fact sheet focuses on estimated costs reported by federal agencies as of September 30, 1989, and reimbursements received through November 15, 1989.

**Hazardous Materials:
Inadequate Safeguards Over Sales Pose Health and Environmental
Dangers**

GAO/NSIAD-90-70, Feb. 12.

In the past, the Department of Defense and the General Services Administration have sold hazardous materials to buyers who stored and used them improperly. This posed a threat to both people and the environment. GAO's review indicated that DOD and GSA lacked the management controls needed to ensure that hazardous materials for sale were being properly identified and that prospective buyers knew about the dangers involved. DOD and GSA have started to provide some safeguards, such as post-award surveillance. GAO recommends the creation of strong safeguards to ensure that buyers both know of the hazardous nature of the materials and can handle the materials after sale. Specifically, sales catalogs should include information that would alert buyers to any possible hazards. GAO summarized this report in testimony before Congress; see:

Department of Defense and General Services Administration Management and Sales of Hazardous Materials, by Nancy R. Kingsbury, Director of Air Force Issues, before the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations. GAO/T-NSIAD-90-15, Feb. 13.

Testimony

Creation of a Department of Environmental Protection (H.R. 3847), by J. Dexter Peach, Assistant Comptroller General for Resources, Community, and Economic Development Programs, before the Legislation and National Security Subcommittee, House Committee on Government Operations. GAO/T-RCED-90-25, Feb. 7.

GAO supports the creation of a Cabinet department for environmental protection. Conferring Cabinet status on EPA will not only symbolize the growing importance of the agency, but over the long run will position the agency to more effectively address the considerable environmental challenges this nation will face in coming years. H.R. 3847 calls for the creation of new organizations within the Department of Environmental Protection. GAO's testimony focuses on the creation of an Office of Environmental Affairs, a Center for Environmental Statistics, a Commission on Environmental Administration, and an Office of an Ombudsman. GAO also discusses the costs associated with the legislation.

Creation of a Department of the Environment (S. 2006), by J. Dexter Peach, Assistant Comptroller General for Resources, Community, and Economic Development Programs, before the Senate Committee on Governmental Affairs. GAO/T-RCED-90-26, Feb. 8.

In this testimony, GAO indicates its support for the creation of a Department of the Environment. GAO discussed Senate Bill 2006 and presented its views on the growth of EPA and of environmental issues, the relationship of environmental protection to other Cabinet departments and policies, other criteria by which to assess the elevation of EPA, and organizational and management issues identified in GAO's past work that are reflected in the proposed legislation.

Financial Institutions

Testimony

Deposit Insurance: Observations on Approaching Reform, by Charles A. Bowsher, Comptroller General of the United States, before the House Committee on Banking, Finance and Urban Affairs. GAO/T-GGD-90-20, Feb. 21.

The Comptroller General testified on the judgments Congress will need to make in reforming the nation's deposit insurance system. GAO believes it is important to recognize the stability that deposit insurance has brought to the financial markets since the 1930s. Over the past two decades, however, changes in the financial environment coupled with weak regulatory oversight and lax enforcement of capital standards contributed significantly to the savings and loan crisis. Concerns are growing about the stability of our financial system. In a changing financial environment, how can the benefits of deposit insurance be preserved while limiting the government's exposure to loss? GAO believes Congress will need to address the following issues: How much protection is needed to preserve financial stability? Who or what types of accounts should be insured? Should the uses of deposits be limited and, if so, how? What additional controls, if any, are needed to improve the regulatory system's ability to protect the government's exposure to risks as well as to improve financial institution oversight by Boards of Directors and independent auditors?

Financial Management

Financial Audit: Air Force Does Not Effectively Account for Billions of Dollars of Resources

GAO/AFMD-90-23, Feb. 23.

During the 1980s, concerns mounted about the federal government's declining fiscal condition and the poor management of its financial operations. Over the years, GAO's work has shown that managers at major federal civilian agencies do not (1) adequately control their costs and resources, (2) provide Congress and the public a true accounting of their assets, and (3) consider financial information in making decisions. To gain a better perspective on the quality of the information and systems at the Department of Defense, GAO attempted a financial audit of the Air Force, the only military service that has tried to prepare a set of financial statements in accordance with generally accepted accounting principles. GAO found that the Air Force lacks accurate cost data for almost all of its non-cash assets, including inventory, equipment, aircraft, and missiles. Accounts for over 70 percent of the assets on its consolidated statement of financial position were unauditible, leaving GAO unable to express an opinion on the fiscal year 1988 financial statements. These weaknesses also mean that the financial information produced by the Air Force and reported to the Office of Management and Budget is unreliable. GAO concludes that the Air Force needs better historical cost data to improve its budgeting and planning processes and it needs better financial systems to establish accountability over the billions of dollars entrusted to it. While the Air Force has taken several steps to correct these problems on a case-by-case basis, GAO believes more needs to be done. Cost effectiveness and efficiency needs to become a priority at the Air Force before meaningful and lasting change occurs in its financial management. The Comptroller General summarized this report in testimony before Congress; see:

Financial Audit: Air Force Does Not Effectively Account for Billions of Dollars of Resources, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Governmental Affairs. GAO/T-AFMD-90-10, Feb. 23.

**Financial Audit:
House Office of the Sergeant at Arms—Periods Ended 6-30-89 and
12-31-88**

GAO/AFMD-90-28, Feb. 7.

GAO audited the balance sheet of the Office of the Sergeant at Arms, House of Representatives, as of June 30, 1989, and December 31, 1989, and the related statements of operations and cash flows for each of the 6-month periods then ended. In GAO's opinion these financial statements present fairly the financial position of the Office of the Sergeant at Arms and the results of its operations and cash flows. GAO did find some internal accounting control weaknesses, such as the lack of check-cashing procedures at the House bank. The House Sergeant at Arms has said that corrective measures are being taken.

**Financial Audit:
Federal Housing Administration Fund's 1988 Financial Statements**

GAO/AFMD-90-36, Feb. 9.

GAO audited the Federal Housing Administration Fund's consolidated financial statements for fiscal year 1988. As a result of the 1988 financial audit, FHA adjusted its financial statements from a loss of \$858 million to a loss of \$4.2 billion. Rising defaults in economically stressed regions, sales of foreclosed properties at less than carrying values, the failure of several large coinsurers, and program fraud and abuse all contributed to the 1988 losses. GAO and Price Waterhouse have declined to express an opinion on FHA's 1988 financial statements because of uncertainty about the extent of losses due to fraud and abuse and because of the lack of an accurate inventory of foreclosed property. GAO is also concerned about the large potential future losses in FHA's General Insurance Fund. The audit also revealed serious internal accounting control weaknesses in third-party monitoring, financial management systems, insurance program design, controls over costs and claims settlement, and the performance of basic accounting functions. The audit also showed that FHA did not fully comply with the Debt Collection Act of 1982.

**Financial Audit:
Northeast-Midwest Congressional Coalition Financial Statements
for 1988**

GAO/AFMD-90-38, Feb. 15.

GAO audited the balance sheet of the Northeast-Midwest Congressional Coalition for 1988 along with related statements of operations and fund balance and of cash flows for the same year. In GAO's opinion, the financial statements present fairly the Coalition's financial position for 1988 and the results of its operations and cash flows for that year in conformity with generally accepted accounting principles. The District of Columbia claims that the Coalition may owe it unemployment compensation. The Coalition plans to contest this claim, although the outcome of this dispute cannot be predicted. Accordingly, no provision for any liability resulting from a settlement has been made in the financial statements.

**Air Force Audit Agency:
Opportunities to Improve Internal Auditing**

GAO/AFMD-90-16, Feb. 20.

This is the third in a series of GAO reviews of internal audit organizations within the Department of Defense. GAO reviewed the Air Force Audit Agency and found that it is generally providing effective audit service to the Air Force. During fiscal year 1988, the Air Force Audit Agency reported \$339 million in monetary benefits that might be achieved if its audit recommendations are implemented. This brings the total monetary benefits reported by the Air Force Audit Agency over the last three fiscal years to \$2.2 billion. Despite significant achievements, GAO believes the Air Force Audit Agency would be capable of greater accomplishments if it changed its method of planning and managing audits. GAO recommends that audit planning consider the relative merits of each audit proposal rather than continue the current method of allocating staff to installation level work. GAO also recommends that all military auditor positions be converted to civilian positions and that audit quality controls be strengthened.

**Cost Accounting Issues:
Survey of Cost Accounting Practices at Selected Agencies**

GAO/AFMD-90-17, February 1990.

Several studies have examined cost accounting in the private sector. GAO believes similar cost accounting studies in the federal government will encourage improved cost accounting practices that are responsive to the needs of federal managers and Congress. GAO surveyed the characteristics of federal cost accounting systems now in use at five agencies: the Department of the Interior, the General Services Administration, the Department of Health and Human Services, the Department of Agriculture, and the Department of the Army. Overall, GAO found that the cost systems used were based principally on financial accounting standards that do not pertain directly to cost accounting and, therefore, permit significant differences in cost measurement. A significant number of respondents said their cost systems were not controlled by the general ledger. As a result, reliance on various forms of reconciliation becomes necessary to ensure the integrity of the cost data.

**Government
Operations**

**Personnel Practices:
Questionable Personnel Practices at the U.S. Fish and Wildlife
Service**

GAO/GGD-90-43, Jan. 23.

In a controversial move that prompted protests from 20 Members of Congress, Frank H. Dunkle, the former director of the Fish and Wildlife Service, removed the Portland, Oregon, regional director and reassigned his two assistants in March 1989. That same month, Mr. Dunkle was reassigned from his position as director to another position within the Fish and Wildlife Service. GAO reviewed Mr. Dunkle's personnel policies and actions and identified 72 positions that were created during his tenure. Of the 72, 31 were special/confidential assistant and senior executive positions, more than twice the number of such positions created by his immediate predecessor. GAO has concerns about the propriety, necessity, position descriptions, and supervisory relationships of 22 of the 72 positions. These 22 positions were still occupied at the time of GAO's work and the Fish and Wildlife Service was paying about \$1.6 million in salary and benefits for them. According to most top-level Fish and Wildlife Service executives, Mr. Dunkle did not create an environment in which employees believed that positions were being created and filled to

improve the organization. GAO also has concerns about the authority used to appoint the former director to his next position in the agency. Since the Department of the Interior indicated it does not plan to stop the practices that GAO found questionable or inappropriate, Congress may wish to intercede.

**Government Ethics:
HUD Financial Disclosure Reports Missing or Not Reviewed**

GAO/GGD-90-51, Feb. 6.

As part of its review of the government's use of experts and consultants, GAO looked at whether these individuals have been filing the financial disclosure statements used to identify and avoid conflicts of interest arising from an employee's personal financial interests and his or her federal duties. At the Department of Housing and Urban Development, GAO found that the system for obtaining and reviewing disclosure statements was extremely weak, both for regular employees and for experts and consultants. Out of a sample of 62 experts and consultants, HUD never received disclosure statements from 52 of them. While agencies are required to review public disclosure statements within 60 days of filing for possible conflicts of interests, none of the 62 statements had been reviewed more than 100 days after filing. HUD attributed these problems to inadequate staff; however, GAO believes the main cause to be more fundamental—that HUD officials had not adequately discharged their duties. The Secretary of HUD is ultimately responsible for seeing that HUD has an effective program and for holding HUD officials accountable for doing their jobs. Overall, GAO cites the lack of the following as contributing factors: clearly defined responsibilities, formal written procedures, enough management responsibilities, adequate staff, and adequate leadership to manage the program. HUD said that wholesale improvement of its ethics program is a priority and that it has begun responding to GAO's recommendations. HUD's reforms include the creation of a new Office of Ethics and the complete restructuring of the financial disclosure system.

**Office of Personnel Management:
Better Performance Information Needed**

GAO/GGD-90-44, Feb. 7.

The Office of Personnel Management is a main source of services for the federal government; people seeking federal jobs; and 9 million federal

employees, retirees, and their dependents. But how well does OPM assess the quality, effectiveness, and efficiency of the services it provides its customers? GAO looked at OPM retirement and health insurance programs, employee background checks, recruitment and training, and evaluations of personnel activities at other agencies. Although GAO found that OPM already has performance measures and standards in most areas, certain improvements could be made. For instance, many key services lack the full range of potential performance measures and standards. In particular, there are very few performance standards for efficiency or customer satisfaction. In addition, although many performance measures exist at lower management levels, summarized performance information is limited at the directorate level. This constrains the director's ability to track how well OPM is doing in many key areas. Finally, linking performance standards and expectation for organizational units more closely to the performance workplans of the unit's managers would make managers more accountable for results.

**Management of HHS:
Using the Office of the Secretary to Enhance Departmental
Effectiveness**

GAO/HRD-90-54, Feb. 9.

Secretaries of the Department of Health and Human Services shoulder responsibilities for budgets totaling hundreds of billions of dollars, for hundreds of programs, and for decisions that affect the health and welfare of millions of Americans. This management review of HHS concludes that the lack of an effective management system within the Office of the Secretary has hampered the ability of HHS Secretaries to manage their tremendous responsibilities. GAO believes such a system should help Secretaries understand and identify emerging policy and management issues, establish clear goals and objectives for these issues, and develop strategies to accomplish the goals and objectives. The system must also include accountability dimensions that enable the Secretary to monitor and track the Department's progress in achieving its goals and objectives, oversee the operations of programs and activities that have been delegated to others, and provide feedback to and communicate with the Department's components.

Testimony

Financial Performance of the United States Postal Service, by L. Nye Stevens, Director of Government Business Operations Issues, before the House Committee on Post Office and Civil Service. GAO/T-GGD-90-16, Feb. 7.

The Postal Service's financial performance during 1989—a profit of \$61 million—was well below the \$600 million profit anticipated at the start of the year. The disappointing financial performance of 1989 will continue into 1990, when the Postal Service expects to post a \$1.6 billion deficit, the largest in its history. The productivity potential of automated equipment is critical to the Service's ability to control future costs. GAO's analysis of 1989 processing costs indicates that productivity gains were insufficient to offset the cost of increased mail volume, and were dwarfed by the increase in per hour labor costs. Unless productivity improves substantially or growth in labor costs are constrained, mail service will become increasingly less competitive with other forms of communication and information delivery.

Health

Basic Elements of an Infection Control Program

GAO/HRD-90-25, January 1990.

The Centers for Disease Control estimates that about five percent of all hospital patients contract at least one infection during their stay. Working with health care organizations like the American Hospital Association and the Centers for Disease Control, GAO prepared a list of 56 elements that experts say are necessary for effective infection control programs in hospitals. GAO believes these elements should be helpful in either starting or evaluating infection control programs.

Health Care:

Limited State Efforts to Assure Quality of Care Outside Hospitals

GAO/HRD-90-53, Jan. 30.

Over the last 20 years, medical procedures that have traditionally been done in hospitals, like cardiac catheterization, blood testing, and radiation therapy, are increasingly being done in "freestanding" facilities. GAO looked at state licensing, inspection, and enforcement for 16 types of freestanding providers, including ambulatory surgical centers, cancer treatment centers, and hospice care. GAO found that states have been slow to license freestanding providers and, in fact, do not license most of

the 16 types of freestanding providers GAO focused on. Even when freestanding providers are licensed, states have imposed few sanctions for deficiencies cited during inspections. Further, states' plans for expanding licensing requirements to unlicensed providers are limited. Because of minimal state regulatory efforts, consumers have little assurance that unlicensed freestanding providers are offering quality care.

**Medicare:
Withdrawing Eyeglass Coverage Recommended Following Cataract Surgery**

GAO/HRD-90-31, Feb. 8.

While Medicare does not cover conventional eyeglasses, an exception has been made for individuals who have undergone cataract surgery. The reasoning is that glasses in these cases are considered to be prosthetic devices. The goal of conventional eyeglasses for both cataract surgery patients and others is to improve focus for near or distance vision. Because Medicare generally prohibits payments for this purpose, GAO questions payments for beneficiaries who have had cataract surgery. In 1984 GAO recommended that Medicare drop coverage of conventional eyeglasses following cataract surgery. This report reiterates that suggestion. On the basis of calendar year 1987 payments, GAO estimates that its recommendation would save over \$98 million annually.

**Defense Health Care:
Effects of AIDS in the Military**

GAO/HRD-90-39, Feb. 26.

GAO found that the Department of Defense has done a good job of monitoring the prevalence of HIV infection among military personnel. As of August 1989, DOD had tested over 90 percent of its active duty personnel at least once, and it plans to retest them periodically. DOD also offers education programs for military personnel and offers counseling for HIV-infected people. Because of the small number of active duty personnel who are infected, AIDS has not had a significant impact on overall military operations. However, AIDS has already significantly affected military hospitals. As the HIV-infected population grows, hospitals that care for HIV-infected persons will be faced with mounting demands for health care services. GAO estimates that in coming years DOD may identify about 1,500 to 1,700 new HIV infections annually among active duty service members. It is unclear how DOD plans to provide the resources needed to

deal with the expected increase in demand for HIV/AIDS-related health care services.

Testimony

Medigap Insurance: Expected 1990 Premiums After Repeal of the Medicare Catastrophic Coverage Act and 1988 Loss Ratio Data, by Janet Shikles, Director of Health Financing and Policy Issues, before the Subcommittee on Medicare and Long-Term Care, Senate Committee on Finance. GAO/T-HRD-90-11, Feb. 2.

Following Congress' repeal of the Medicare Catastrophic Coverage Act in November 1988, GAO surveyed 29 commercial insurers about their 1990 Medigap premiums. Twenty insurers responded and said they expected to increase their 1990 premiums by an average of 19.5 percent. Blue Cross and Blue Shield also surveyed its member organizations and found that the median increase among the 38 respondents for non-group Medigap insurance premiums would be about 29 percent in 1990. After repeal of the Act, the National Association of Insurance Commissioners revised its model regulation and minimum benefit standards for Medigap policies. These measures now protect consumers from some abusive sale and marketing practices and require policies to cover more policyholder expenses, like part B coinsurance after the beneficiary has paid the annual deductible of \$75. GAO also testified on whether loss ratios met or exceeded minimum standards for insurers.

Observations on Ohio's Implementation of the Drug-Free Schools and Communities Act of 1986, by John H. Luke, Manager of the Detroit Regional Office, before the Senate Committee on Governmental Affairs. GAO/T-HRD-90-12, Feb. 13.

Under the Drug-Free Schools and Communities Act of 1986, which seeks to help educate children about the dangers of drug and alcohol abuse, states have received about \$633 million in grant money. GAO's testimony discusses early observations about the initiation of programs and activities in Ohio funded under the Act. Ohio is one of several states involved in a larger GAO review. Because the Drug-Free schools program is so new, its effectiveness in Ohio is largely unknown; neither the state nor the local school districts have begun to evaluate it. A sample of students and teachers with whom GAO spoke, however, gave the Drug-Free Schools programs passing grades. The message of the dangers of drugs and alcohol, in particular, appears to be reaching the children. Both teachers and students believe that drug and alcohol abuse would be worse without drug education.

Housing

Homelessness: McKinney Act Programs and Funding for Fiscal Year 1989

GAO/RCED-90-52, Feb. 16.

GAO is required to report annually on the status of programs authorized under the McKinney Act. The Act, which seeks to establish a comprehensive program to help homeless people, now funds 18 programs that provide direct services for the homeless. This report outlines the Act's legislative history; describes each McKinney Act program; and details monies provided under each program, by state, for fiscal year 1989. Of the \$1.1 billion that Congress appropriated for McKinney Act programs in fiscal years 1987 through 1989, the largest portion—around \$365 million—went to the Federal Emergency Management Agency's Emergency Food and Shelter Program, which gives food and shelter to needy people on an emergency basis.

Testimony

Use of Housing Subsidies, by John M. Ols, Jr., Director of Housing and Community Development Issues, before the Subcommittee on HUD/Moderate Rehabilitation Investigations, Senate Committee on Banking, Housing, and Urban Affairs. GAO/T-RCED-90-34, Feb. 27.

Its review of Sierra Pointe, a moderate rehabilitation project located in Clark County, Nevada, leads GAO to conclude that there is a real danger of providing too much financial assistance to a developer when multiple subsidies are awarded to individual projects without a review of the total amount of assistance. For Sierra Pointe, a 160-unit project, GAO estimates that the developer realized cash flows of about \$1.8 million, or about 22 percent, above the cost to acquire and rehabilitate the project. GAO also believes there is a real danger of using subsidies inefficiently. It is inefficient to use the Moderate Rehabilitation Program and tax credits in housing markets that already have an adequate supply of rental housing. When Sierra Pointe was approved and during its development, GAO estimates that at least 160 suitable rental units would have been available to house low-income families. GAO has also reviewed seven other projects and is finding that it would have been more economical to have relied on existing housing using Section 8 certificates rather than on producing more units through a combination of moderate rehabilitation and tax credit subsidies.

Potential Losses From the Rental Housing Inventory: Soundness of Current Estimates, by Eleanor Chelimsky, Assistant Comptroller General

for Program Evaluation and Methodology, before the Subcommittee on Housing and Community Development, House Committee on Banking, Finance and Urban Affairs. GAO/T-PEMD-90-8, Feb. 28.

In recent years, several studies have suggested that, as private owners end their participation in federal housing programs by prepaying their mortgages, many federally subsidized rental units could be lost from the low- and moderate-income housing inventory. GAO testified on the preliminary results of its efforts to measure potential losses of federally subsidized units. GAO's findings suggest that the prepayment problem is closely tied to the opportunities available to property owners in a particular local market. For example, in the tight housing markets of Boston and Los Angeles, almost all the owners GAO spoke with would like to prepay as soon as possible; however, in low demand markets like Denver and Houston, owners were far less likely to be interested in prepaying.

Income Security

Social Security:

Direct Mail Solicitations by the Social Security Protection Bureau

GAO/HRD-90-9, Jan. 26.

The Social Security Protection Bureau is a private organization that offers to obtain earnings and benefit information from the Social Security Administration and to lobby Washington on members' behalf. The bureau's benefits, however, have been criticized as dubious. For example, while people paying the \$7.00 membership fee are helped in obtaining earnings information from the Social Security Administration, this information is available from the government free of charge. GAO's report contains information on (1) the income of the parent firm—the Watson & Hughey Company—and its organizational links with the bureau and other affiliated organizations; (2) bureau services; (3) bureau operations and their legality under federal laws; and (4) miscellaneous information, including the costs incurred by the Social Security Administration and actions being considered or taken by state governments against the bureau.

Testimony

The Question of Rolling Back the Payroll Tax: Unmasking the Deficit Illusion, by Charles A. Bowsler, Comptroller General of the United States, before the Senate Committee on Finance. GAO/T-HRD-90-10, Feb. 5.

In the view of the Comptroller General, the use of growing Social Security surpluses to mask the federal deficit amounts to blue smoke and mirrors. This practice has encouraged avoidance of the hard choices that must be made if the government is to bring its fiscal operations closer to balance. The current Social Security financing plan requires workers to pay a higher payroll tax than would be necessary under a pay-as-you-go system. While workers are left with the impression that this tax is being used to build reserves that will help pay for their future benefits, the reality is that the reserve is an illusion—a way to finance other general fund expenditures that we seem unwilling to ask taxpayers to pay for explicitly. The illusion must end and facts must be faced. GAO urges Congress to take the steps necessary to ensure that the reserve accumulation has real economic meaning. The nation's political leadership must find a way to negotiate a multiyear, politically sustainable budget strategy. GAO hopes Senator Moynihan's tax rollback proposal will be the catalyst for such action.

Information Management

Electronic Funds Transfer: Oversight of Critical Banking Systems Should Be Strengthened

GAO/IMTEC-90-14, Jan. 4.

GAO looked at the security of three electronic funds transfer systems: FEDWIRE, which is run by the Federal Reserve System; the Clearing House Interbank Payments System (CHIPS), which is run by the New York Clearinghouse Association; and the S.W.I.F.T. telecommunications system, which is run by the Society for Worldwide Interbank Financial Telecommunications S.C. These systems connect thousands of financial systems around the globe and transfer over \$1 trillion dollars each day. While employees in charge of the systems have not reported any fraudulent electronic funds transfers, GAO's review did not always find stringent security measures in place. Existing computer control weaknesses and other management weaknesses, if exploited, could disrupt the systems and result in unauthorized use, modification, destruction, or disclosure of data. Officials in charge of the systems agree with GAO's findings and have made an effort to improve control over the systems. GAO also found that oversight of these systems was uneven. For example, the Federal Reserve Board does not require periodic external security reviews of FEDWIRE even though the last review, which was done in 1983, disclosed many security weaknesses. The banking agencies' authority over the CHIPS and S.W.I.F.T. systems is uncertain. Given the international banking industry's reliance on these systems for efficient

and safe financial transactions, GAO believes oversight efforts should be intensified.

**Financial Markets:
Tighter Computer Security Needed**

GAO/IMTEC-90-15, Jan. 5.

GAO looked at the Common Message Switch systems and the Intermarket Trading System, run by the Securities Industry Automation Corporation, and the National Association of Securities Dealers Automated Quotations System, run by the National Association of Securities Dealers. These systems route orders to buy or sell stocks and options, report executed trades, and provide current stock pricing data to the financial marketplace. No known hacker attempts or virus attacks have been reported, and enough controls now exist that the risk of a successful attack appears low. However, GAO found many internal control weaknesses that make the systems vulnerable to insider security breaches, the consequences of which could be devastating. Introduction of an undetected virus could literally bring securities trading to a halt. Given a continual threat of security intrusions, the Securities and Exchange Commission, along with the exchanges and NASD, needs to be more aggressive in ensuring the integrity of the systems. GAO recommends that SEC (1) ensure that the weaknesses found by GAO are corrected, (2) oversee the exchanges' and NASD's plans to expand their information security administration programs, (3) conduct or oversee assessments of the exchanges' and NASD's computer security practices, and (4) acquire the necessary technical expertise to carry out these activities. GAO summarized this report, along with GAO/IMTEC-90-14, in testimony before Congress; see:

Financial Systems: Federal Oversight of Computer Security Needs to Be Strengthened, by Howard G. Rhile, Director of General Government Information Systems, before the Subcommittee on Telecommunications and Finance, House Committee on Energy and Commerce.
GAO/T-IMTEC-90-2, Feb. 21.

**Food Stamp Automation:
Some Benefits Achieved; Federal Incentive Funding No Longer
Needed**

GAO/RCED-90-9, Jan. 24.

In fiscal year 1987, \$10.5 billion worth of food stamps were distributed. About \$1 billion of this was issued erroneously. To improve the program's administration and to combat rising costs, Congress passed legislation in 1980 and 1985 encouraging automation of the food stamp program. State agencies have spent \$524 million since 1980 toward this goal. GAO looked at (1) statewide food stamp automation programs in Vermont, North Dakota, Kentucky, and Texas and (2) three local food stamp automation programs in Texas and California. While GAO found that these efforts have improved some administrative procedures and caseload management and have helped workers avoid or detect program errors made when program eligibility is decided on, automation has not yielded all of the expected benefits in program administration, such as staff reductions. Some of these goals were beyond the capability of the automated systems. Although millions of dollars were approved for state automation, GAO could not always determine costs because the five state agencies did not keep adequate records on the expenses of developing and operating each automated system. Additionally, the U.S. Department of Agriculture's Food and Nutrition Service did not always monitor state claims for cost reimbursement, resulting in overpayments to at least one state. Not one of the five states could account for all of the automation equipment purchased with federal funds, thereby increasing the risk of waste, fraud, and abuse. Because food stamp programs in all 50 states, the District of Columbia, Guam, and the Virgin Islands are now automated to some degree, GAO believes the 75-percent funding level established by Congress to encourage state automation is no longer needed.

**Computer Acquisition:
Navy's Aviation Logistics System Not Ready for Deployment**

GAO/IMTEC-90-11, Feb. 9.

With roughly 6,000 aircraft worth \$75 billion in the Navy and Marine Corps, naval aviation maintenance and supply is a formidable challenge. The Navy is now acquiring a large management information system to

improve management of these operations. To minimize the risks associated with building such an information system, Navy and Defense guidance requires that certain software development steps be performed. Failure to complete these steps increases the risk that the information systems will not work well and will cost more to develop and maintain. GAO believes that phase II of the Navy Aviation Logistics Command Management Information System is not ready for deployment because the Navy has not adequately performed some key software development steps. The Navy needs to (1) fully stress test the system, (2) successfully field test the system aboard a carrier and at a large Naval air station, (3) clearly demonstrate that expected system benefits are being achieved, (4) fully assess system security requirements and completely test security features, and (5) develop a system maintenance manual.

**Air Force ADP:
The Personnel Concept III System Is Not Ready for Deployment**

GAO/IMTEC-90-22, Feb. 27.

GAO reviewed the Air Force's development of the Personnel Concept III system, an automated system that is designed to allow users at the unit command level automated access to an existing personnel system at Air Force bases. The Air Force plans to begin deployment at the first of 125 bases in the spring of 1990. The Air Force intends to deploy the system, estimated to cost \$550 million, despite the fact that the system (1) is only partially developed and tested, (2) has not yet passed significant parts of these tests, (3) is based on a hardware design selected without fully analyzing requirements or alternatives, and (4) was justified on the basis of unsupported claims of personnel savings. GAO recommends that DOD delay procurement of the system until it is fully developed and tested, and the hardware chosen is shown to be the best to meet requirements.

Testimony

Federal Information Resources Management Act (S. 1742), by Milton J. Socolar, Special Assistant to the Comptroller General, before the Senate Committee on Governmental Affairs. GAO/T-IMTEC-90-3, Feb. 21.

S. 1742, the Federal Information Resources Act of 1989, reauthorizes the Paperwork Reduction Act of 1980. GAO supports the bill's efforts to reduce the federal paperwork burden and to improve federal management of information. The complexity and cost of federal information systems—billions of dollars every year—along with new technological

challenges demand these changes and strong congressional and agency leadership. GAO's testimony focuses on several key provisions of the bill addressed by recent GAO work—the need for information management leadership in the agencies and the paperwork reduction responsibilities of the Office of Management and Budget.

International Affairs

U.S.-Mexico Trade: Trends and Impediments in Agricultural Trade

GAO/NSIAD-90-85BR, Jan. 12.

GAO reviewed agricultural trade between the United States and Mexico and found that it increased from \$2.3 billion during the recession year of 1982 to \$4 billion in 1988. While agricultural trade has recovered since 1982, a number of problems continue to impede trade expansion. Both governments maintain policies that limit trade, including strict health regulations, import licensing requirements, and tariffs. U.S. and Mexican border processing procedures and inadequate infrastructure in Mexico also constrain trade. Mexico's large external debt is another major limitation on agricultural trade. Since 1989 the U.S. Department of Agriculture and its Mexican counterpart have been working together to promote a closer working relationship and to facilitate commerce between the two countries. The presidents of the United States and Mexico have stated their support for this effort.

International Trade: Export Enhancement Program Bonus Overpayments

GAO/NSIAD-90-83, Feb. 7.

Under the Export Enhancement Program, surplus government-owned agricultural commodities are made available as bonuses to U.S. exporters to expand sales in specific markets. These bonuses enable exporters to lower prices of U.S. agricultural commodities and make them competitive with subsidized foreign agricultural exports. GAO's review of the program indicated that internal controls over the bonus payment process were inadequate to ensure that bonus payments were properly made. GAO identified eight cases in which unauthorized overpayments totaling about \$635,000 had apparently been made. GAO recognizes that the extent of significant overpayments is limited, but believes there is enough potential for further overpayments to warrant better internal controls.

**International Trade:
Activity Under the Export Enhancement Program**

GAO/NSIAD-90-59FS, Feb. 12.

The Export Enhancement Program, which was established in response to continuing declines in U.S. agricultural exports, makes government-owned surplus agricultural commodities available as bonuses to U.S. exporters. The goal is to lower the prices of U.S. agricultural commodities and to make them competitive with subsidized foreign exports. This fact sheet is the first in a series of GAO reports on the Export Enhancement Program, which is managed and administered by the U.S. Department of Agriculture's Foreign Agricultural Service. General information on how the program operates and on the nature and extent of the program between 1985 and 1989 is provided. The fact sheet also includes data on the sales volume of commodities sold and delivered under the program, benefits to U.S. exporters in the form of bonuses associated with these sales, countries importing commodities under the program, and exporters participating in the program.

**European Single Market:
Issues of Concern to U.S. Exporters**

GAO/NSIAD-90-60, Feb. 13.

What will the impact of the European Single Market Program—commonly known as EC 1992—be on U.S. exporters? GAO believes EC 1992 could substantially benefit U.S. exporters; however, some unresolved market access questions are cause for U.S. concern and are being watched by the federal government. Some proposed restrictions could limit increased U.S. access in the areas of (1) product standards, testing, and certification; (2) rules of origin; and (3) public procurement. GAO concludes that EC standards, testing, certification, and public procurement requirements will probably not be more restrictive in the future and may provide greater opportunities for U.S. exporters. However, the EC seems to be increasing the number of products to which rules of origin, particularly value-added origin rules, are to be applied.

**U.S. Information Agency:
Inappropriate Uses of Educational and Cultural Exchange Visas**

GAO/NSIAD-90-61, Feb. 16.

Nonimmigrant aliens can use J visas to enter the United States to participate in educational and cultural activities. Controversy over whether aliens are using the J visas in accordance with the law's intent prompted GAO to examine the administration of the J visa program by the U.S. Information Agency. While GAO found that most J visa activities seem to conform with the law's intent, some activities in the trainee and the international visitor categories are inconsistent with legislative intent. GAO discovered cases in which participants worked as waiters, cooks, child care providers, amusement park workers, and summer camp counselors. These activities do not conform to the educational and cultural purposes defined by law and undermine the integrity of the J visa. USIA's management has not ensured the integrity of the J visa program. USIA lacks adequate information on program participants, does not enforce requirements that program sponsors provide periodic information on participant activities, has no systematic process for monitoring sponsors' and participants' activities, and does not adequately coordinate the program internally or with other agencies having visa responsibilities.

**United Nations:
U.S. Participation in the U.N. Development Program**

GAO/NSIAD-90-64, Feb. 22.

The U.N. Development program spends about \$1 billion a year and is the world's largest program for providing technical assistance to developing countries. The United States has continued to play a major role in the program, contributing about \$3 billion to it over the years. The administrator of the program has always been an American. GAO found that the program is not fulfilling its role as the central funding channel and coordinating body for U.N. technical assistance. It only finances about 30 percent of U.N. technical assistance and primarily coordinates the projects it funds. While member nations believe the program performs many useful functions, the United States and other donor nations are concerned about the large number of small, diverse projects. U.S. officials believe that more evaluation of project results is needed. They also believe that more money should be spent on meeting the priority needs of the least developed countries and on program activities that offer

advantages relative to other funding sources. The program's reported fund balance of over \$1 billion at the end of 1988 was high compared to that of earlier years, but program officials expect the balance to decrease rapidly as planned projects are implemented.

**Central America:
Activities of the Verification Commission**

GAO/NSIAD-90-65, Feb. 23.

The Verification Commission was created to ensure compliance with the 1988 agreement between the Nicaraguan government and the Nicaraguan Democratic Resistance calling for a cease-fire and a relocation of Resistance forces to zones inside Nicaragua. GAO found that the Verification Commission has spent only a small part of the \$10 million authorized. Political events in Nicaragua have prevented the Commission from fully carrying out its verification activities. Thus, the Commission could not use some of the vehicles it had bought for those activities. In addition, other items were not used because they were impounded by the Nicaraguan government, power or other equipment necessary for operation was lacking, or the items were not needed. The Commission initially paid high salaries to some of its employees but later reduced them and recouped some funds. As of February 1990, the Commission's future role was uncertain. Few people remained employed and disposition of equipment had not been determined.

Testimony

Status Report on GAO's Reviews of the Targeted Export Assistance Program, the Export Enhancement Program, and the GSM-102/103 Export Credit Guarantee Programs, by Allan I. Mendelowitz, Director of Trade, Energy, and Finance Issues, before the Senate Committee on Agriculture, Nutrition, and Forestry. GAO/T-NSIAD-90-02, Feb. 21.

GAO testified on its ongoing work on the following programs administered by the Department of Agriculture's Foreign Agricultural Service: (1) the Targeted Export Assistance Program, (2) the Export Enhancement Program, and (3) the GSM-102/103 Export Guarantee Programs. All of these programs are intended to increase U.S. agricultural exports. The new leadership at the Department of Agriculture is taking a constructive approach to management problems that GAO identified. For example, it has proposed regulations for the Targeted Export Assistance Program and the Export Enhancement Program to make them more

structured and open. It is also reviewing a proposed Foreign Agricultural Service reorganization to improve management of operations. Despite these actions, problems still exist.

Justice and Law Enforcement

Information Requests: Department of Justice's Response to Requests for Court Tax Decisions

GAO/GGD-90-29FS, Dec. 13.

This fact sheet contains information on the Department of Justice's costs in providing copies of court decisions on tax matters under the Freedom of Information Act. In June 1989, the Supreme Court ruled that under FOIA, the Justice Department must make district court tax decisions available to requesters. In response to the Court's ruling, the Justice Department set up a reading room to hold all of the district and circuit court tax decisions, opinions, orders, and related memoranda received from July 1989 onward. The reading room is staffed with a monitor and is open for public use twice weekly. Tax Division officials estimated that it will cost about \$23,500 to operate the reading room the first year. Officials said start-up costs for the room were minimal since they used existing tables, filing cabinets, copiers, and other equipment. Therefore, they expect that annual costs will remain about \$23,500.

Death Penalty Sentencing: Research Indicates Pattern of Racial Disparities

GAO/GGD-90-57, Feb. 26.

Does a victim's or a defendant's race make a death sentence more or less likely? GAO reviewed and critiqued existing research on death penalty sentencing after Furman v. Georgia. In this 1972 decision, the Supreme Court found unconstitutional death sentences imposed under state statutes that allowed juries to impose these sentences in an arbitrary or capricious way. States have since adopted new statutes that address the Court's concerns. GAO's conclusion: there is a pattern of evidence indicating racial disparities in the charging, sentencing, and imposition of the death penalty since the Furman decision. In 82 percent of the studies, the victim's race was found to influence the likelihood of being charged with capital murder or receiving the death penalty; those who murdered whites were more likely to be sentenced to die than were those who

murdered blacks. The influence of the race of the defendant on death sentences was less clear.

National Defense, Security, and Military Procurement

Strategic Bombers: B-2 Program Status and Current Issues

GAO/NSIAD-90-120, Feb. 22.

Although GAO has issued six reports on the B-2 program since 1986, this is the first that has been unclassified. The June 1989 estimate for the B-2 program—\$70.2 billion—exceeds the baseline estimate by \$12 billion and depends on saving \$6.2 billion through cost reductions and multi-year procurements that are uncertain. The Air Force ultimately plans to acquire 133 B-2 planes. One development aircraft has been delivered so far. Current B-2 acquisition strategy is to order large numbers of planes before they are fully tested. It will be at least three years before the testing of the plane's performance is completed. By then, however, 31 aircraft will have been ordered at a cost of \$48 billion. The strategy also assumes very high funding levels that, if unrealized, could delay or reduce production. Major design changes early in the B-2's development have slowed production and increased labor costs. While contractors have reported greater productivity and fewer manufacturing defects, these improvements did not meet expectations. In view of these uncertainties, as well as changing world conditions, GAO believes that different acquisition strategies should be considered. GAO suggests reducing the pace of funding and production for the B-2 and limiting up-front investment until the aircraft have been adequately evaluated. GAO summarized this report in testimony before Congress; see:

Status of the B-2 Bomber Program, by Frank C. Conahan, Assistant Comptroller General, before the Defense Policy Panel, House Committee on Armed Services. GAO/T-NSIAD-90-16, Feb. 22.

Army Inventory: A Single System Would Enhance Inventory Management and Readiness

GAO/NSIAD-90-53, Jan. 25.

Does the Army have more inventory than it needs? While past studies by GAO and others have uncovered many problems in Army inventory management, a common focus has been the lack of connection between

the wholesale and retail supply systems. This weakness has resulted in excess inventories in some areas, shortages in others, and procurements of these same items at the wholesale level. GAO reviewed 13 retail-level activities and found over \$184 million worth of excess spare and retail parts that had gone unreported. GAO also discovered \$33 million worth of shortages, \$8.4 million of which was for items that were excess at other locations. At the same time, GAO found that managers were in the process of procuring \$66.9 million worth of items that were actually in excess. GAO believes the Army's proposed alternatives will not solve the excess inventory and redistribution problems cited in this report. GAO is also concerned that the Army has not reported the excess inventory issue and the lack of linkages between the wholesale and retail levels as material weaknesses in its annual assessment on internal controls.

**Strategic Defense Initiative:
Funding Needs Through Completion of Phase I System**

GAO/NSIAD-90-79FS, Jan. 29.

GAO reviewed the Strategic Defense Initiative Organization's funding needs through completion of phase I of the Strategic Defense System. In addition to the \$15.7 billion that has already been appropriated during fiscal years 1984 through 1989, the organization estimates that it will need the following additional funds: \$87 billion for completion of phase I development and deployment, \$10.1 billion for operation and support for phase I until deployment is completed, and \$26.4 billion for non-phase I research and development for fiscal years 1990 through 1994.

**U.S.-Japan Codevelopment:
Review of the FS-X Program**

GAO/NSIAD-90-77BR, Feb. 6.

This is an unclassified version of a classified report GAO did on the Support Fighter (FS-X) codevelopment program between the U.S. and Japanese governments. GAO assessed (1) the extent to which the Department of Defense coordinated and consulted with the Department of Commerce when negotiating the FS-X agreement, (2) the principal provisions of the government-to-government and commercial licensing agreements, (3) the process for transferring U.S. F-16 technology to Japan, (4) the Japanese

composite wing and phased array radar technologies and U.S. requirements for these technologies, and (5) costs and scheduled delivery dates for the FS-X compared to the cost of purchasing an F-16.

**Individual Ready Reserve:
Army Needs to Make More Effective Use of Limited Training Funds**

GAO/NSIAD-90-55, Feb. 7.

To defend the United States, the Army must be able to swiftly mobilize and deploy combat-ready units. The Individual Ready Reserve, which the Army maintains to meet this need, is composed primarily of experienced soldiers who have some service obligation remaining. Many of these soldiers will be called within the first 30 days of mobilization. However, the limited funding and small percentage of soldiers trained in recent years attest to the low priority given to the Individual Ready Reserves. GAO also found that the Army did not always make the best use of the limited training funds that were available. GAO recommends that the Army establish overall guidance and controls so that available training funds are focused on mobilization requirements; special emphasis should be given to Individual Reserve members needed in the first 30 days of mobilization. The Army should also determine the content and frequency of required refresher training.

**Battlefield Automation:
Army Tactical Command and Control System's Cost and Schedule**

GAO/NSIAD-90-28BR, Feb. 8.

GAO evaluated the Army's implementation of the Army Tactical Command and Control System. This \$20 billion effort to automate the Army's tactical command and control systems and improve its communications systems is comprised of nine segments: five command and control systems, three communications systems, and one common hardware and software program to provide computer commonality. GAO found that from August 1987 to June 1989, seven of the nine segments had experienced delays in development and production. As a result, the initial operational capability for seven of the systems has slipped from 4 to 27 months. Since August 1987, costs decreased for four systems and for the common hardware and software program; costs increased in the other four systems. Army estimates show that consolidated program costs fell from about \$21.4 billion to about \$20.6 billion, a decrease of

\$779 million. This change includes decreases of about \$1.95 billion offset by increases of about \$1.17 billion. The cost decreases were due to reduced equipment quantities and revised cost estimates, while cost increases were the result of equipment changes, development problems, and schedule delays.

**Army Reserve Components:
Opportunities to Improve Management of the Full-Time Support Program**

GAO/NSIAD-90-43, Feb. 8.

Within DOD, each service has a full-time support program that supplies personnel to reserve components. These personnel help with recruitment, training, and other duties essential to achieving unit readiness. Service-wide programs include about 170,000 people. The Army's program accounts for almost half, with over 82,000 personnel, and costs about \$3 billion annually. GAO found that the Army's program grew substantially during the 1980s, but lacked adequate oversight and direction. While the Army has tried to improve its program, its efforts do not address all the areas in need of corrective action. GAO found that (1) no single Army organization oversees and manages full-time support as a totally integrated program; (2) the Army has not applied adequate monitoring mechanisms to its program, but has taken steps to place the program under the Army's internal control system; (3) full-time support personnel requirements are not adequately justified; and (4) the Army lacks guidance that defines the roles for full-time support personnel categories and procedures to ensure that these positions are filled with the most cost-effective mix of personnel. Congress may wish to defer requests for additional personnel authorizations above current levels until the Army has taken adequate corrective action.

**Army Reservists:
Peacetime Screening to Identify Key Civilian Employees Is Inadequate**

GAO/NSIAD-90-56, Feb. 12.

Does the Army's peacetime screening process identify Ready Reservists who have civilian jobs that would be critical to the war effort or to private sector operations? Concerns have been expressed that mobilizing individuals with critical civilian jobs could harm the preparedness of the civilian sector. GAO found that the Army's peacetime screening process

does not ensure proper screening of these Ready Reservists before mobilization. Although federal employees—who make up about nine percent of Army Reservists—are routinely screened for key employment, others are not. GAO found that many civilian employers are unaware of screening opportunities and even the military status of their employees. Because the Army lacks information on its nonfederal reservists, it has no way of knowing whether reservists have told employers of their military status. Thus, the Army is unsure whether or to what extent conflict between civilian and military needs will arise in a national emergency.

**Overseas Allowance:
Improvements Needed in Administration**

GAO/NSIAD-90-46, Feb. 12.

Spending on cost-of-living and housing expenses for military personnel overseas have risen from about \$382 million in 1985 to about \$1.2 billion in 1988. Despite this increase, the allowances have not been enough to cover high-cost expenses like car registration, repair, and insurance. GAO interviewed military personnel and found that they were generally satisfied with both the cost-of-living and overseas housing allowances. However, GAO found that cost-of-living allowance rates had been calculated on the basis of inaccurate and incomplete data. GAO also found that the portion of the housing allowance for items like utilities, maintenance, and moving expenses were not always computed correctly. GAO attributes these problems to a lack of management controls. The timeliness of currency exchange rate adjustments to the overseas allowances did not seem to be a major problem, but some improvements are needed.

**Special Operations Forces:
Army Plans to Buy More MH-47E Helicopters Than Needed**

GAO/NSIAD-90-118, Feb. 14.

GAO questions whether the Army's plan to buy 34 more MH-47E SOF helicopters in fiscal years 1990 to 1994, at an estimated cost of \$532 million, is justified. GAO believes that the Army's procurement of 17 MH-47E and the Air Force's procurement of 41 MH-53J aircraft meet the need for medium-range rotary-wing aircraft as set forth in the Deputy Secretary of Defense's 1987 report to Congress. The Army's decision to procure 34 more MH-47E aircraft is based on an earlier agreement between the Air Force and the Army that was superseded by the 1987 report. As a

result, GAO concludes that the procurement of the 34 additional aircraft is unwarranted.

**Spare Parts:
Air Force Reports Progress and Problems in Obtaining Competition**

GAO/NSIAD-90-75, Feb. 14.

The Air Force spends about \$6 billion every year on spare parts for its weapons systems. To promote competition, in 1984 Congress established competition advocates within the Air Force and other executive agencies. GAO looked at the progress and problems experienced by Air Force competition advocate programs in obtaining competition for spare parts purchases. While air force statistics indicate that advocates have helped increase competition on spare parts, over half the money spent on spare parts in fiscal year 1988 was awarded noncompetitively. Advocates said the main reason for the lack of competition was that manufacturers did not have the engineering data needed to make parts. However, GAO, the Air Force, and DOD have reported on data problems for years. They have concluded that the Air Force needs to (1) increase its management attention early on in a weapon's acquisition phase and (2) better coordinate the delivery and review of engineering data. Advocates can also take other steps to increase competition. The current screening process can be revised to focus attention on the more expensive noncompetitive parts with high competitive potential. Advocates also need better measures for assessing their program's effectiveness.

**Defense Contracting:
Air Force Machine Tool Procurement Raises Buy American Questions**

GAO/NSIAD-90-73, Feb. 21.

GAO examined the Air Force's award of a contract for a machining center to the Italian Machine Tool Agency in July 1988. The firm fixed-price contract was for \$1,299,531. GAO reviewed the Air Force's actions from both a legal and an audit standpoint to determine whether they were in compliance with the statutory restriction prohibiting the acquisition of foreign machine tools. GAO believes the Air Force, in awarding the contract, acted on limited information and could not be sure that the Italian manufacturer would deliver a domestic product in compliance with the statutory restrictions. The Air Force could also not be sure that the Italian manufacturer met the Walsh-Healy Act requirements. Nevertheless,

GAO has no legal basis to challenge the contract award and therefore sustained the award in a bid protest reconsideration decision in September 1989. The main concern now is that the Italian manufacturer disclosed in October 1989 that it would be unable to build the machine specified in the contract because a major supplier had failed to supply a critical item. The Italian manufacturer instead proposed that it supply a machine from a Canadian firm. The Air Force is considering this proposal and has asked the Italian manufacturer to provide data to ensure that this machine would meet the domestic content criteria.

**DOD's Budget Status:
Fiscal Year 90-94 Budget Reduction Decisions Still Pending**

GAO/NSIAD-90-125BR, Feb. 22.

This briefing report provides the current status of the Department of Defense's Five-Year Defense Program. The fiscal year 1991 defense budget submitted in January 1990 shows a \$167 million reduction from the budget submitted in April 1989 for the years 1990-94. While reductions have been decided on for fiscal year 1991, no decisions have been made for the years 1992-94. DOD said that defense, planning, programming, and budget decisions have all been significantly affected by major changes in the national security environment. As a result, DOD has not submitted a Five-Year Defense Program with this year's budget; however, a program will be prepared at the end of this year's budget cycle. To date, DOD has made about \$74.1 of the \$212 billion in reductions that will be required for the 1990-94 Five-Year Defense Program. DOD still needs to make spending reductions of \$137.9 billion in spending for these outyears.

Natural Resources

**National Forests:
Special Recreation Areas Not Meeting Established Objectives**

GAO/RCED-90-27, Feb. 5.

GAO reviewed the Forest Service's management of special recreation areas. The law designates that these areas, which offer some of the most outstanding landscapes and varied recreation opportunities available on forest lands, should be managed so as to best provide for outdoor recreation as well as to conserve scenic, scientific, and historic values. GAO found that many of the special recreation areas have not been developed, run, and maintained up to the levels called for in Forest Service

policy and the individual plans the Forest Service has developed for them. For example, special recreation area officials said planned projects at 10 of 20 areas had either been delayed or dropped. They also said visitor information services were inadequate and/or maintenance levels had been dropped at 15 of the 20 areas. Officials said funding shortfalls in the early to mid-1980s were the cause of many of these problems. While funding has increased during the last three years and the Forest Service has relied on greater use of volunteers and donations from the public, officials doubted whether these funding increases and new initiatives would bring the recreation areas up to Forest Service standards. GAO also found that Congress and the Forest Service now lack information on development, operations, and maintenance at each special recreation area. Without this information, they cannot make sound decisions either on appropriate funding levels or on time frames for meeting plan objectives.

Testimony

Management of the Public Lands by the Bureau of Land Management and the U.S. Forest Service, by James Duffus III, Director of Natural Resources Management Issues, before the Subcommittee on National Parks and Public Lands, House Committee on Interior and Insular Affairs. GAO/T-RCED-90-24, Feb. 6.

This testimony discusses the management principles established by Congress to guide the Bureau of Land Management's activities as well as GAO's recent work on BLM. Over the years, GAO has found that BLM has often not exercised balanced stewardship over the resources it is mandated to foster, protect, and preserve. BLM's focus on the needs of special interests rather than on the long-term health of the lands under its jurisdiction has allowed important natural resources to degrade, in some cases irreversibly. Recent statements by the new BLM Director suggest a basic change in BLM's management approach and orientation; however, it remains to be seen whether these actions signal a genuine commitment to the balanced stewardship that GAO believes is needed. GAO stands ready to work with the agency to ensure that the initiatives already started are sustained and built upon.

Science, Space, and Technology

Federal Research: Assessment of the Financial Audit for SEMATECH's Activities in 1988

GAO/RCED-90-35, Feb. 16.

GAO is required to review the annual audits of the financial statements of SEMATECH, Inc., a consortium of 14 U.S. semiconductor manufacturers and the Department of Defense. This report reviews the audit done by Price Waterhouse for 1988, which indicated that SEMATECH's financial statements were fairly presented in all material respects in conformance with generally accepted accounting principles. GAO found nothing to indicate that Price Waterhouse's opinion could not be relied on. However, because SEMATECH receives substantial federal and state funding, GAO believes SEMATECH's financial statements should more fully disclose items that otherwise would not be considered material or significant. SEMATECH has agreed in the future to disclose federal contributions shown as revenue that were restricted because eligible costs had not yet been incurred; unallowable costs, which under SEMATECH's grant agreement with DOD have not been used for matching government funds; and interest on federal fund advances collected and reimbursed to the U.S. Treasury. SEMATECH will also recognize contributions made by the University of Texas for property, facilities, and furnishings. GAO believes this will provide a more accurate basis for allocating funding between the government and SEMATECH's member companies.

Tax Policy and Administration

Tax Policy: Tax Treatment of Life Insurance and Annuity Accrued Interest

GAO/GGD-90-31, Jan. 29.

Interest earned on life insurance policies and deferred annuity contracts, commonly known as "inside buildup," is not taxed as long as it accumulates within the contract. The federal government, as a result, forgoes an estimated \$5 billion in tax revenue each year. After examining the major arguments for the current tax preference, GAO found only one to have potential merit—that without this preference, people may not provide their dependents with enough insurance protection or themselves with enough retirement income. GAO believes inside buildup is accrued income that could be taxed. Accordingly, Congress may want to reconsider whether the social benefits of not taxing the inside buildup are worth the tax revenue foregone. Should Congress decide not to tax inside buildup, GAO believes that amounts borrowed from life insurance

inside buildup should be taxed. Borrowing the inside buildup reduces death benefits by the amounts borrowed and is, therefore, inconsistent with the tax preference goal of fostering insurance protection. Also, an unlimited right to borrow the inside buildup allows policyholders access to tax-free income.

Testimony

IRS' Accounts Receivable Inventory, by Jennie S. Stathis, Director of Tax Policy and Administration Issues, before the Subcommittee on Oversight, House Committee on Ways and Means. GAO/T-GGD-90-19, Feb. 20.

GAO testified that assessed but unpaid taxes owed the federal government—known as IRS' accounts receivable inventory—grew from about \$24 billion in 1983 to nearly \$61 billion in 1989. While the amount that is actually collectible may be overstated by as much as half, the growth is significant and represents a serious problem. This growth persisted even though IRS devoted more resources to collection activities and undertook many internal studies and projects designed to slow the growth. GAO believes the continuing budget deficits make it imperative that IRS act now. In the short term, IRS needs to reduce its backlog by collecting what is owed as quickly and equitably as possible. In the long term, IRS needs to reevaluate its collection strategy. IRS needs to focus on improving the prevention, detection, and collection of delinquent taxes.

Transportation

Aviation Safety: Management Improvement Needed in FAA's Airworthiness Directive Program

GAO/RCED-90-94, Feb. 16.

In several reports, GAO has looked at the Federal Aviation Administration's ability to provide meaningful oversight of aviation safety. This report focuses on FAA's oversight of the airworthiness directive program. Airworthiness directives—key elements of FAA's safety responsibility—are rules that FAA issues requiring airlines to correct conditions in their aircraft, such as cracking and corrosion, that are potential safety hazards. GAO found that FAA oversight of the program is inadequate to determine whether the airlines are complying with airworthiness directives. FAA inspectors do not, and are not required to, verify compliance during each inspection. Even when airworthiness directive compliance is checked, current guidance requires inspectors to report only noncompliance. FAA needs to measure the extent of noncompliance

and decide what actions it should take to ensure airworthiness directive compliance throughout the airline industry. In addition to obtaining more complete and comprehensive information from its safety inspectors, FAA should better use its existing safety data bases. Use of such data could help focus airline inspections on problem areas, thereby improving the effectiveness and efficiency of FAA's limited inspector work force.

Testimony

Issues Related to FAA's Modernization of the Air Traffic Control System, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Aviation, House Committee on Public Works and Transportation. GAO/T-RCED-90-32, Feb. 27.

GAO's testimony focuses on the major issues regarding FAA's modernization of the air traffic control system. GAO believes FAA has made progress toward modernizing certain portions of the system. However, in view of the tremendous levels of facilities and equipment funding projected for the next few years, it is crucial that FAA show Congress, the aviation community, and the flying public that ongoing and future activities will result in demonstrable improvements. It is also important, in light of the upcoming Trust Fund reauthorization, to confront the issue of how to finance air traffic control modernization. Furthermore, to minimize future delays, FAA needs to ensure that systems are thoroughly tested and to promptly resolve open issues related to implementation and integration of the new technologies with existing operational procedures.

Improvements Needed in FRA's Hazardous Materials Inspection and Safety Reporting Programs, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Government Activities and Transportation, House Committee on Government Operations. GAO/T-RCED-90-35, Feb. 28.

Railroads transport about 1.1 million carloads of poisons, chemicals, pesticides, and other hazardous substances annually. However, railroad safety indicators show that the risks of hazardous materials releases have been increasing rather than decreasing. During the past three years, about 8,000 accidents occurred, including 144 with hazardous materials releases. GAO found that FRA lacked assurances that shippers and railroads were adhering to hazardous materials regulations. For example, each year FRA's 28 hazardous materials inspectors were unable

to inspect 85 railroads, 15,000 shippers, and 1.1 million carloads of hazardous materials transported by rail. GAO also found that the five railroads it visited were not accurately or completely reporting injury and accident data. In response to GAO's recommendations, FRA said it will take actions that, if implemented, will significantly increase the effectiveness of the FRA hazardous materials inspection and safety reporting programs. However, unless the Research and Special Programs Administration, which issues Department of Transportation hazardous materials regulations, establishes a shipper registration program, FRA may lack the information it needs to identify and target shippers for inspection in a systematic manner.

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SPECIAL PUBLICATION

- Meeting the Government's Technology Challenge: Results of a GAO Symposium GAO/IMTEC-90-23, February 1990.

AGRICULTURE AND FOOD

- Food Stamp Program: A Demographic Analysis of Participation and Nonparticipation GAO/PEMD-90-8, Jan. 19.

- Farmers Home Administration: Use of Loan Funds by Farmer Program Borrowers GAO/RCED-90-95BR, Feb. 8.

- Federal Dairy Programs: Insights Into Their Past Provide Perspectives on Their Future GAO/RCED-90-88, Feb. 28.

Testimony

- Issues Surrounding the Role and Mission of the Farmers Home Administration's Farm Loan Programs GAO/T-RCED-90-27, Feb. 8.

- The Farmers Home Administration's Guaranteed Farm Loan Program GAO/T-RCED-90-31, Feb. 20.

- Adequacy of Nutrition Programs on Indian Reservations GAO/T-RCED-90-30, Feb. 20.

- Status of the Food and Agriculture Councils Needs to Be Elevated GAO/T-RCED-90-36, Feb. 28.

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- Underground Petroleum Storage Tank Owners' Ability to Comply With Federal Financial Responsibility Requirements GAO/T-RCED-90-29, Feb. 20.

- Product Liability: The Tort System in Five States GAO/T-HRD-90-14, Feb. 22.

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- Pell Grants: How the Department of Education Estimates Program Costs GAO/HRD-90-73BR, Feb. 21.

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- Unemployment Insurance: Comments on H.R. 3896, the Unemployment Compensation Reform Act of 1990 GAO/T-HRD-90-15, Feb. 22.

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- Nuclear Health and Safety: Savannah River's Unusual Occurrence Reporting Program Has Been Ineffective GAO/RCED-90-53, Dec. 20.

- Nuclear Health and Safety: Better Earthquake Protection Needed at DOE's Savannah River Site GAO/RCED-90-24, Dec. 26.

- Nuclear Science: The Feasibility of Using a Particle Accelerator to Produce Tritium GAO/RCED-90-73BR, Feb. 2.

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- Coast Guard: Preparation and Response for Oil Spills in Philadelphia and New York Ports GAO/RCED-90-83, Jan. 26.

- Coast Guard: Federal Costs Resulting From the Exxon Valdez Oil Spill GAO/RCED-90-91FS, Jan. 26.

- Hazardous Materials: Inadequate Safeguards Over Sales Pose Health and Environmental Dangers GAO/NSIAD-90-70, Feb. 12.

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- Creation of a Department of Environmental Protection (H.R. 3847) GAO/T-RCED-90-25, Feb. 7.

- Creation of a Department of the Environment (S. 2006) GAO/T-RCED-90-26, Feb. 8.

- Department of Defense and General Services Administration Management and Sales of Hazardous Materials GAO/T-NSIAD-90-15, Feb. 13.

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- Deposit Insurance: Observations on Approaching Reform GAO/T-GGD-90-20, Feb. 21.

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- Financial Audit: Federal Housing Administration Fund's 1988 Financial Statements GAO/AFMD-90-36, Feb. 9.

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Washington, D.C. 20548**

**Official Business
Penalty for Private Use \$300**

**Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100**
