



140103

Reports and Testimony: October 1989

Special Publication

Managing the Cost of Government: Proposals for Reforming
Federal Budgeting Practices

This report, the latest in a series on financial management issues, presents GAO's proposals for overhauling federal budget practices to provide policymakers and the public with a clearer and more accurate picture of the Nation's finances. The report recommends restructuring the current unified budget by reporting it in three major parts—general, trust, and enterprise funds—with each of these components divided into operating and capital amounts. Other proposals include reporting future costs not now included in budget documents, negotiating politically binding multiyear agreements on the broad shape of the budget, and otherwise streamlining the budget process to avoid fragmentation and duplication. Page 2.

047174 / 140103

Contents

Reports and		2
Testimony: October		
1989		
	Special Publication	2
	Agriculture and Food	2
	Budget and Spending	4
	Business, Industry, and Consumers	5
	Civil Rights	6
	Economic Development	7
	Education	7
	Energy	8
	Financial Institutions	12
	Financial Management	13
	Government Operations	18
	Health	21
	Housing	24
	Income Security	25
	Information Management	27
	International Affairs	29
	Justice and Law Enforcement	33
	National Defense, Security, and Military Procurement	35
	Natural Resources	41
	Tax Policy and Administration	42
	Transportation	45
	Veterans' Affairs	47

Reports and Testimony: October 1989

Special Publication

Managing the Cost of Government: Proposals for Reforming Federal Budgeting Practices

GAO/AFMD-90-01, Oct. 1989.

See the cover for a summary of this report.

Agriculture and Food

U.S. Department of Agriculture: Interim Report on Ways to Enhance Management

GAO/RCED-90-19, Oct. 26.

USDA's structure has served its customers well during a period dominated by domestically oriented agricultural policies. However, when faced by constantly changing international conditions, the Department's great size and structural diversity present management problems in organizing and directing a growing number of cross-cutting issues that demand a higher degree of interagency, intergovernmental, and interdisciplinary cooperation than was previously required. Overcoming these constraints requires more comprehensive and effective performance from USDA's basic management systems. Human resource, information, and financial management system weaknesses at the departmental level, and program management and control problems within agencies, limit USDA's overall capability to manage its resources effectively. These weaknesses are often long-standing and tend to be perpetuated in the absence of strong central direction and leadership. To begin to address these weaknesses, the Secretary of Agriculture needs to develop and clearly articulate a management agenda for the Department focused on important cross-cutting issues and improved human resource, information, and financial management systems.

Food Assistance Programs: Nutritional Adequacy of Primary Food Programs on Four Indian Reservations

GAO/RCED-89-177, Sept. 29.

GAO looked at whether food assistance programs met the nutritional needs of Indians living on four reservations: Fort Berthold in North Dakota; Pine Ridge in South Dakota; White Earth in Minnesota; and Navajo in Arizona, New Mexico, and Utah. GAO found that several food assistance programs serve the four Indian reservations, the two largest

being the Department of Agriculture's Food Stamp Program and its Food Distribution Program on Indian Reservations. These two programs are designed to provide recipients with benefits consistent with national dietary guidelines. However, because many factors affect the nutritional value of the food people consume, such as the quantity of food eaten, food preparation methods, and the variable nutritional needs of individuals, GAO was unable to determine the nutritional adequacy of program benefits for specific individuals. Four major diet-related health conditions exist on the four reservations: obesity, diabetes, heart disease, and hypertension. Although proper nutrition may not cure these conditions, it can reduce their complications or help prevent their occurrence. The Food Stamp Program and the Food Distribution Program on Indian Reservations do not specifically address the special dietary needs of Indian recipients; however, GAO believes that ensuring that program recipients receive and apply adequate nutrition education can help accommodate these needs.

**School Lunch Program:
Buy American Procedures at Commodity Schools**

GAO/RCED-89-218, Sept. 26.

The over 15,000 school districts participating in USDA's National School Lunch Program are required, whenever possible, to use federal funds to purchase food products that are produced only in the United States. Generally, GAO found that the Food and Nutrition Service and two of the four states that it visited had implemented the Buy America requirement, but monitoring of compliance has been limited. The Service and the states have not done any monitoring, although some of the school districts have inspected delivered food items. Neither the Service nor the states GAO visited monitor commodity school district purchases to ensure that the Buy American requirement is met. Service officials said they have assigned monitoring responsibility to the states and the states needed time to implement a monitoring system. Although waivers from the Buy American requirement are permitted, neither the Service nor the states had received waiver requests from any of the school districts.

Budget and Spending

Testimony

Government-Sponsored Enterprises, by James L. Kirkman, Director of Budget Issues, before the Subcommittee on Oversight, House Committee on Ways and Means. GAO/T-AFMD-89-16, Sept. 28.

Government-Sponsored Enterprises, which disbursed about \$414 billion in 1988, have traditionally been excluded from the government's surplus or deficit because they are essentially private entities. Concerns have arisen, however, about the potential budgetary impact of off-budget activities like the Farm Credit System and the S&L deposit insurance system. GAO believes that the government will not be able to get its fiscal house in order if federal programs are placed off-budget and out-of-sight. In light of the decision to rescue and restructure the savings and loan deposit insurance system through a new off-budget GSE called the Resolution Funding Corporation, GAO is concerned that budget discipline will be severely undermined. GAO believes that while such budgetary gimmicks make the deficit numbers look better, they hide the true picture and only postpone the day of reckoning.

The Budget Treatment of Trust Funds, by Charles A. Bowsher, Comptroller General of the United States, before the Subcommittee on Legislation and National Security, House Committee on Government Operations; and before the Senate Committees on Governmental Affairs and the Budget. GAO/T-AFMD-90-1, Oct. 12; GAO/T-AFMD-90-3, Oct. 18.

The Comptroller General discussed the budget treatment of trust funds and, in particular, whether the Social Security surpluses should be included in the budget totals subject to deficit reduction actions. While GAO supports the unified budget, it is concerned about the use of the trust fund surpluses, especially the rapidly growing Social Security surpluses, to offset the deficit. This practice leaves the impression that the deficit problem is being corrected when, in fact, it is getting worse. Rather than removing some or all of the trust funds from the budget, GAO suggests reporting the budget in three major components—general, trust, and enterprise funds—and having separate budget subtotals for each, thereby unmasking the effects of trust fund surpluses on the overall totals and permitting more deficit reduction options. In addition to a budget goal for the overall budget, as seen in the Gramm-Rudman-Hollings legislation, a separate goal for each major component could reflect

a legislative decision on the appropriate deficit reduction or surplus path for each of the three areas.

Business, Industry, and Consumers

Insurance: Profitability of the Automobile Lines of the Insurance Industry

GAO/GGD-90-04FS, Oct. 3.

This fact sheet provides a series on tables on GAO's estimates of the profitability of the automobile insurance lines nationwide for the 10-year period covering 1978 through 1987. These tables focus on (1) the profitability of the overall property-casualty industry, including the automobile insurance lines, for the same 10-year period; (2) the top 20 automobile insurance companies ranked by net automobile insurance premiums written during 1987; and (3) the net premiums earned for the leading property/casualty insurance lines during 1987. GAO found that the auto insurance lines yielded an estimated after-tax profit of about \$22.6 billion between 1978 and 1987, despite underwriting losses of over \$30 billion. This profit reflected investment gains of about \$54 billion. For the same period, annual after-tax earnings as a percent of premiums averaged about 4.6 percent. Annual after-tax earnings as a percent of earnings were, on average, about 10.4 percent.

Small Business: Individual Sureties Used to Support Federal Construction Contract Bonds

GAO/RCED-90-28FS, Oct. 3.

Individual sureties allow contractors that are unable to obtain corporate sureties to obtain the bonding necessary to bid on federal construction contracts. In this review of surety bonds, GAO provides information on (1) the extent to which individuals sureties are used, (2) the amount of losses that have resulted from their use, and (3) the bid protest decisions that GAO has issued that involve individual sureties. While GAO found no aggregate data at federal agencies on either individual surety usage or losses, it did develop limited information on these issues. GAO bid protest decisions involving individual sureties have increased sharply in the last 2 years, from 6 in 1987 to 21 in 1988 and 23 in the first 6 months of 1989.

Civil Rights

Equal Employment Opportunity: Actions Needed for FAA to Implement Committee Recommendations in the Airline Industry

GAO/HRD-89-100, Aug. 18.

In late 1986 and early 1987, Congress held hearings on allegations of discrimination against blacks in the airline industry. The House Committee on Government Operations later recommended that FAA, as a shared responsibility with the Department of Labor's Office of Federal Contract Compliance Programs, assume a role in enforcing affirmative action and equal employment opportunity in the airline industry. This report reviews the legal and administrative mechanisms under which FAA could assume an active oversight role, with OFCCP, as part of its regulation of the airline industry. GAO concluded that in order for this to happen, (1) the President would have to issue a new executive order, (2) Congress would have to amend the rehabilitation and Vietnam era veterans' acts, and (3) Congress would have to appropriate funds or provide for the transfer of staff and resources from OFCCP to FAA. The Department of Transportation, FAA, and OFCCP would also have to take several actions.

Discrimination Complaints: Payments to Employees by Federal Agencies and the Judgement Fund

GAO/HRD-89-141, Sept. 25.

Federal employees who believe they have been discriminated against because of age, race, color, sex, national origin, religion, or handicap may seek relief through administrative procedures. When discrimination cases result in monetary relief for complainants, the funds come either from the agency's appropriation or from the Judgement Fund, depending on the stage of processing of the case. GAO found that no complete, reliable central data exists in the federal government on payments made by agencies in discrimination cases. Each agency compiles and maintains data on payments, but none of the three agencies GAO reviewed—the Securities and Exchange Commission, the Department of Labor, and the Department of Agriculture—had overall cost figures for both administrative and court cases. In addition, the quality of payment data gathered by the agencies varied. Although EEOC collects annual payment data on discrimination complaints from agencies, the data are not complete or reliable. EEOC does not publish the data in its annual reports or otherwise use these data.

Economic Development

Testimony

Enterprise Zones, by Eleanor Chelimsky, Assistant Comptroller General for Program Evaluation and Methodology, before the House Committee on Ways and Means. GAO/T-PEMD-90-5, Oct. 17.

GAO found that an enterprise zone program could theoretically lead to a net increase in national product by stimulating investment and hiring in depressed areas under certain conditions. However, in its empirical analysis, GAO could not show that employment growth in three Maryland enterprise zones was due to the programs. GAO also found that factors that government cannot control, like market access and community characteristics, are more important than government incentives in firms' decisions on business location. Because its assessment of the Maryland experience does not show that enterprise zones are effective in meeting their objectives, GAO believes that any federal enterprise zone program should begin with a modest demonstration project to determine its effectiveness, rather than with the large effort found in proposed legislation.

Education

Supplemental Student Loans: Who Borrows and Who Defaults

GAO/HRD-90-33FS, Oct. 17.

This fact sheet presents information on the Supplemental Loans to Students program, which makes market-rate loans to postsecondary students. GAO describes (1) the volume of loans made to students attending proprietary (trade) schools and other postsecondary education institutions, (2) the extent of borrowing by freshmen as opposed to that of students in the second year of schooling, (3) the amount of SLS loans defaulted, and (4) the number of students who only received SLS loans versus those who received both SLS and Stafford loans

Energy

Nuclear Health and Safety: DOE's Award Fees at Rocky Flats Do Not Adequately Reflect ES&H Problems

GAO/RCED-90-47, Oct. 23.

Despite the persistence of significant environmental, safety, and health problems at the Rocky Flats plant, Rockwell International Corporation has received substantial monetary awards from the Department of Energy for operating the plant. During fiscal years 1986 through 1988, Rockwell received approximately \$26.8 million in award fees—about 84 percent of the total award fees that were available to Rockwell under its contract with DOE. GAO identified a number of problems that raise concerns about how the award process is being administered: (1) significant ES&H deficiencies have been downplayed in the evaluation process; (2) the process has placed more emphasis on production rather than on ES&H performance; and (3) the evaluations have not been reviewed by DOE headquarters organizations that have important roles in the conduct of activities. GAO is recommending that DOE restructure its award fee process to provide a clear understanding to its contractors what they will be losing in award fees for certain types of ES&H problems. GAO summarized this report in testimony before Congress; see:

DOE's Award Fees at Rocky Flats Do Not Adequately Reflect Environmental, Safety, and Health Problems, by Keith O. Fultz, Director of Energy Issues, before the Environment, Energy, and Natural Resources Subcommittee, House Committee on Government Operations. GAO/T-RCED-90-7, Oct. 24.

Nuclear Health and Safety: Information on Award Fees Paid at Selected DOE Facilities

GAO/RCED-90-60FS, Oct. 23.

The Department of Energy uses award fees to encourage effective work and to improve the quality of performance by its contractors. These fees are in addition to reimbursing the contractor for its cost and any possible base fees. Such fees are determined through DOE's evaluations of a contractor's performance. GAO's review of award fees paid by DOE at six facilities during fiscal years 1987 and 1988 found that contractors at five of the six facilities were rated by DOE as "very good" to "excellent" for their overall performance and received award fees ranging from \$1.4 million to nearly \$10 million—from 46.5 percent to 89 percent of the

total award fees that were available to them. On their ES&H performance, the five contractors were generally rated "satisfactory" to "excellent." The one exception was the contractor at the Feed Materials Production Center, who was rated "marginal" to "satisfactory" on overall performance and "marginal" on ES&H performance. GAO noted that the weight given to ES&H performance in the overall scoring process varied greatly.

**Nuclear Health and Safety:
Information on a Quality Assurance Problem at DOE's Savannah River Site**

GAO/RCED-90-61FS, Oct. 23.

DOE's Savannah River Site is the only source of tritium production, an important material used in nuclear weapons. In September 1988, DOE's Savannah River contractor reported that some of the fuel and targets used to make tritium did not have the correct material content for where they were to be placed in the reactor or their material content could not be determined—problems that could affect safe reactor operations. GAO found that inadequate quality assurance procedures both at the manufacturing facility and at the reactor area caused the problems. According to both DOE and contractor officials, no safety problems resulted from the fuel and target tube problems. DOE approved a new quality assurance program developed by the contractor to address the problem. According to technical experts, the quality assurance problem is another in a series of incidents at Savannah River pointing out poor internal controls and management inattention to safety. The new Secretary of Energy has acknowledged these past problems and has begun to make changes within DOE to strengthen the department's ability to manage its contractors and make safety a first priority.

**Nuclear Health and Safety:
Policy Implications of Funding DOE's K Reactor Cooling Tower Project**

GAO/RCED-89-212, Sept. 27.

GAO reviewed the construction of a cooling tower for the K reactor at the DOE Savannah River Site in Aiken, South Carolina, a 192,000 acre national security facility with controlled access. The cooling tower will cost an estimated \$127 million to build and \$1.2 million per year to operate. GAO found that the cooling tower would prevent further destruction of cypress and tupelo trees, would maintain a more consistent flow from

Site streams, and would allow earlier recovery of stream corridors inside a portion of the Site. About 630 acres of wetlands have already been affected by the hot water discharged by the K reactor during the past 35 years. GAO believes that about 10 to 12 acres of additional damage would be prevented by the tower for every year the reactor is operated, and if current plans for re-start and retirement of the reactor are followed, less than 100 acres would be preserved. As requested, GAO also identified an example of a project that could be funded as compensation to the public for the damage the K reactor would do if Congress exempted it from the Clean Water Act and allowed it to continue to operate without a cooling tower. The project involves preserving 90,000 acres of publicly accessible wetlands in coastal South Carolina for between \$40 and \$65 million.

**Nuclear Waste:
DOE's Budgeting Process for Grants to Nevada Needs Revision**

GAO/RCED-90-20, Oct. 20.

The Department of Energy is awarding grants to the state of Nevada for the state's participation in DOE's program to investigate Yucca Mountain as a possible site for the disposal of civilian nuclear waste. GAO found that DOE's financial assistance budget request of \$15 million for Nevada's fiscal year 1990 was not based on the amount the state requested but rather was derived by increasing Nevada's grant funds from the previous year in proportion to the increase that DOE requested for its own activities at the Nevada site. DOE's evaluations of Nevada's requests are performed too late to be used in DOE's budget formulation process because Nevada has been applying for financial assistance at about the same time that DOE submits its budget request to Congress.

**Nuclear Science:
Better Information Needed for Selection of New Production
Reactor**

GAO/RCED-89-206, Sept. 21.

In an August 1989 report to Congress, the Department of Energy described its preferred strategy for constructing new production reactors for nuclear weapons materials. The report recommended urgent construction of a heavy-water reactor at the Savannah River Site and a modular high-temperature, gas-cooled reactor at the Idaho National Engineering Laboratory. The estimated cost of the two reactors is \$6.8 billion. GAO found that since the release of the report, certain events

have affected the basis on which DOE's strategy was developed. In addition, information in the DOE report does not provide a complete and accurate picture of all the ramifications of implementing a two-reactor strategy. Specifically, conditions have changed with respect to the reliability of the tritium-producing reactors at the Savannah River Site, the DOE report is unclear about the total time frame necessary to build the two reactors and obtain tritium from them, and some cost estimates are inaccurate because DOE used unrealistic assumptions in their development. Further, the benefits of demonstrating an inherently safe modular high-temperature, gas-cooled reactor for commercial application may be achieved more quickly under another DOE program.

**Federal Research:
Information on Site Selection Process for DOE's Super Collider**

GAO/RCED-90-33BR, Oct. 4.

In January 1989, the Secretary of Energy selected a site in Texas for the superconducting super collider from among seven best qualified sites. This briefing report examines the overall selection process for the \$4.4 billion high-energy physics facility. In particular, GAO was requested to focus on the consideration of Michigan's site proposal.

Testimony

Perspectives on the Potential of Clean Coal Technologies to Reduce Emissions from Coal-Fired Power Plants, by Keith O. Fultz, Director of Energy Issues, before the Subcommittee on Energy and Power, House Committee on Energy and Commerce. GAO/T-RCED-90-3, Oct. 18.

Emerging clean coal technologies can play an important role in reducing emissions from coal-fired power plants. A major issue is whether they will be commercially available for widespread deployment within the time frame needed to meet requirements of acid rain control legislation. On the basis of GAO's current reviews and past reports, it appears that clean coal technologies should contribute, but in all likelihood not significantly, to the nationwide reduction of acid rain during the next 15 years. Few utilities have plans to use clean coal technologies in this time frame, and although utilities indicated that they would give much greater consideration to using such technologies if acid rain control legislation were enacted, the technologies are generally not expected to penetrate the market within the next 15 years. Greater emphasis on funding multiple demonstrations of the more promising clean coal technologies could accelerate their successful demonstration and allow them

to play a greater and more timely role in reducing acid rain-causing emissions.

Financial Institutions

Thrift Industry: The Role of Federal Home Loan Bank Advances

GAO/GGD-89-123, Sept. 21.

Under the Federal Home Loan Bank Act of 1932, collateralized loans (known as advances) from the 12 district FHLBanks to member thrifts were originally intended to be a source of funds during periods when the demand for mortgage loans exceeded a thrift's supply of funds, or during periods of limited liquidity. The Federal Home Loan Bank Board liberalized existing restrictions in December 1982 to permit advances for any sound business purpose that a member thrift is authorized to engage in. In examining the role of advances in funding the operations of FSLIC-insured thrifts, GAO found that the only consistent relationship between the use of advances as a funding source and asset portfolio composition was that increased use of advances was associated with a decline in the holding of liquid assets as a share of total assets. Insolvent thrifts relied on advances more than insolvent thrifts did, and, on average, thrifts that failed in the mid-1980s increased their reliance on advances both as they approached insolvency and after they became insolvent. These thrifts also experienced rapid asset growth as their net worth deteriorated. For mergers and acquisitions taking place between 1984 and 1987, no meaningful change occurred in the use of advances by acquiring thrifts in the quarter of acquisition.

Testimony

Minimum Capital Requirement for Banks Under Risk-Based Capital Standards, by Harry S. Havens, Assistant Comptroller General, before the Senate Committee on Banking, Housing, and Urban Affairs.

GAO/T-GGD-90-5, Oct. 25.

During the first quarter of 1989, the three federal bank regulatory agencies adopted final risk-based capital standards that specify the amount of capital that banks must hold as of December 31, 1992. However, banks holding low-risk or riskless assets could meet the 8 percent requirement but still have a very low capital-to-total-assets ratio. Although the agencies agree that a minimum capital-to-total-assets ratio or "leverage constraint" should be established to work in conjunction with the risk-based capital standard, they disagree about how high this

floor should be set. In its testimony, GAO discusses the arguments set forth by each of the regulatory agencies and concludes that capital requirements should not be lowered for any banks in the process of converting to the risk-based capital standards. Once risk-based capital standards have been fully implemented, and we have experience with the banking industry's adjustment to the standards, the minimum capital requirement can be reassessed and adjusted, if appropriate. However, there should be no reduction until the bank regulators have sufficient resources and have demonstrated the ability to oversee and enforce the relatively more complicated risk-based standards and FDIC's insurance reserves have increased to the minimum levels suggested in the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

Financial Management

Inspectors General: Status of the Department of Justice's Office of Inspector General

GAO/AFMD-90-31FS, Oct. 17.

In 1988, Congress amended the Inspector General Act of 1978 to require the establishment of an Office of Inspector General at the Department of Justice. Justice established its OIG on April 14, 1989, by order of the Attorney General, transferring internal audit, investigation, and inspection units to the OIG, along with 261 personnel from these units. Justice is now interviewing for the inspector general position. A provision in Justice's 1989 Supplemental Appropriation Act has prohibited the OIG from consolidating its staff, including moving its Washington, D.C., staff to one main office.

Debt Collection: Interior Is Acting to Improve Its Collection of Civil Penalty Fees

GAO/AFMD-89-73, Aug. 16.

The Department of the Interior's Office of Surface Mining Reclamation and Enforcement assesses penalties against coal companies for such violations as failing to adequately restore mining sites. However, OSMRE faces a difficult challenge in collecting civil penalty fees since the majority of those receivables relate to inactive mine sites or to mining operators who are either bankrupt or no longer mining. While OSMRE may never experience a high rate of collection of civil penalty fees, GAO found that OSMRE has strengthened debt collection of civil penalty fees. Improvements include (1) monitoring the collection process through

development of collection processing standards and a comprehensive automated case tracking report; (2) assessing interest, penalties, and administrative costs on delinquent civil penalty debt; (3) using private debt collection contractors; (4) developing written civil penalty collection procedures; and (5) initiating the referral of civil penalty delinquent debtor information to credit bureaus.

**Surface Mining:
Inadequate Internal Controls Cause Procurement Problems in West Virginia**

GAO/RCED-89-194, Sept. 6.

Because of inadequate internal controls, West Virginia does not always comply with federal procurement standards when it contracts for abandoned mine site reclamation. West Virginia's procurement process is largely informal and is not controlled by written policies and procedures. As a result, a number of questionable procurement practices occurred. OSMRE, the responsible federal oversight agency, failed to identify either the internal control problems or the questionable procurement practices during its annual state oversight reviews. State officials agree that procurement problems exist and that written policies and procedures and other internal controls need to be developed to ensure compliance with federal standards. In response to GAO's finding, the state has already acted to correct some problems, and more actions are forthcoming. OSMRE has established a task force to review West Virginia's procurement process and internal controls and to work with the state to ensure compliance with federal procurement standards.

**Financial Audit:
Federal Home Loan Bank Board's 1988 and 1987 Financial Statements**

GAO/AFMD-89-95, Sept. 29.

In GAO's opinion, the financial statements of the Federal Home Loan Bank Board for the years ended December 31, 1988 and 1987, present fairly, in all material respects, its financial position and the results of its operations and its cash flows. However, as of August 9, 1989, the date the Financial Institutions Reform, Recovery, and Enforcement Act was signed into law, the Bank Board was abolished and its regulatory and examination functions for federally insured savings and loan associations were transferred to the new Office of Thrift Supervision within

the Department of the Treasury. The Bank Board's responsibilities to oversee and supervise the Federal Home Loan Banks were transferred to a new, independent agency, the Federal Housing Finance Board.

**Financial Audit:
Veterans Administration's Financial Statements for Fiscal Years
1988 and 1987**

GAO/AFMD-89-69, Sept. 15.

In this audit of the consolidated financial statements of the Veterans Administration for the fiscal years ended September 30, 1988 and 1987, GAO's opinion on VA's consolidated financial statements is qualified because GAO was unable to satisfy itself that VA's property and equipment accounts were presented fairly. The opinion is also qualified because life insurance reserves were not presented in accordance with generally accepted accounting principles. While GAO found that the condition of VA's life insurance program is satisfactory, the housing credit program is experiencing financial problems that may require assistance beyond that identified in VA's current appropriation request. GAO's report contains separate reports on VA's system of internal accounting controls and on its compliance with laws and regulations.

**Financial Audit:
Environmental and Energy Study Conference Financial Statements
for 1988 and 1987**

GAO/AFMD-90-2, Oct. 13.

GAO audited the balance sheets of the Environmental Study Conference as of December 31, 1988 and 1987, and the related statements of operations and fund balance and cash flows for the years then ended. In GAO's opinion, the financial statements present fairly, in all material respects, the financial position of the Conference as of these dates, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

**Financial Audit:
Saint Lawrence Seaway Development Corporation's 1988 Financial
Statements**

GAO/AFMD-89-101, Sept. 29.

GAO looked at the Saint Lawrence Seaway Development Corporation's financial statements as of December 31, 1988 and found that they present fairly, in all material respects, the Corporation's financial position and the results of its operations and cash flows. GAO is required to audit the Corporation at least once every 3 years, and to help fulfill its responsibility contracted with Arthur Andersen & Co. to conduct the financial audit. The report by Arthur Andersen & Co. on internal accounting controls disclosed no condition believed to be a material weakness. The auditors' report on compliance with laws and regulations disclosed nothing to indicate that the Corporation had not complied with such applicable laws and regulations.

**Financial Audit:
Civic Achievement Award Program Financial Statements for Sep-
tember 30, 1988 and 1987**

GAO/AFMD-89-110, Sept. 26.

GAO reviewed an independent certified accountants' audit of the financial statements of the Civic Achievement Award Program, which is administered by the Close Up Foundation and funded through the Library of Congress. The program was designed to inspire the learning of American history, government, geography, economics, and current events in the fifth through eighth grades. The Close Up Foundation contracted with an independent certified public accounting firm, KPMG Peat Marwick, to do financial audits of the program's 1988 and 1987 financial statements. While the Close Up Foundation did not request the auditors to prepare reports on internal accounting controls and compliance with laws and regulations as required by generally accepted auditing standards, GAO found nothing to indicate that the auditors' opinion on the financial statements is inappropriate or cannot be relied on. GAO believes the financial statements, along with KPMG Peat Marwick's opinion and our review of that work, provide the Speaker of the House and the Librarian of Congress with a dependable basis for evaluating the program's financial condition and results of operations.

**Transportation Audits:
GSA's Accounting for Transportation Overcharges**

GAO/AFMD-89-47, Aug. 30.

GAO examined the General Service Administration's accounting procedures for funds collected as transportation overcharges and determined what amounts had been transferred to the miscellaneous receipts account of the Department of the Treasury. GAO found that GSA did not transfer any funds to Treasury in fiscal year 1987. At the end of fiscal year 1988, GSA transferred to Treasury \$39 million of \$101.2 million in collection that was available after disbursements for expenses and carrier refunds. The \$39 million transferred included \$19 million available for transfer in fiscal year 1987 but unintentionally delayed for about a year. The \$62.2 million retained by GSA included reserves for contingent liabilities and provisions for the subsequent year's contract audit and administrative activities. GAO identified several factors that GSA should consider in estimating contingency reserves that should enable GSA to effectively transfer appropriate levels of transportation collections to Treasury and still maintain a sufficient capital base for reserves.

**Prompt Payment:
State and Federal Payment-Timing Practices Are Similar**

GAO/AFMD-89-91, Sept. 26.

In its review of state payment-timing practices, GAO found that states have developed payment-timing policies and procedures that are similar to those used by federal agencies. However, many states' requirements differ from federal criteria regarding (1) automatic payment of interest penalties and (2) the timing of payments from contractors to subcontractors. Most of the invoice payments GAO examined in 12 states were paid by their due dates.

Government Operations

Civil Agency Procurement: Improvements Needed in Contracting and Contract Administration

GAO/GGD-89-109, Sept.5.

Based on a review of 87 contracts by five large civilian agencies, GAO identified deficiencies in 68 percent of the contracts that contributed to cost increases and delays that, in some cases, hindered the departments in accomplishing their missions. GAO believes that the (1) frequency of deficiencies in the 87 contracts reviews; (2) identification of similar deficiencies across departmental lines; (3) reporting of similar deficiencies in other GAO reports; (4) decisions of boards of contract appeals for similar deficiencies; and (5) magnitude of civilian agency procurement, which annually totals about \$30 billion, collectively demonstrate that a concerted effort by the Office of Federal Procurement Policy and by civilian agency heads is needed to improve contracting and contract administration.

Senior Executive Service: Training and Development of Senior Executives

GAO/GGD-89-127, Sept. 29.

Members of the Senior Executive Service governmentwide should be obtaining, on a continuing basis, at least some basic levels of training and development before and after appointment. According to a GAO survey, 87 percent of career members of the Senior Executive Service had participated in at least one training or development activity before SES appointment, and 77 percent had done so after appointment. Most perceived their experiences as moderately to very useful in helping them carry out their SES duties. Participation, however, was uneven. About 13 percent of the executives appointed since 1982 said they had no formal training or development experiences to prepare them to become executives. The percentages in 1986 and 1987 were 27 and 15 percent. Nearly one-fourth of the executives reported no training or development experiences since becoming executives, with half of these reporting none in 5 years. A factor contributing to this unevenness is the lack of criteria for the amount and content of executive training and development.

**Federal Pay:
U.S. Park Police Compensation Compared With That of Other Police
Units**

GAO/GGD-89-92, Sept. 25.

The U.S. Park Police, a part of the Department of the Interior, patrol national parks and other federal lands, primarily in the Washington, D.C., area. Partly as a result of drug-related crimes in the parks, Park Police encounter the same problems and dangers as other urban police. GAO was asked to study (1) how Park Police pay and benefits compare with those of other police units in the Washington, D.C., area and (2) possible recruiting and retention problems at Park Police. While the duties and responsibilities of officers at most police units are comparable to those of Park Police, GAO found that starting salaries for full performance level employees at most police units were higher than those for Park Police. In contrast, Park Police benefits generally were comparable to, or better than, the benefits of most of the police units in GAO's review. However, life insurance coverage for Park Police and other federal police officers is more costly. Park Police vacancy and turnover rates did not indicate that Park Police were experiencing recruiting and retention problems.

**D.C. Government:
Interim Report on Changes in Police Qualifications**

GAO/GGD-90-06FS, Oct. 3.

This fact sheet, which addresses the District of Columbia's compliance with the 1989 District of Columbia Appropriations Act, responds to the following four questions: (1) How was the entry-level police examination contractor selected?, (2) Have there been changes in the qualifications for police candidates since 1982?, (3) How and why is the conversion factor used in scoring entrance examinations?, and (4) Can any points be added to a candidate's score?

**Postal Service:
Sites for New Post Offices May Be Larger Than Needed**

GAO/GGD-89-130, Sept. 29.

When the Postal Service constructs new post offices, it projects community needs for services over a 10-year period and builds facilities large

enough to meet the projected need. GAO found that the Service routinely increases its site size requirements by a standard 50-percent growth factor to obtain enough land to meet anticipated facility expansion needs for an additional 10 years. This is done without considering whether an increase is required to accommodate community needs for postal services beyond the initial 10 years. In addition, the Service advertises for sites that are larger than the combined 20-year land requirements. GAO also found that the Service usually purchased sites that exceeded both its operational needs and advertised size requirements. GAO is concerned that the Postal Service may be spending more than is necessary for land and accumulating an unnecessarily large real estate inventory. GAO recognizes that sometimes larger, more costly sites may best meet the Service's operational requirements but believes that justification for such selections should be required when smaller, less-costly contending sites are available. GAO summarized its findings in testimony before Congress; see:

Postal Service Real Estate Acquisition, by L. Nye Stevens, Director of Government Business Operations Issues, before the House Committee on Post Office and Civil Service. GAO/T-GGD-90-2, Oct. 19.

Testimony

Political Appointees in Federal Agencies, by Bernard L. Ungar, Director of Federal Human Resource Management Issues, before the Subcommittee on Civil Service, House Committee on Post Office and Civil Service. GAO/T-GGD-90-4, Oct. 26.

In recent years, concerns about the increasing number of political appointees in the federal government have been voiced in several quarters. GAO shares these concerns and concurs in the findings of the National Commission on the Public Service that there have been too many political appointees in federal agencies, and that the number should be reduced. GAO believes that, because the political appointee cycle is currently at a low point with the recent change in Administration, the new Administration should reassess the number of political appointees it places in agencies. Further, Congress may wish to consider changing existing law to limit the number of noncareer SES appointees to a percentage of filled SES positions, rather than to a percentage of total SES positions allocated. It will also be necessary for political appointees to work with career SES members to improve their working relationships and to recognize that career SES members can make a substantive contribution to the efficient operation of the government.

Bureau of Indian Affairs' Contract for Management and Operations of Indian Trust Funds, by Robert Hunter, Associate General Counsel, before the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations. GAO/T-OGC-90-2, Oct. 26.

In September 1988, the Bureau of Indian Affairs awarded a contract to the Security Pacific Bank for accounting, financial, trust and investment services for Indian Trust Funds—functions previously done in-house by BIA, with assistance from the Treasury. Because this contract involves services performed making significant use of automatic data processing equipment, GAO concludes that it should have been conducted in accordance with the Brooks Act, which specifies ADP acquisition policies and procedures. GAO also discussed legal issues related to BIA's authority to contract with a third party for the management and operation of Indian trust funds.

Health

**Medicare:
Impact of State Mandatory Assignment Programs on Beneficiaries**

GAO/HRD-89-128, Sept. 19.

In 1988, physicians and other health care providers billed Medicare beneficiaries \$2.25 billion more than the amount Medicare approved for payment. Between 1985 and 1988, four states—Connecticut, Massachusetts, Rhode Island, and Vermont—enacted laws that require physicians, under certain circumstances, to accept Medicare's approved amount as payment in full. GAO found that mandatory assignment laws reduced out-of-pocket health care costs for covered beneficiaries in all four states. Indicators developed by GAO suggest that physicians have not offset reduced bills for covered beneficiaries by increasing bills for noncovered beneficiaries. During the brief period GAO examined, the volume and intensity of services provided by physicians to Medicare beneficiaries in three states did not increase as some people had feared. Neither was access to care reduced in the four states as a result of the mandatory assignment laws. The experiences in these four states, however, cannot necessarily be used to predict the impact of mandatory assignment in other states.

**Medicare:
Program Provisions and Payments Discourage Hospice
Participation**

GAO/HRD-89-111, Sept. 29.

When Congress enacted Medicare hospice benefits in 1982, it was expected that most hospices would join the program. Yet only about 25 percent of hospices currently participate in Medicare. At least one-half of the nonparticipating hospices sampled in GAO's national survey said the main concerns that led them not to participate in Medicare were (1) the language required in hospice's certification of terminal illness related to the certainty of a physician's prognosis of death, (2) the requirement that hospices obtain contracts with hospitals for inpatient services, (3) limits placed on aggregate payment amounts, and (4) payment rates. While participating hospices said the certification language was a problem, most did not have concerns about the limits placed on aggregate payment amounts or inpatient days and did not have the same concern with hospital contracts as did nonparticipating hospices. As a result, GAO concludes that the problems nonparticipating hospices have with these provisions may be more perceived than real. Participating hospices did say that the payment rates are a major factor adversely affecting their operations. However, GAO could not determine the reasonableness of the payment rates because cost data reported by hospices were inaccurate, inconsistent, and incomplete. GAO believes the reasonableness of such rates cannot be determined until improvements are made in the accuracy and completeness of cost data provided by hospices and in the formula the Health Care Financing Administration uses to calculate unit costs.

**Medicaid:
Federal Oversight of Kansas Facility for the Retarded Inadequate**

GAO/HRD-89-85, Sept. 29.

One month after it was terminated from the Medicaid program in 1987, the Winfield (Kansas) State Hospital and Training Center for the Mentally Retarded was reinstated as a Medicaid provider. Staff abuse of residents, resident neglect, inadequate medical and nursing services, inadequate dental services, and poor sanitation had all been cited as deficiencies at Winfield. GAO found that the reinstatement of Winfield by the Health Care Financing Administration's Kansas City regional administrator was improper. Specifically, (1) the deficiencies, while no longer

posing an immediate and serious threat to residents, had not been fully corrected; (2) adequate assurances did not exist that the deficiencies would not recur; and (3) the state had not inspected the facility nor issued a new provider agreement. GAO found no evidence of a political deal between the regional administrator and the state. After Winfield's reinstatement, HCFA acted to recover approximately \$15.8 million in federal funds for services provided to Winfield residents between termination and reinstatement. GAO supports the recovery of these funds, except for funds provided during the first 30 days after the termination. Congress intended that funding be continued for a reasonable time following federal termination of a Medicaid provider agreement in order to facilitate relocation of residents.

**FDA Resources:
Comprehensive Assessment of Staffing, Facilities, and Equipment
Needed**

GAO/HRD-89-142, Sept. 15.

The Food and Drug Administration is responsible for ensuring the safety of the Nation's foods, drugs, medical devices, radiological products, and cosmetics. However, FDA officials have reported that inadequate coverage of some activities has resulted from staffing shortages. While new laws and other health problems have significantly increased FDA's responsibilities in the 1980s, its staffing levels have decreased. Pay disparity between the public and the private sectors as well as inadequate working space and scientific equipment have added to FDA's resource problems. Although FDA appears to need additional resources, it has not determined its needs through a comprehensive assessment of all FDA activities. GAO believes that before Congress can adequately consider FDA's staffing and other resource requirements, the agency should develop a strategy to ensure that resource requirements are accurately estimated. FDA should then identify and prioritize those activities and responsibilities that it believes it can undertake effectively given various budget and staffing levels.

**Employee Drug Testing:
DOT's Laboratory Quality Assurance Program Not Fully
Implemented**

GAO/GGD-89-80, Sept. 29.

Federal agencies are required to establish drug-testing programs for employees in sensitive positions in accordance with scientific and technical guidelines issued by the Department of Health and Human Services. Although DOT's program was required to be in full compliance with these guidelines by July 11, 1988, GAO found that it was not until July 19, 1989, that DOT brought its program in compliance with requirements for blind performance-testing procedures to monitor the accuracy and reliability of laboratory analyses results. DOT's noncompliance demonstrates the need for continuing oversight and independent monitoring of federal drug-testing programs. The HHS official primarily responsible for the HHS guidelines said he was unaware of DOT's noncompliance—which he considered a serious deviation from the HHS guidelines—until GAO brought it to his attention.

Testimony

Health Insurance: Availability and Adequacy for Small Businesses, by Mark V. Nadel, Director of National and Public Health Issues, before the Subcommittee on Health and the Environment, House Committee on Energy and Commerce. GAO/T-HRD-90-02, Oct. 16.

This testimony discusses the problems small businesses have been experiencing in providing health insurance to their employees. On the basis of its preliminary work, GAO concludes that many workers in small businesses are uninsured or underinsured due to financial pressures on their companies compounded by the nature of the small business health market. As the result of discussions with insurance experts, GAO cites a number of potential policy options to lessen problems in the small business health insurance market.

Housing

**Homelessness:
Additional Information on the Interagency Council on the Homeless**

GAO/RCED-89-208FS, Sept. 22.

The Interagency Council on the Homeless, created by the Stewart B. McKinney Homeless Assistance Act of 1987, is responsible for reducing

duplication of efforts among federal agencies to assist the homeless, recommending improvements in homelessness programs, collecting and disseminating information, and reporting annually to the President and Congress on activities dealing with the homeless. This fact sheet (1) provides information on three homelessness studies the Council used in developing its 1988 annual report to Congress, including a discussion of information that did not appear in the Council's annual report and why the report did not discuss future program funding levels; (2) describes the Council's publication and conference transcript contracts; (3) describes the regional coordinators' quarterly reports to the Council, including an explanation of their use; (4) describes the McKinney Act reauthorization requirement that the head of each member agency of the Council responsible for administering a program under the Act provide the Council a timetable on program funding availability and application deadlines 90 days after the Act's enactment; and (5) discusses the status of the Council's computerized data base and E-mail system.

Income Security

Social Security: Resolving Errors in Wage Reporting

GAO/HRD-90-11, Oct. 17.

GAO examined the Social Security Administration's efforts to reconcile cases in which employers reported lower amounts of wages to SSA than to IRS. GAO found that IRS has been able to reconcile some cases by telephone that it had been unable to reconcile by its usual method—by mail. SSA's telephone success rate, however, was much less than that initially estimated by two internal studies. This was because the study samples provided unreliable estimates and because the resolution of some cases was incorrectly attributed to telephone reconciliation rather than to other SSA activities. SSA now telephones employers only if wage-reporting differences are at least \$500,000—an arbitrary threshold. However, GAO's work indicates that SSA could increase the chances of obtaining previously unreported wage information by devoting more effort to reaching employers (1) whose whereabouts are known to SSA and (2) who had recently submitted wage reports to SSA indicating that they were still in business and might have information needed to resolve the reporting problem. This could improve SSA's success rate and reconcile some cases below the current \$500,000 threshold without increasing SSA's commitment of resources.

**Private Pensions:
Impact of Vesting and Minimum Benefit and Contribution Rules in
Top-Heavy Plans**

GAO/HRD-90-4BR, Oct. 23.

A pension plan is top-heavy when more than 60 percent of the benefits or contributions go to company owners, officers, or other key employees. The Employee Retirement Income Security Act of 1974 set vesting rules for pension plans, governing the length of time before a participant earned a right to receive pension benefits; the Tax Equity and Fiscal Responsibility Act of 1982 added special rules for top-heavy plans, reducing the maximum time top-heavy plans could require for vesting, increasing the likelihood of shorter-tenured workers receiving pension benefits. However, the Tax Reform Act of 1986 significantly lessened the vesting period for plans that were not top-heavy, calling into question the need for special rules for top-heavy plans. Many more participants, men and women alike, would have had smaller or no vested benefits if TEFRA's top-heavy vesting rules had been repealed and replaced with TRA's vesting rules in the 55,000 top-heavy plans in GAO's pension database. However, the effect of this change in vesting status on participants' retirement income would likely have been small and would only have occurred if these participants left their jobs before being fully vested. Over one-half of the 26,000 plans and over two-thirds of the 142,000 participants represented in GAO's analysis were not affected by the top-heavy minimums. However, short-service participants (fewer than 3 years' service) appeared to be more likely than those with longer service to be affected by the defined benefit minimums after just 2 years under the top-heavy rules. Only about one-third of short service non-key participants—compared with over two-thirds of longer service participants—had accrued benefits greater than the minimum benefit and so were not affected.

Information Management

Export Promotion: Problems With Commerce's Commercial Information Management System

GAO/NSIAD-89-162, Aug. 31.

To help U.S. firms establish themselves in the export marketplace, the U.S. and Foreign Commercial Service, a major component of the International Trade Administration, collects, analyzes, and distributes commercial information to the U.S. business community and to government trade policymakers. The ITA considers the timely collection and delivery of this information essential to its usefulness. GAO analyzed US&FCS' Commercial Information Management System, which is ITA's third attempt since 1978 to develop a comprehensive, automated trade information base. The CIMS is designed to link US&FCS' 122 overseas posts and 47 domestic district offices to a central data base of commercial information in ITA headquarters. Although 83 of 169 overseas and domestic sites have some limited CIMS operational capability, it appears the CIMS will not be fully operational any time soon. GAO found that hardware, software, and telecommunications problems have limited CIMS usage and that some of the information in the system is of limited quality and scope. Budgets have not been adequate to support CIMS development and implementation, and even if enough funding was provided, GAO doubts whether adequate field staff is in place to implement CIMS as it is currently designed. In addition, despite legislation calling for the export promotion component of the National Trade Data Bank to be an expanded version of CIMS, Commerce, citing the lack of any additional funds appropriated for this purpose, plans no new actions to enhance or improve CIMS. Given the magnitude of the problems GAO identified, the cost to overcome them, and Commerce's decision on the National Trade Data Bank, GAO questions whether CIMS is still a viable approach for meeting ITA's information needs.

ADP Planning: SSA's February 1989 Report on Computer Modernization is Incomplete

GAO/IMTEC-89-76, Sept. 25.

GAO reviewed the Social Security Administration's automated data processing report, requested by a June 1988 Senate Appropriations Committee report, to determine whether SSA's report provides a reasonable basis for SSA to proceed. SSA had been asked to prepare a report that

contained a comprehensive, detailed plan of the agency's immediate short-term and long-term strategies for computer modernization and ADP expenditures. SSA issued its report in February 1989. However, GAO found that because the agency did not have all of the detailed information necessary for preparing the report, the report does not provide the comprehensive, detailed ADP plan requested by the Committee. Consequently, the report's usefulness in evaluating future agency ADP budget requests as well as requests for increased computer spending authority is limited. GAO summarized this report in testimony before Congress; see:

Social Security Administration's Modernization Plan, by Michael Zimmerman, Director of Human Resources Information Systems, before the Subcommittee on Social Security, House Committee on Ways and Means. GAO/T-IMTEC-89-11, Sept. 28.

**Justice Automation:
U.S. Trustees Bankruptcy Case Management System**

GAO/IMTEC-89-73, Sept. 25.

As part of its oversight responsibility under the Bankruptcy Judges, United States Trustees, and Family Farmer Bankruptcy Act of 1986, GAO reviewed the progress and direction of a project being undertaken by the Executive Office for United States Trustees in consultation with the Administrative Office of the United States Courts. The goal of the project is to develop and implement a joint demonstration electronic bankruptcy case management system. As of July 1989, the U.S. Trustees estimated that, based on the current approach, the project will cost \$10 to \$12 million through fiscal year 1994. They expect to award a contract for the necessary software and hardware in 1990, and believe the software and hardware to modify and enhance their system can be installed in three judicial districts within 2 years after contract award. The Administrative Office expects to begin evaluating technical enhancements for the bankruptcy courts' system in fiscal year 1990.

**Paperwork Reduction:
Mixed Effects on Agency Decision Processes and Data Availability**

GAO/PEMD-89-20, Sept. 7.

This report examines (1) how and how well data collection requests are handled within the Office of Management and Budget, (2) the influence of the OMB review process on agencies' decisions to collect information,

and (3) the likely consequences of OMB and agency actions on the availability of data.

Testimony

Paperwork Clearance: It's Time for a Change, by Eleanor Chelimsky, Assistant Comptroller General for Program Evaluation and Methodology, before the Subcommittee on Science, Research and Technology, House Committee on Science, Space, and Technology. GAO/T-PEMD-90-6, Oct. 12.

The Paperwork Reduction Act gave OMB a broad mandate to improve data collection in the federal government. With respect to paperwork clearance, OMB chose to keep all paperwork reviews centralized within the Office of Information and Regulatory Affairs. GAO, however, recommends that the Director of OMB delegate this review responsibility to senior officials at agencies with demonstrated capability. GAO also recommends that OMB develop a training program for the agency's paperwork review staff to ensure consistent and appropriate application of technical and nontechnical criteria to submissions.

International Affairs

South Africa: Feasibility of Imposing Additional Sanctions on Gold

GAO/NSIAD-89-232, Sept. 25.

Gold accounts for 45 percent of South Africa's export earnings, about 13 percent of its Gross Domestic Product, and 10 percent of its government tax revenues. While the United States already has sanctions against imports of South African gold bullion, there are proposals to further sanction South African gold by banning imports of gold or gold products, including jewelry, containing South African gold; releasing gold from the central bank reserves of anti-apartheid governments to depress the price; and forcing U.S. investors to divest all holdings in South African mining shares. GAO concluded that while the imposition of such sanctions may be possible, most sanctions might fail to generate substantial economic pressure because South Africa has many opportunities to develop new markets and/or because imposing any sanction on the world's largest gold producer may result in unintended price increases caused by speculative buying in the market. Despite the potential failure of sanctions to generate substantial direct economic pressure on South Africa, GAO believes sanctions could still have political, symbolic, and

psychological effects. For instance, sanctions might chill business confidence in the economy, thereby lowering foreign and domestic investment in South Africa.

**Foreign Aid:
AID's Malaria Vaccine Research Activities**

GAO/NSIAD-90-09, Oct. 17.

GAO found that from 1982 through mid-1987, the AID malaria vaccine research project was not well managed and that substantial funds were misused or wasted. AID's systems for planning, implementing, monitoring, and evaluating the project and controlling funds were inadequate. Since 1987, AID has taken several steps and planned others to improve project management. GAO believes these changes, if successfully implemented, will eliminate some of the deficiencies noted. However, additional actions are still needed to ensure the objectivity, adequacy, and openness of external review; improve control over project activities and funds; and remedy problems with management of the large inventory of research monkeys. GAO's main recommendation is that AID not make any long-term funding commitments until these management deficiencies are corrected and the results of a major evaluation of malaria control activities and options by the National Academy of Sciences is completed.

**Food Aid:
AID's Management of Two Emergency Food Shipments**

GAO/NSIAD-90-08, Oct. 12.

GAO reviewed the Agency for International Development's procurement of transportation services for two 1988 emergency food shipments—a 10,000 metric ton rice shipment to Mali and a 15,000 metric ton sorghum shipment to Niger. GAO looked at whether (1) AID selected the lowest price responsive offer for the Mali shipment; (2) modifications that AID made to the Mali shipping contract to extend coverage to inland destinations voided the June 15, 1988, delivery date and penalty provisions originally established in the request for transportation services; (3) the June 15, 1988 delivery date for the Mali shipment was met at the five inland destinations; and (4) the decision by AID and the government of Niger to change ports for off-loading the Niger shipment resulted in additional costs to the U.S. government and affected cargo delivery schedules to inland destinations.

**International Banking:
Exposure to Less Developed Countries**

GAO/NSIAD-90-34FS, Oct. 16.

This fact sheet presents historical data on debt owed banks and governments in individuals G-7 countries—the United States, Canada, United Kingdom, West Germany, France, Italy and Japan—by the less developed countries. It is based on available debt data covering the period June 1981 through December 1988.

**Foreign Investment:
Federal Data Collection on Foreign Investment in the United States**

GAO/NSIAD-90-25BR, Oct. 3.

The federal government has no central repository to track and store all information necessary to analyze foreign investment in the United States. GAO identified a total of 20 government entities in 15 federal departments and agencies that collect statistical data and other information on foreign investment. Some of the data and information collected is considered business confidential and has not been routinely available to other federal agencies that may need it; further, some information lacks sufficient details to make it possible to analyze specific industry sectors and, in some cases, may be 2 or more years old when finally published.

**Foreign Investment:
Critique of Treasury Report on Major Industrial Country
Restrictions**

GAO/NSIAD-89-234, Sept. 21.

This report critiques the December 1988 Treasury Department survey of the Group of Seven (G-7) countries' laws and regulations on foreign direct investment. In general, GAO found that the Treasury Department report, entitled Survey of G-7 Laws and Regulations on Foreign Direct Investment, accurately describes the laws and regulations that G-7 countries have in place governing foreign direct investment. However, GAO notes that descriptions of formal requirements alone do not fully characterize a country's investment climate; informal restrictions or barriers can also be strong deterrents to prospective foreign investors.

Testimony

International Trade Administration Export Promotion Activities, by Allan I. Mendelowitz, Director of Trade, Energy, and Finance Issues, before the Subcommittee on Commerce, Consumer, and Monetary Affairs, House Committee on Government Operations. GAO/T-NSIAD-90-04, Oct. 18.

The United States, like all its major trade competitors, has a contingent of commercial officers in foreign countries to promote the export of U.S. goods and services. The U.S. and Foreign Commercial Service in the Department of Commerce is responsible for developing and carrying out export promotions programs. With its worldwide network of export promotion specialists, the Service is in a unique position to collect and analyze strategic commercial trade and economic data, facilitate specific trade transactions, and carry out trade promotion events. Unfortunately, the aggressive role envisioned by Congress for the Service has not been realized. GAO's past work has identified major budget, operational, and management problems that have limited the Service's effectiveness. However, GAO is encouraged by the current administration's renewed commitment to the Service.

Foreign Trade Zones Program Needs Clarified Criteria, by Allan I. Mendelowitz, Director of Trade, Energy, and Finance Issues, before the Subcommittee on Trade, House Committee on Ways and Means. GAO/T-NSIAD-90-05, Oct. 24.

To encourage U.S. participation in international trade, the Foreign Trade Zones Act of 1934 authorized the designation of secured zones at ports of entry within the United States that are legally considered outside U.S. Customs territory. Companies operating in a foreign trade zone may escape, postpone, or reduce tariffs and other restrictions on foreign goods that enter the zones. They may reexport zone products without incurring tariffs or send them into the U.S. market after paying applicable duties. For 35 years the FTZ program generated very little activity, but during the 1980s the numbers of authorized general purpose zones and subzones rapidly expanded, primarily by manufacturing firms desiring to avoid inverted tariffs. The most significant change in the character of the program has been the movement of the U.S. auto assembly industry into subzones; virtually all U.S. auto assembly plants are located in subzones, accounting for about 79 percent of all goods received in zones. The most important motivation for auto firms is the opportunity to reduce tariffs on imported parts, which average 4 percent but range as high as 11 percent, to the 2.5-percent rate for completed autos. The movement of the auto industry into subzones has

resulted in a reduction of federal tariff revenue collections. The FTZ Board has continued to approve subzones for the auto industry, although it seems clear that the marginal savings obtained through zone procedures neither provides U.S. plants with a meaningful competitive advantage against imported cars nor a significant incentive for locating production facilities in this country rather than overseas. GAO recommends that the Foreign Trade Zones Act be amended to provide guidance on the nature of significant public benefits that would justify a foreign trade zone or subzone grant and any related tariff revenue loss, specifying factors to be considered, such as exports, imports, employment, and investment.

Justice and Law Enforcement

Criminal Justice: Limited Data Available on Costs of Death Sentences

GAO/GGD-89-122, Sept. 29.

The Anti-Drug Abuse Act of 1988, which contained provisions mandating the death penalty for drug-related killings, required GAO to study the cost of imposing and carrying out the death sentence. GAO also agreed to look at both state and federal efforts to implement the Act's death penalty provisions and at the costs associated with these efforts. In addition, GAO gathered information on the four general stages of the criminal justice process—investigations, trial, appeals, and imprisonment—to determine their impact on death penalty costs. GAO found that federal data on the cost of implementing existing death penalty provisions are nonexistent. No one has been executed under federal statutes since 1963, and at the time of GAO's review, no federal prisoners were on death row. Further, as of September 1989, federal prosecutors had not sought to use the Act's death penalty provisions. At the state level, GAO found cost data to be limited. Of 37 states with death penalty laws, 34 had prisoners on death row. Yet few states had data on death penalty costs and even when available, the data were incomplete. While in recent years, studies and articles have often concluded that death sentence cases cost more than nondeath sentence cases, GAO found that these findings were not adequately supported. As of September 1989, little effort had been made to establish procedures for monitoring implementation of the Act's death penalty provisions. Officials believe there will be so few cases that the easiest way to obtain data will be to review individual cases.

**Drug Control:
Status of Plan to Use Federal Research and Development Facilities**

NSIAD-90-07BR, Oct. 13.

The Anti-Drug Abuse Act of 1988, which created the Office of National Drug Control Policy, directed the Office to develop a plan to use existing federal facilities to (1) develop technologies for application to federal law enforcement agencies and (2) provide those law enforcement agencies with research, development, technology, and evaluation support. The Act also directs GAO to monitor the development of this plan. GAO found that the Office expects to complete the plan and submit it to Congress on November 1, 1989. Although the Office is responsible for the plan, it has asked the Science and Technology Committee, an ad hoc group formerly a part of the disbanded National Drug Policy Board, to develop it. The Committee has obtained the services of a defense contractor with drug law enforcement technology experience to help develop the plan. While details of the plan are not yet known, GAO describes the main points the plan is expected to address.

**Import Duties:
Assessment of Duties on Unfairly Priced Imports Not Reviewed**

GAO/GGD-89-124, Sept. 29.

GAO was asked to determine whether or not procedures are in place to ensure that duties are assessed on unfairly priced foreign imports. Although the Customs Service gives the Department of Commerce a report on the assessment of special duties, referred to as "antidumping and countervailing duties," Commerce has not used the data to determine whether Customs has assessed the established amounts. Thus, Commerce, the agency that must administer these trade laws, is unsure whether U.S. industries are being protected from unfair foreign trade practices. GAO's tests showed, and Customs agreed, that Customs' report on the assessment of these duties contained inaccurate data. Customs has begun to try to improve data accuracy.

Testimony

Profitability of Customs Forfeiture Program Can Be Enhanced, by Richard L. Fogel, Assistant Comptroller General for General Government Programs, before the Subcommittee on Oversight, House Committee on Ways and Means. GAO/T-GGD-90-1, Oct. 10.

GAO testified on how effectively the Customs Service manages its non-cash seized assets, such as vehicles, boats, airplanes, real estate, jewelry, electronics, and textiles. Calculating Customs' return from its seized asset program is difficult because of data limitations. GAO found that whether the program is making money depends on whether calculations focus solely on contractors operations or include property placed in official use or transferred to state and local agencies. GAO believes Customs can further minimize the program's inherent vulnerability to fraud, waste, and abuse. Specifically, it needs to improve seizure case cost accounting; set minimum bid levels for sales of high value property; link contract fees to timely, economical disposals of property; and aggressively monitor key internal controls.

DOD Counter-Drug Activities: GAO Review of DOD's Compliance With FY 1989 DOD Authorization Act, by Frank C. Conahan, Assistant Comptroller General for National Security and International Affairs, before the Subcommittees on Legislation and National Security, and Government Information, Justice and Agriculture, House Committee on Government Operations. GAO/T-NSIAD-90-03, Oct. 17.

GAO discussed the results of its 3-week investigation of how DOD has implemented the enhanced counter-drug responsibilities mandated by the fiscal year 1989 DOD Authorization Act. GAO looked at what DOD has done with the \$300 million appropriated for these counter-drug responsibilities and discusses federal capabilities for interdicting airborne smugglers.

National Defense, Security, and Military Procurement

Contract Pricing: Dual-Source Contract Prices

GAO/NSIAD-89-181, Sept. 26.

GAO reviewed eight dual-source contracts awarded to four major defense contractors for the procurement of three DOD weapon systems. On four of eight contracts, contracting officers accepted the prices proposed by contractors as fair and reasonable because they believed adequate price competition existed. However, GAO's review showed that contracting officers would have had a sound basis for seeking reductions in the prices of three contracts by as much as \$28.9 million had they obtained insight into contractors' estimating methodologies, pricing strategies,

and supporting cost information. On the other four contracts, contracting officers employed pricing safeguards normally used on noncompetitive procurement to evaluate proposed prices. Use of the safeguards allowed contracting officers to negotiate contract prices that were more than \$30 million below the amounts that contractors proposed. While DOD has revised the Defense Acquisition Regulation Supplement in response to concerns over adequate price competition on dual-source contracts, GAO believes the revision does not provide adequate guidance to contracting officers for ensuring fair and reasonable prices because price analysis techniques were not an effective safeguard in pricing the dual-source contracts GAO reviewed.

**Military Presence:
U.S. Personnel in NATO Europe**

GAO/NSIAD-90-04, Oct. 6.

In this report, GAO describes the U.S. military presence in NATO Europe—more than 723,000 servicemen and women, U.S. civilian employees, dependents, and foreign national employees in 14 NATO countries, Greenland, and West Berlin. Ground forces are at about 175 locations and air forces are at over 30 bases. About three-quarters of all personnel and dependents are in West Germany and about three-quarters of all military personnel and civilian employees are under the operational control of the U.S. Commander in Chief; the others report to headquarters in the United States.

**Military Personnel:
Information on Active Duty Deaths and Survivor Benefits**

GAO/NSIAD-90-6FS, Oct. 20.

During fiscal years 1980 through 1988, the latest years for which complete data are available, GAO found that a total of 19,716 military personnel died while on active duty. Of these deaths, 327 resulted from hostile action, 12,271 from accidents (both on- and off-duty), 3,552 from illness or disease, 1,039 from homicide, 2,198 from suicide, and 329 from other causes. DOD, as well as the VA and the Social Security Administration, run several programs to help families and dependents of deceased military personnel. This report describes these programs, which include insurance, survivor benefits, and help with burial costs.

**Army Procurement:
Commercial Activity Study for Food Services at Fort Knox May Not
Include All Costs**

GAO/NSIAD-90-05, Oct. 6.

To determine whether food services at Fort Knox, Kentucky, should be provided by government workers or contracted out, GAO examined a Fort Knox study that showed an estimated savings of about \$6 million over a 55-month period by contracting for food service. As a result of this finding, Fort Knox awarded a "conditioned" contract for food services to Colbar, Inc. However, GAO found that Fort Knox's study contains a number of errors and unresolved issues that could materially affect the decision to convert the food service from a government to a contractor operation. The principal issue concerns how to account for the supervision of trainees, called "dining room facility attendants." GAO believes this issue needs to be satisfactorily resolved, and other elements of the cost comparison may need to be adjusted, before the Army makes its final decision on whether the food service should continue to be done in-house or contracted out.

**Munitions Development:
Status of the Direct Airfield Attack Combined Munitions**

GAO/NSIAD-90-16, Oct. 27.

This report addresses (1) the status of the Air Force's Direct Airfield Attack Combined Munitions (DAACM), which is currently under development as a runway cratering weapon; (2) the Air Force's requirement for DAACM; (3) the Air Force's plans for completing DAACM development; and (4) actual and projected costs of the DAACM program. The Air Force decided not to begin full-scale development of DAACM because the cratering weapon's effectiveness has not been proven against the improved runways found in the Warsaw Pact, DAACM's primary target. For this and other reasons, the Air Force decided it needed only \$1.1 million of the \$17 million requested for fiscal year 1990. As a result, Congress may want to reduce the Air Force's request for fiscal year 1990 funds by \$15.9 million.

**Close Air Support:
Comparison of Air Force and Marine Corps Requirements and Aircraft**

GAO/NSIAD-89-218, Sept. 19.

Close air support missions provide aerial firepower against enemy in close proximity to friendly forces. Although the Air Force now mainly uses the A-10 to provide close air support to the Army, it would like to replace the A-10 with a variant of the F-16—the A-16. The Marine Corps is generally expected to provide its own close air support and primarily uses the AV-8B. GAO compared the Army's and the Marine Corp's close air support mission requirements, determined how mission requirements are used to determine aircraft operational requirements, obtained the views of the Air Force and the Marine Corps on how their aircraft meet mission requirements, and compared procedures for requesting and executing close air support missions during combat.

**Strategic Bombers:
B-1B Program's Use of Expired Appropriations**

GAO/NSIAD-89-209, Sept. 5.

In evaluating the Air Force's proposed use of expired appropriations accounts by the B-1B program, GAO found that the modifications planned for the B-1B defensive avionics systems are within the scope of the original contracts. Therefore, the Air Force may use balances in the expired appropriations contract to fund the contract modifications. While GAO believes that additional oversight of the use of surplus fund balances is needed, it did not make any recommendations because of pending congressional action on this issue.

**Defense Budget:
Potential Reductions to DOD's Fiscal Year 1990 Ammunition Budget**

GAO/NSIAD-90-23, Oct. 23.

In their fiscal year 1990 budget requests, the military services asked for about \$2.7 billion for ammunition for training and the war reserve stockpile; the Army requested an additional \$174.3 million for ammunition production base support, including \$82.8 million for 14 projects to modernize and expand the ammunition production base. GAO concluded

that \$756.2 million, or 28 percent, of the services' \$2.7 billion ammunition request was not justified and should not be funded. GAO also concluded that the Army's ammunition production base support request could be reduced by about \$3 million.

**Air Force Budget:
Potential Reductions to Aircraft Procurement Budgets**

GAO/NSIAD-90-15, Oct. 5.

GAO identified \$817 million in potential reductions from the Air Force's procurement budgets for the AC-130U, F-16, common support equipment, MH-60G, LANTIRN, C-5B, F-15, and C-27. GAO's review identified potential reductions to the budgets for all programs except the F-15 and C-27. Although Air Force program officials agreed that certain funds might not be needed for the purposes for which they were originally budgeted, they do not believe that reductions should be made because the funds could be used for other purposes.

**Army Budget:
Potential Reductions to the Operation and Maintenance Budget**

GAO/NSIAD-90-24, Oct. 19.

GAO reviewed selected items in the Army's fiscal year 1990 operation and maintenance budget at the request of the House and Senate defense appropriations subcommittees. GAO identified net potential reductions of \$15.6 million in the flying hour program based on an inadequate justification for the requested increase and an historical underuse of funded flying hours by the active Army and the Army Reserve, and net potential reductions of \$15.6 million in the force modernization program due to changes in the number of systems that will be fielded and sustained during the budget year and the Army's overstated budget request.

**Depot Maintenance:
Air Force Defines Backlog Better, But Additional Efforts Are Needed**

GAO/NSIAD-89-211, Sept. 26.

Depot maintenance involves complex repairs, including major overhauls and rebuilding of parts. Needed repairs that are not done are referred to as backlog. Large increases in the backlog estimates for fiscal years

1988 and 1989, including a substantial increase in the projected Air Force depot maintenance backlog, caused Congress, the Office of the Secretary of Defense, and the Air Force to question the credibility of the estimates. This report discusses efforts by DOD and the Air Force to improve the credibility of depot maintenance backlog estimates, requirements, and funding requests. GAO recommends that the Air Force improve backlog identification and reporting.

**Navy Contracting:
Ship Chartering Practices of the Military Sealift Command**

GAO/NSIAD-90-01, Oct. 25.

The Military Sealift Command provides strategic sealift in part by chartering ships to transport DOD cargo, such as petroleum products and dry cargo. MSC also charters ships for special purposes required by DOD. GAO reviewed the circumstances surrounding the recent contract award for the charter of two tankers and a subsequent protest by Falcon Carriers, Inc., an unsuccessful offeror.

Testimony

Retired Pay of Lieutenant Colonel Oliver North, USMC (Retired), by James F. Hinchman, General Counsel, before the Senate Committee on the Judiciary. GAO/T-OGC-90-1, Oct. 18.

Following Colonel North's conviction on charges related to the Iran-Contra scandal, the Navy suspended the Colonel's pay as a retired military officer since the penalty for that particular offense included a prohibition against holding any federal office. In response to a request from the Navy for GAO's views on its actions, GAO concluded that there is serious doubt that a retired regular officer like Colonel North, who has been convicted of violating subsection 2071(b), continues to be entitled to retired pay. Over 100 years of legal precedent teaches us that retired regular officers continue to hold an office in their military service. They receive, not a pension for prior service, but reduced pay in return for current reduced responsibilities and obligations, including possible recall to active duty. It seems clear that a retired regular officer convicted of violating subsection 2071(b) could not thereafter be recalled to active duty because of the bar on holding any office under the United States. Therefore, allowing such an officer to keep his retired pay requires somehow separating that pay from the responsibilities and obligations for which he receives it. Colonel North has the right to challenge any denial of his pay by the Navy in the federal courts and obtain from them

a conclusive determination of his entitlement to be paid as a retired regular officer of the Marine Corps.

South Korea: Black Marketing of U.S. Provided Goods and Efforts to Prevent It, by Donna M. Heivilin, Director of Logistics Issues, before the Subcommittee on Oversight of Government Management, Senate Committee on Governmental Affairs. GAO/T-NSIAD-90-1, Oct. 19.

Black marketing is the act of transferring duty-free goods acquired from U.S. Forces Korea (USFK) commissaries, base exchanges, and other retail outlets to unauthorized individuals for profit or personal gain. Black marketing by U.S. military personnel and DOD civilian employees, their dependents, and others living in South Korea is widespread, based on the extent of goods from the USFK retail system in numerous Korean markets and stores. Also, retail sales rates indicate that the authorized population could not be consuming all of the merchandise sold, especially items popular on the black market, such as rice, hot dogs, cheese, and Chivas Regal scotch. In addition, the investigative case files and analyses of USFK enforcement groups also indicate that the problem is widespread. The USFK ration control system, which costs almost \$12.1 million per year, has weaknesses that make it ineffective in detecting and deterring black marketeers. Black marketing occurs, in part, because many of the system's current controls and procedures are frequently not enforced by the retail management and employees. Even when they are enforced, the system provides the black marketeers opportunity to stay within its limits and continue business. It also occurs because Korean tariffs make U.S.-imported goods into Korea very expensive. It is cheaper and easier to secure the goods from the established U.S. retail system illegitimately than to try and compete legitimately. Although the costs to the U.S. government are unknown, black market activities inconvenience and frustrate honest shoppers. They believe the control system is ineffective and they frequently cannot buy the items they want. They do not feel the Koreans are doing their part and would like to have the abuses of the system stopped.

Natural Resources

Testimony

Shortfalls in BLM's Management of Wildlife Habitat in the California Desert Conservation Area, by James Duffus III, Director of Natural Resources Management Issues, before the Subcommittee on Public

Lands, National Parks and Forests, Senate Subcommittee on Energy and Natural Resources. GAO/T-RCED-90-1, Oct. 2.

This testimony discusses the effectiveness of the Bureau of Land Management in protecting and enhancing wildlife and wildlife habitat. GAO is not optimistic about the future of wildlife and other conservation objectives on BLM lands in the California Desert unless BLM significantly changes the way it does business. BLM needs to request and receive enough funding and staffing to carry out the comprehensive California Desert Conservation Area plan it issued in 1980, which was designed to help balance competing demands on the desert's resources. BLM also needs to make an institutional commitment to focus more on the long-term health of the land than on the immediate needs of special interest groups.

Tax Policy and Administration

Tax Policy and Administration: 1988 Annual Report on GAO's Tax-Related Work

GAO/GGD-89-106, Sept. 29.

This report summarizes GAO's work on tax policy and administration during 1988. It provides abstracts of tax-related products issued in 1988, abstracts of tax-related products issued before 1988 with open recommendations to Congress, legislative actions taken in 1988 on GAO's recommendations, listings of open recommendations to Congress, and listings of recommendations made in 1988 to the Commissioner of Internal Revenue. The annual report notes that IRS has taken, or plans to take, action on most of GAO's 1988 recommendations and that various Members of Congress and committees used GAO's products in overseeing tax administration operations and in considering tax policy issues.

Tax Policy: Options for Civil Penalty Reform

GAO/GGD-89-81, Sept. 6.

In response to concerns voiced by tax administrators, practitioners, and others about various civil tax penalties, GAO analyzed proposals that respond to those concerns and provided its own recommendations for statutory changes to the existing system of penalties. While changes are needed to make civil penalties less complex, more equitable, and easier to administer, GAO believes care must be taken to retain the deterrent

value obtained from penalties now in the tax system. Civil tax penalties are a major tool in IRS' efforts to promote compliance with the Nation's tax laws. In terms of civil penalty reform, GAO looks at the deterrent value of existing policies and whether the penalty system maintains credibility and confidence among taxpayers.

Tax Policy:

Allocation of Taxes Within the Life Insurance Industry

GAO/GGD-90-19, Oct. 19.

The life insurance industry incurred more than \$13 billion in federal income taxes from 1984 through 1987—45 percent by mutual life insurance companies and 55 percent by stock life insurance companies. A matter of recent debate within the industry is whether the mutual companies are paying their fair share. Congress enacted section 809 of the Internal Revenue Code to make the definition of mutual company income more closely parallel that of stock company income. Section 809 taxes follow a pattern not normally associated with income taxes. GAO found that these taxes were higher for the mutual companies as a whole in years when their earnings were low, and vice versa; were regressive on the basis of company income because segmentwide averages dictated each company's taxes; and depended disproportionately on the behavior and performance of the larger mutual companies. After considering alternative methods for taxing mutual companies, GAO believes one approach offers particular advantages. Under it, mutuals could deduct dividends in calculating the company's income tax, but individual policyholders would owe tax on the portion of dividends that are a distribution of earnings, such as stockholders do. GAO summarized this report in testimony before Congress; see:

Allocation of Taxes Within the Life Insurance Industry, by Jennie S. Stathis, Director of Tax Policy and Administration Issues, before the Subcommittee on Select Revenue Measures, House Committee on Ways and Means. GAO/T-GGD-90-03, Oct. 19.

**Tax Administration:
Missing Independent Contractors' Information Returns Not Always
Detected**

GAO/GGD-89-110, Sept. 8.

In its analysis of over 900 IRS examinations completed in fiscal year 1988 in seven IRS districts, GAO estimates that half the time revenue agents did not identify businesses that failed to file required information returns. Nationally, these information returns are IRS' primary source for detecting taxpayers' unreported income, such as that of independent contractors. IRS estimates that billions of dollars are owed the government because independent contractors fail to report all of their income. IRS agrees that compliance checks need to be done more efficiently and it plans to establish minimum requirements for revenue agents to meet in doing compliance checks. Moreover, IRS field managers and quality reviewers will be required to stress the importance of doing compliance checks as well as enforce workpaper standards to ensure that the scope of the checks is sufficient. IRS is also looking into the reasons why information that summarizes business' information returns is not being used by revenue agents in doing the checks.

**Tax Administration:
Information Returns Can Be Used to Identify Employers Who Mis-
classify Workers**

GAO/GGD-89-107, Sept. 25.

When employers classify employees as independent contractors, they can reduce their tax liability by not having to pay social security and federal unemployment compensation taxes. In addition, IRS studies show that independent contractors tend to underreport their incomes because they do not have their taxes withheld. For 1987, IRS estimated that sole proprietors, many of whom are independent contractors, accounted for 34 percent of the \$48.3 billion tax gap caused by individuals who did not fully report their income. By matching independent contractors' income on their information returns with income on their tax returns, IRS can make its identification process, which now relies primarily on leads from third-party sources, more systematic. However, the Revenue Act of 1978 restricts IRS' authority to require certain employers to reclassify these workers, even for future years. The Act also prohibits IRS from assessing back taxes that should have been withheld and paid. In view of the equity issues and tax revenue involved, GAO notes that

Congress may want to consider repealing this restriction against requiring employers to prospectively reclassify employees who have been misclassified as independent contractors.

Transportation

Aviation Training:

FAA Aviation Safety Inspectors Are Not Receiving Needed Training

GAO/RCED-89-168, Sept. 14.

FAA's aviation safety inspectors are the core of the FAA safety team responsible for carrying out almost every facet of aviation, including the certification of aircraft, pilots, and mechanics. FAA inspectors are not receiving the training that FAA's managers say they need to effectively perform their assigned jobs. In 1988, less than 40 percent of the operations inspectors received the flight training that FAA says they must have to perform pilot flight checks, and airworthiness inspectors received less than 50 percent of the training that FAA said they needed. Although FAA has several initiatives underway, further improvements are needed in the aviation safety inspector training program.

Aviation Weather:

FAA Needs to Resolve Questions Involving the Use of New Radars

GAO/RCED-90-17, Oct. 12.

The Federal Aviation Administration is developing three systems to enhance its ability to disseminate hazardous weather information to pilots. The availability of weather information from these systems is vital to the safety of aviation. In 1986, the most recent year that data are available, weather was cited as a factor in almost 44 percent of all major airline accidents. GAO's report describes FAA's progress in preparing operational procedures for using and disseminating weather information from the Airport Surveillance Radar weather channel and the Terminal Doppler Weather Radar, and assesses the status and availability of initial weather services from the Aeronautical Data Link.

**Aviation Safety:
Chicago Center Work Force Views of the Air Traffic Control System**

GAO/RCED-89-205FS, Sept. 28.

This fact sheet highlights the controller and supervisor survey differences between individuals at the Chicago air traffic control center and those at all centers. In summary, Chicago center controllers and supervisors, overall, are more concerned than those at other centers about the extent and quality of developmental controllers' skills and training. At the same time, they are less concerned about meeting the need for controllers in the future because of the number of developmental controllers they already have. As with other controllers, Chicago center controllers expressed concern about working conditions, including too few full performance level controllers; too much work; too little overtime to cover training, leave, and other duties; inadequate quality of developmental training; and low morale. Additionally, they viewed airlines and pilots as contributing to controller difficulty and rated factors that made it difficult to keep the air traffic system safe. Supervisors shared many of these concerns.

Testimony

Meeting the Aging Aircraft Challenge: Status and Opportunities, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Aviation, House Committee on Public Works and Transportation. GAO/T-RCED-90-2, Oct. 10.

This testimony focuses on (1) the status of the many actions taken by FAA and the aviation industry to respond to the aging aircraft problem and (2) several opportunities FAA has to more actively deal with emerging aircraft maintenance problems. GAO concludes that while generally reasonable steps are underway to identify and solve the aging aircraft problem, FAA needs to develop a long-term plan for ensuring proper continuation of and accountability for those steps. GAO also believes that a follow-up system is needed for ensuring that appropriate actions are taken and progress is made by all concerned parties. While FAA could use resources more effectively, its need for more staff should also be considered.

Veterans' Affairs

Veterans' Benefits: Allegations Concerning Claims Adjudication at Wilmington, Delaware, Center

GAO/HRD-89-135BR, Aug. 31.

This briefing report addresses allegations about the adjudication of disability compensation claims at the VA's Medical and Regional Office Center in Wilmington, Delaware. GAO found that for the 2 years ending March 1989, the Wilmington Center failed to meet VA's timeliness standard for processing initial claims for disability benefits. Center officials attributed this to reduced staffing, decentralization of claims handling, and delays in getting medical examinations completed. The Wilmington Center has acted to improve timeliness in processing claims and the Center's timeliness in processing initial disability compensation claims has improved since 1987. Because the laws and rules covering Social Security Disability Insurance and VA disability differ, GAO found no basis for comparing the disability ratings of these two systems. GAO found no evidence to substantiate allegations that at the Wilmington Center (1) case reviews were incomplete because the rating board physician was unqualified, (2) service connection was not properly documented, or (3) quotas for denied claims were established. The briefing report also outlines other initiatives that Center officials told GAO about during the course of its investigation.



Order Form

GAO Form 458
(Rev 9-87)
Report Order Form

Check appropriate box, tear out entire form, and send to:
U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877

Be sure to include mailing label form on back cover.

SPECIAL PUBLICATION

Managing the Cost of Government:
Proposals for Reforming Federal
Budgeting Practices
GAO/AFMD-90-01, Oct. 1989.

AGRICULTURE AND FOOD

U.S. Department of Agriculture:
Interim Report on Ways to
Enhance Management
GAO/RCED-90-19, Oct. 26.

Food Assistance Programs:
Nutritional Adequacy of Primary
Food Programs on Four Indian
Reservations
GAO/RCED-89-177, Sept. 29.

School Lunch Program:
Buy American Procedures at
Commodity Schools
GAO/RCED-89-218, Sept. 26.

Testimony

Roles, Cost, and Criteria for
Assessing Agriculture Disaster
Assistance Programs Between
1980 and 1988
GAO/T-RCED-89-63, Sept. 20.

Issues Surrounding Under-
writing Standards Developed by
the Federal Agricultural Mort-
gage Corporation
GAO/T-RCED-89-71, Sept. 27.

BUDGET AND SPENDING

Testimony

Government-Sponsored
Enterprises
GAO/T-AFMD-89-16, Sept. 28.

The Budget Treatment of
Trust Funds
GAO/T-AFMD-90-1, Oct. 12;
GAO/T-AFMD-90-3, Oct. 18.

BUSINESS, INDUSTRY, AND CONSUMERS

Insurance:
Profitability of the Automobile
Lines of the Insurance Industry
GAO/GGD-90-04FS, Oct. 3.

Small Business:
Individual Sureties Used to Sup-
port Federal Construction Con-
tract Bonds
GAO/RCED-90-28FS, Oct. 3.

CIVIL RIGHTS

Equal Employment Opportu-
nity:
Actions Needed for FAA to
Implement Committee Recom-
mendations in the Airline Indus-
try
GAO/HRD-89-100, Aug. 18.

Discrimination Complaints:
Payments to Employees by Fed-
eral Agencies and the Judge-
ment Fund
GAO/HRD-89-141, Sept. 25.

ECONOMIC DEVELOPMENT

Testimony

Enterprise Zones
GAO/T-PEMD-90-5, Oct. 17.

EDUCATION

Supplemental Student Loans:
Who Borrows and Who Defaults
GAO/HRD-90-33FS, Oct. 17.

ENERGY

Nuclear Health and Safety:
DOE's Award Fees at Rocky
Flats Do Not Adequately Reflect
ES&H Problems
GAO/RCED-90-47, Oct. 23.

Nuclear Health and Safety:
Information on Award Fees Paid
at Selected DOE Facilities
GAO/RCED-90-60FS, Oct. 23.

Nuclear Health and Safety:
Information on a Quality Assur-
ance Problem at DOE's Savan-
nah River Site
GAO/RCED-90-61FS, Oct. 23.

Nuclear Health and Safety:
Policy Implications of Funding
DOE's K Reactor Cooling Tower
Project
GAO/RCED-89-212, Sept. 27.

Nuclear Waste:
DOE's Budgeting Process for
Grants to Nevada Needs Revi-
sion
GAO/RCED-90-20, Oct. 20.

Nuclear Science:
Better Information Needed for
Selection of New Production
Reactor
GAO/RCED-89-206, Sept. 21.

Federal Research:
Information on Site Selection
Process for DOE's Super Col-
lider
GAO/RCED-90-33BR, Oct. 4.

Testimony

Perspectives on the Potential
of Clean Coal Technologies to
Reduce Emissions From Coal-
Fired Power Plants
GAO/T-RCED-90-3, Oct. 18.

DOE's Award Fees at Rocky
Flats Do Not Adequately Reflect
Environmental, Safety, and
Health Problems
GAO/T-RCED-90-7, Oct. 24.

FINANCIAL INSTITUTIONS

Thrift Industry:
the Role of Federal Home Loan
Bank Advances
GAO/GGD-89-123, Sept. 21.

Testimony

Minimum Capital Require-
ment for Banks Under Risk-
Based Capital Standards
GAO/T-GGD-90-5, Oct. 25.

FINANCIAL MANAGEMENT

Inspectors General:
Status of the Department of
Justice's Office of Inspector
General
GAO/AFMD-90-31FS, Oct. 17.

Debt Collection:
Interior Is Acting to Improve Its
Collection of Civil Penalty Fees
GAO/AFMD-89-73, Aug. 16.

Surface Mining:
Inadequate Internal Controls
Cause Procurement Problems in
West Virginia
GAO/RCED-89-194, Sept. 6.

Financial Audit:
Federal Home Loan Bank
Board's 1988 and 1987 Finan-
cial Statements
GAO/AFMD-89-95, Sept. 29.

Financial Audit:
Veterans Administration's Finan-
cial Statements for Fiscal Years
1988 and 1987
GAO/AFMD-89-69, Sept. 15.

Financial Audit:
Environmental and Energy
Study Conference Financial
Statements for 1988 and 1987
GAO/AFMD-90-2, Oct. 13.

Financial Audit:
Saint Lawrence Seaway Devel-
opment Corporation's 1988
Financial Statements
GAO/AFMD-89-101, Sept. 29.

Financial Audit:
Civic Achievement Award Pro-
gram Financial Statements for
September 30, 1988 and 1987
GAO/AFMD-89-110, Sept. 26.

My address is incorrect on your mailing list. Please change as follows:

continued

Transportation Audits:
GSA's Accounting for Transportation Overcharges
GAO/AFMD-89-47, Aug. 30.

Prompt Payment:
State and Federal Payment-Timing Practices Are Similar
GAO/AFMD-89-91, Sept. 26.

GOVERNMENT OPERATIONS

Civil Agency Procurement:
Improvements Needed in Contracting and Contract Administration
GAO/GGD-89-109, Sept. 5.

Senior Executive Service:
Training and Development of Senior Executives
GAO/GGD-89-127, Sept. 29.

Federal Pay:
U.S. Park Police Compensation Compared With That of Other Police Units
GAO/GGD-89-92, Sept. 25.

D.C. Government:
Interim Report on Changes in Police Qualifications
GAO/GGD-90-06FS, Oct. 3.

Postal Service:
Sites for New Post Offices May Be Larger Than Needed
GAO/GGD-89-130, Sept. 29.

Testimony

Postal Service Real Estate Acquisition
GAO/T-GGD-90-2, Oct. 19.

Political Appointees in Federal Agencies
GAO/T-GGD-90-4, Oct. 26.

Bureau of Indian Affairs' Contract for Management and Operations of Indian Trust Funds
GAO/T-OGC-90-2, Oct. 26.

HEALTH

Medicare:
Impact of State Mandatory Assignment Programs on Beneficiaries
GAO/HRD-89-128, Sept. 19.

Medicare:
Program Provisions and Payments Discourage Hospice Participation
GAO/HRD-89-111, Sept. 29.

Medicaid:
Federal Oversight of Kansas Facility for the Retarded Inadequate
GAO/HRD-89-85, Sept. 29.

FDA Resources:
Comprehensive Assessment of Staffing, Facilities, and Equipment Needed
GAO/HRD-89-142, Sept. 15.

Employee Drug Testing:
DOT's Laboratory Quality Assurance Program Not Fully Implemented
GAO/GGD-89-80, Sept. 29.

Testimony

Health Insurance: Availability and Adequacy for Small Businesses
GAO/T-HRD-90-02, Oct. 16.

HOUSING

Homelessness:
Additional Information on the Interagency Council on the Homeless
GAO/RCED-89-208FS, Sept. 22.

Testimony

Improving the Efficiency of Federal Housing Subsidies
GAO/T-RCED-89-72, Sept. 29.

INCOME SECURITY

Social Security:
Resolving Errors in Wage Reporting
GAO/HRD-90-11, Oct. 17.

Private Pensions:
Impact of Vesting and Minimum Benefit and Contribution Rules in Top-Heavy Plans
GAO/HRD-90-4BR, Oct. 23.

INFORMATION MANAGEMENT

Export Promotion:
Problems With Commerce's Commercial Information Management System
GAO/NSIAD-89-162, Aug. 31.

ADP Planning:
SSA's February 1989 Report on Computer Modernization Is Incomplete
GAO/IMTEC-89-76, Sept. 25.

Justice Automation:
U.S. Trustees Bankruptcy Case Management System
GAO/IMTEC-89-73, Sept. 25.

Paperwork Reduction:
Mixed Effects on Agency Decision Processes and Data Availability
GAO/PEMD-89-20, Sept. 7.

Testimony

Social Security Administration's System Modernization Plan
GAO/T-IMTEC-89-11, Sept. 28.

Paperwork Clearance: It's Time for a Change
GAO/T-PEMD-90-6, Oct. 12.

INTERNATIONAL AFFAIRS

South Africa:
Feasibility of Imposing Additional Sanctions on Gold
GAO/NSIAD-89-232, Sept. 25.

Foreign AID:
AID's Malaria Vaccine Research Activities
GAO/NSIAD-90-09, Oct. 17.

Food AID:
AID's Management of Two Emergency Food Shipments
GAO/NSIAD-90-08, Oct. 12.

International Banking:
Exposure to Less Developed Countries
GAO/NSIAD-90-34FS, Oct. 16.

Foreign Investment:
Federal Data Collection on Foreign Investment in the United States
GAO/NSIAD-90-25BR, Oct. 3.

Foreign Investment:
Critique of Treasury Report on Major Industrial Country Restrictions
GAO/NSIAD-89-234, Sept. 21.

Testimony

International Government Procurement Issues
GAO/T-NSIAD-89-50, Sept. 27.

International Trade Administration's System Modernization
GAO/T-NSIAD-89-48, Sept. 28.

International Trade Administration Export Promotion Activities
GAO/T-NSIAD-90-04, Oct. 18.

Foreign Trade Zones Program Needs Clarified Criteria
GAO/T-NSIAD-90-05, Oct. 24.

JUSTICE AND LAW ENFORCEMENT

Criminal Justice:
Limited Data Available on Costs of Death Sentences
GAO/GGD-89-122, Sept. 29.

Drug Control:
Status of Plan to Use Federal Research and Development Facilities
NSIAD-90-07BR, Oct. 13.

Import Duties:
Assessment of Duties on Unfairly Priced Imports Not Reviewed
GAO/GGD-89-124, Sept. 29.

Testimony

Profitability of Customs Forfeiture Program Can Be Enhanced
GAO/T-GGD-90-1, Oct. 10.

DOD Counter-Drug Activities:
GAO Review of DOD's Compliance With FY 1989 DOD Authorization Act
GAO/T-NSIAD-90-03, Oct. 17.

NATIONAL DEFENSE, SECURITY, AND MILITARY PROCUREMENT

Contract Pricing:
Dual-Source Contract Prices
GAO/NSIAD-89-181, Sept. 26.

Military Presence:
U.S. Personnel in NATO Europe
GAO/NSIAD-90-04, Oct. 6.

Military Personnel:
Information on Active Duty Deaths and Survivor Benefits
GAO/NSIAD-90-6FS, Oct. 20.

Army Procurement:
Commercial Activity Study for Food Services at Fort Knox May Not Include All Costs
GAO/NSIAD-90-05, Oct. 6.

Munitions Development:
Status of the Direct Airfield Attack Combined Munitions
GAO/NSIAD-90-16, Oct. 27.

Close Air Support:
Comparison of Air Force and
Marine Corps Requirements and
Aircraft
GAO/NSIAD-89-218, Sept. 19.

Strategic Bombers:
B-1B Program's Use of Expired
Appropriations
GAO/NSIAD-89-209, Sept. 5.

Defense Budget:
Potential Reductions to DOD's
Fiscal Year 1990 Ammunition
Budget
GAO/NSIAD-90-23, Oct. 23.

Air Force Budget:
Potential Reductions to Aircraft
Procurement Budgets
GAO/NSIAD-90-15, Oct. 5.

Army Budget:
Potential Reductions to the
Operation and Maintenance
Budget
GAO/NSIAD-90-24, Oct. 19.

Depot Maintenance:
Air Force Defines Backlog Bet-
ter, but Additional Efforts Are
Needed
GAO/NSIAD-89-211, Sept. 26.

Navy Contracting:
Ship Chartering Practices of the
Military Sealift Command
GAO/NSIAD-90-01, Oct. 25.

Testimony

Retired Pay of Lieutenant
Colonel Oliver North, USMC
(Retired)
GAO/T-OGC-90-1, Oct. 18.

South Korea: Black Marketing
of U.S. Provided Goods and
Efforts to Prevent It
GAO/T-NSIAD-90-1, Oct. 19.

NATURAL RESOURCES

Testimony

Shortfalls in BLM's Manage-
ment of Wildlife Habitat in the
California Desert Conservation
Area
GAO/T-RCED-90-1, Oct. 2.

SOCIAL SERVICES

Testimony

Nationwide and State Data on
Youth Camp Safety and Health
Not Collected
GAO/T-HRD-89-27, Sept. 20.

TAX POLICY AND ADMINISTRATION

Tax Policy and Administration:
1988 Annual Report on GAO's
Tax-Related Work
GAO/GGD-89-106, Sept. 29.

Tax Policy:
Options for Civil Penalty Reform
GAO/GGD-89-81, Sept. 6.

Tax Policy:
Allocation of Taxes Within the
Life Insurance Industry
GAO/GGD-90-19, Oct. 19.

Tax Administration:
Missing Independent Contrac-
tors' Information Returns Not
Always Detected
GAO/GGD-89-110, Sept. 8.

Tax Administration:
Information Returns Can Be
Used to Identify Employers Who
Misclassify Workers
GAO/GGD-89-107, Sept. 25.

Testimony

Allocation of Taxes Within the
Life Insurance Industry
GAO/T-GGD-90-03, Oct. 19.

TRANSPORTATION

Aviation Training:
FAA Aviation Safety Inspectors
Are Not Receiving Needed
Training
GAO/RCED-89-168, Sept. 14.

Aviation Weather:
FAA Needs to Resolve Ques-
tions Involving the Use of New
Radars
GAO/RCED-90-17, Oct. 12.

Aviation Safety:
Chicago Center Work Force
Views of the Air Traffic Control
System
GAO/RCED-89-205FS, Sept. 28.

Testimony

Meeting the Aging Aircraft
Challenge: Status and Opportu-
nities
GAO/T-RCED-90-2, Oct. 10.

VETERANS' AFFAIRS

Veterans' Benefits:
Allegations Concerning Claims
Adjudication at Wilmington, Del-
aware, Center
GAO/HRD-89-135BR, Aug. 31.

Requests for copies of GAO reports should be sent to:

**U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877**

Telephone 202-275-6241

The first five copies of each report are free. Additional copies are \$2.00 each.

There is a 25% discount on orders for 100 or more copies mailed to a single address.

Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents.

Reports and Testimony: October 1989

Special Publication

Managing the Cost of Government: Proposals for Reforming
Federal Budgeting Practices

This report, the latest in a series on financial management issues, presents GAO's proposals for overhauling federal budget practices to provide policymakers and the public with a clearer and more accurate picture of the Nation's finances. The report recommends restructuring the current unified budget by reporting it in three major parts—general, trust, and enterprise funds—with each of these components divided into operating and capital amounts. Other proposals include reporting future costs not now included in budget documents, negotiating politically binding multiyear agreements on the broad shape of the budget, and otherwise streamlining the budget process to avoid fragmentation and duplication. Page 2.

047174 / 140103

About our new look: we have redesigned the monthly list of reports and testimonies into category headings that more currently reflect the issue areas in the General Accounting Office. We hope that you find this document easier to use.

Requests for copies of GAO reports should be sent to:

**U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877**

Telephone 202-275-6241

The first five copies of each report are free. Additional copies are \$2.00 each.

There is a 25% discount on orders for 100 or more copies mailed to a single address.

Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents.

**United States
General Accounting Office
Washington, D.C. 20548**

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

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