Reports and Testimony: March 1991

Highlights

Deposit Insurance

gao and the Administration propose sharply different strategies for reforming the banking system at a time when public confidence in it is threatened by so many weak or failing banks and the insurance fund's shakiest condition in 57 years. Page 13.

Federally Sponsored Research

Serious defects in how Stanford University calculated "overhead" costs for federally sponsored research, combined with lax Office of Naval Research oversight, led to significant overcharges to the government. Page 17.

Tax Administration

People who make more than $100,000 a year and don't file tax returns are less likely to be caught by the IRS than are average-income nonfilers, and wealthy late filers receive less scrutiny than do people who file on time. Page 51.
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Meeting the Energy Challenges of the 1990s:
Experts Define the Key Policy Issues


The nation's economy, environmental quality, defense, and international strategy are inextricably linked to energy choices. Past GAO work has identified five major issue areas associated with energy policy: energy supply and demand, energy and the environment, management challenges at the Department of Energy, DOE's nuclear weapons complex, and energy research and development. In July 1990, GAO sponsored a conference to examine emerging issues in these five areas. Representatives from government, industry, research institutions, and citizens' groups assessed the challenges facing the federal government, the states, and industry on these topics during the 1990s. This report is a compendium of the presentations made by attendees during five panel discussions.

U.S. Department of Agriculture:
Improving Management of Cross-Cutting Agricultural Issues

GAO/RCED-91-41, Mar. 12 (52 pages).

Traditionally, federal policies are set and implemented by the agencies responsible for a particular area. However, a growing number of issues—termed cross-cutting issues—must be dealt with by more than one agency. This is one of several GAO reports on the management of the U.S. Department of Agriculture, which is comprised of 36 agencies under the leadership of two under and seven assistant secretaries. In assessing the Department's effectiveness in managing cross-cutting issues and identifying ways for improving management of these issues, GAO focuses on three emerging issues: food safety, agricultural biotechnology, and water quality.
Civil Rights

Equal Employment: Minority Representation at USDA's National Agricultural Statistics Service

GAO/GGD-91-31BR, Mar. 18 (35 pages).

In response to allegations that the National Agricultural Statistics Service—part of the Department of Agriculture—had discriminated against blacks in selecting employees for its upward mobility program, GAO looked at equal employment opportunities at the Service. GAO found that with a few exceptions, the Service and USDA's Economics Management Staff, which provides management support to the Service, followed merit promotion procedures when choosing employees (six in all) for upward mobility positions between June 1988 and November 1990. GAO did find underrepresentation on an overall and occupational basis within the Service work force, a pattern that is most pronounced among Hispanics, white women, and black women in high paying professional jobs.

Economic Development

Disaster Assistance: Federal, State, and Local Responses to Natural Disasters Need Improvement

GAO/RCED-91-43, Mar. 6 (92 pages).

In 1989 Hurricane Hugo and the Loma Prieta earthquake caused billions of dollars in damage and hardship for hundreds of thousands of people. In response to congressional concerns about the timeliness, efficiency, and coordination of the federal response to these natural disasters, GAO reviewed how the Federal Emergency Management Agency and other federal agencies carried out their duties. In all phases of disaster management—preparedness, response, and recovery—GAO found problems that warrant federal, state, and local government attention. In particular, Congress may wish to consider providing FEMA with authority to act as a first response agency, where such assistance is warranted, and should consider authorizing FEMA to institute approaches that provide permanent, rather than temporary, housing to disaster victims.
Immigrant Education:
Information on the Emergency Immigrant Education Act Program

GAO/HRD-91-50, Mar. 15 (54 pages).

The Emergency Immigrant Education Act of 1984 was passed in response to the financial crisis facing school districts with large numbers of immigrant students. Although immigrant students account for only about six percent of the nation's school-aged children, their geographic concentration has increased the financial burden of school districts in California, Florida, New York, Texas, and elsewhere. GAO found that in school year 1989-90, about 80 percent of the funds provided by the act were used to support academic instructional programs; the remaining 20 percent were used for activities like student testing and counseling, parental involvement programs, and administrative services. GAO estimates that during school year 1989-90, 700,000 immigrant students met program eligibility criteria. About 136,000 of these immigrant children were spread among 4,000 school districts that received no funding under the act because they had too few eligible immigrant students to qualify or did not apply for funding. GAO estimates that, with the exception of the Chapter 1 Program for Educationally Disadvantaged Children, less than one-third of the students in the program participated in other federally funded education programs reviewed by GAO.

Perkins Student Loans:
Need for Better Controls Over Loans Recovered From Closed Schools

GAO/HRD-91-70, Mar. 27 (eight pages).

The Perkins Student Loan Program assists postsecondary schools in providing 10-year, five-percent loans to financially needy students. During the 1989-90 school year, over 3,000 schools participated in the program and disbursed about $883 million in loans. Department of Education records indicate that over the past three years, 71 schools participating in the program have shut down. Yet GAO found that the Department lacks (1) adequate guidance for accurately determining the value of assets due from closed schools and (2) a system for calculating and reconciling the value of assets returned from the schools with the amounts due. As a result, the Department does not know whether all Perkins assets are being recovered and accounted for. GAO also found that Perkins loans recovered from closed schools are not being promptly entered into the Department's debt-collection system. Consequently,
these loans are not being serviced, which involves billing, collecting payments, and contacting borrowers in default. As of June 1990, the Department had a 10-month backlog of loans to be serviced, and the Department anticipates a rise in school closures in the future.

**Employment**

**Workers at Risk:**
Increased Numbers in Contingent Employment Lack Insurance, Other Benefits

GAO/HRD-91-56, Mar. 8 (30 pages).

This report examines the “contingent” work force—nontraditional work arrangements like part-time, temporary, and contract employment. GAO found that a large segment of the work force—estimated at about 32 million—have jobs that no longer fit the description of traditional, full-time permanent employment; this segment of the work force is expected to grow in coming years. Many of these workers, particularly those who head families, lack the economic protections enjoyed by their full-time counterparts. Part-time workers generally receive lower pay and fewer benefits than do workers in comparable full-time jobs. For example, one in five part-time workers lacks health insurance, and only 10 percent of part-time workers are included in their employers’ pension plans. Nontraditional workers often do not qualify for federal/state worker and income security protection programs. Accordingly, many of these individuals, especially those supporting families, may slip more easily into poverty. The absence of data on contingent workers has sharply limited the analysis that can be done of the problems these workers may face and the related policy consequences.

**Workforce Issues:**
Employment Practices in Selected Large Private Companies


As part of an effort to assess the government’s ability to attract and retain employees, GAO examined employment practices in the nonfederal sector that may have applications in the government. GAO surveyed large companies with many employment locations around the country. This report presents the results of that survey concerning recruiting and hiring practices; benefit programs; pay practices; and other programs—
planned or in place—dealing with family concerns, alternatives to traditional work arrangements, older workers, and managing an increasingly diverse workforce.

Testimony

Use of Permanent Strike Replacements, by Franklin Frazier, Director of Education and Employment Issues, before the Subcommittee on Labor-Management Relations, House Committee on Education and Labor. GAO/T-HRD-91-9, Mar. 6 (five pages).

The National Labor Relations Act of 1935 allows workers to strike and prohibits employers from firing them for striking. However, the U.S. Supreme Court ruled three years later that employers are not prevented from hiring employees to temporarily or permanently replace workers who strike for economic reasons like wages. The 1980s experienced about half as many strikes as did the 1970s, according to GAO, which estimates that permanent replacements were hired in about 17 percent of the strikes in 1985 and 1989. GAO found little difference in the use of permanent strike replacements by employers in large versus small strikes. It estimates that about 45 percent of the employers and about 77 percent of the union representatives involved in strikes reported to the Federal Mediation and Conciliation Service in 1985 and 1989 believe that permanent replacements were hired less often between 1975 and 1980 than between 1985 and 1990.

Child Labor: The Characteristics of Working Children in the United States, by Franklin Frazier, Director of Education and Employment Issues, before the Subcommittee on Labor, Senate Committee on Labor and Human Resources, and before the Subcommittee on Children, Family, Drugs and Alcoholism, Senate Committee on Labor and Human Resources. GAO/T-HRD-91-13, Mar. 19 (11 pages).

To protect children from oppressive working conditions, legislation passed in the 1930s limited the number of hours that children under 16 could work, set minimum age standards for work in certain occupations, and restricted employment in specific hazardous jobs for youths under age 18. GAO testified on the characteristics of working children today; the extent of violations of federal child labor regulations; serious workplace injuries suffered by working children, and fines imposed by the Department of Labor for child labor violations, which averaged $212 per violation in fiscal year 1990. Among the major points made by GAO was that in 1988 over one-fourth of all 15-year-olds and one-half of all 16- to 17-year-olds worked some time during the year—over 4 million
children in all. Significantly, detected child labor violations have soared 340 percent since 1983. Low-income and minority children are less likely to be hired than high-income and white children, GAO indicated. Further, when employed, low-income and minority children are more likely to be working in agriculture or other "hazardous" industries like manufacturing or construction.

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**Energy Management:**

**Better DOE Controls Needed Over Contractors' Discretionary R&D Funds**

GAO/RCED-91-18, Dec. 5 (46 pages).

Nine multiprogram laboratories at the Department of Energy spent about $123 million on discretionary research and development during fiscal year 1989. In light of past instances of uncontrolled use of certain R&D funds by the laboratories, GAO examined the authority, need for, use of, and controls over the use of discretionary R&D funds at DOE's Lawrence Livermore, Sandia, and Los Alamos National Laboratories. GAO believes that the absence of any formal DOE studies aimed at assessing the benefits resulting from the multiprogram laboratories' discretionary R&D activities leaves open to question DOE's plans to significantly increase the funding levels for these activities. The vague wording of DOE's existing criteria for the use of discretionary R&D funds makes judgments about appropriate and inappropriate uses of funds difficult at best. GAO found that DOE's management controls are weak over the administration and use of discretionary R&D funds at the three laboratories visited. Further, DOE has not formally reviewed, nor set a funding ceiling applicable to, the Basic Research Component of Los Alamos' program. DOE acknowledges these weaknesses and has recently developed draft guidance to correct them. GAO summarized this report in testimony before Congress; see:

Nuclear Safety and Health:
Problems With Cleaning Up the Solar Ponds at Rocky Flats

GAO/RCED-91-31, Jan. 3 (13 pages).

The Rocky Flats Plant, a key facility for plutonium production, has been plagued with environmental problems. One of the highest priority cleanups has involved Rocky Flats' solar evaporation ponds, which were used to store and evaporate low-level radioactive and hazardous liquid waste. Because the ponds are suspected of leaking and contaminating ground water, DOE has been removing the sludge from the bottom of the ponds, mixing it with concrete, casting the mixture into large blocks, and removing the blocks for disposal elsewhere. DOE puts total cleanup costs at more than $100 million. However, significant problems have slowed the removal of the waste from the ponds and completion of the project. Soon after the project began, DOE discovered that the waste from the pond actually contained low concentrations of hazardous rather than low-level waste. Further, because the contractor improperly mixed the concrete and the sludge, the resulting blocks began to break apart. The Rocky Flats contractor has tried to correct these problems, and DOE has begun to improve program control, including the development of a detailed program plan. However, substantial work on the solar ponds remains, including remixing and repackaging more than 8,000 blocks. In addition, DOE estimates that up to 20,000 more blocks may be produced during the cleanup.

Nuclear Health and Safety:
Efforts to Strengthen DOE's Health and Epidemiology Programs

GAO/RCED-91-57, Feb. 5 (23 pages).

Given its dual roles of producing nuclear weapons and assessing the potential hazards associated with running its facilities, has DOE effectively managed its health and health effects (epidemiology) research programs? During the 1980s, several external reviews pointed out that DOE had not effectively overseen its health programs, lacked credibility in its health effects research activities because it restricted public involvement and independent assessment of its research data, and did not standardize the collection of pertinent data on the health of its workers. In March 1990, DOE announced several initiatives to address these problems. These measures included the development of an occupational health and epidemiology program; the transfer of long-term health effects' studies to the Department of Health and Human Services;
the establishment of an advisory committee to oversee DOE'S environmental, safety, and health activities; and the design of a data base to store and retrieve data. GAO concludes that while these initiatives are positive steps, their success will depend on DOE'S ability to obtain the necessary resources and to follow through on its commitment to allow an independent assessment of its activities.

Nuclear Security:
Accountability for Livermore's Secret Classified Documents Is Inadequate

GAO/RCED-91-65, Feb. 8 (14 pages).

DOE'S Lawrence Livermore Laboratory in California generates and controls large amounts of classified documents relating to the research and testing of nuclear weapons. GAO discovered that the laboratory cannot locate a substantial number of these secret documents, which cover a range of topics including nuclear weapons and laser design. A recent internal inventory of secret documents at the laboratory listed over 12,000 secret documents as missing. In addition, accountability for secret documents in the laboratory's custody is inadequate. About 108 groups manage and control secret documents at the laboratory. As a result, practices vary, and laboratory management cannot ensure that secret documents are being effectively managed or controlled overall. Furthermore, DOE has not provided adequate oversight of the laboratory's secret document control program. Although neither DOE nor laboratory officials believe that the missing documents have been lost or stolen, an assessment of the potential for compromise to the national security has yet to be made.

Energy Security:
Federal Responses to December 1989 Heating Fuel Shortages Were Limited

GAO/RCED-91-7S, Feb. 20 (26 pages).

The severe and unanticipated cold spell in December 1989 led to fuel shortages in this country. While fuel demand increased as a result of the extremely cold temperatures, the distribution systems were unable to move heating fuel from refineries and storage terminals to areas with shortages. GAO notes that delays in processing Jones Act waivers, which would have allowed the use of foreign-flagged vessels to ship heating fuels between U.S. ports, contributed to supply problems. In addition,
limitations in the data that DOE's Energy Information Administration collected on heating oil supplies reduced its ability to predict or respond to supply shortages. Finally, utilities and commercial and industrial customers with interruptible natural gas contracts had gas services discontinued and entered distillate and propane markets, thus reducing the availability of these fuels to residential consumers. GAO summarized this report in testimony before Congress; see:


Energy Policy:
Evolution of DOE's Process for Developing a National Energy Strategy

GAO/RCED-91-76, Feb. 21 (13 pages).

Recognizing the need for a comprehensive U.S. energy policy, the President and the Secretary of Energy began developing such a plan in 1989. Recent energy trends and the war in the Persian Gulf have again underscored this need. This report provides information on the process DOE has used in developing the National Energy Strategy. GAO discusses the original plans DOE had for developing the National Energy Strategy and obtaining public review of it, and the subsequent revisions to these plans.

Gasoline Marketing:
Premium Gasoline Overbuying May Be Occurring, but Extent Unknown


Are consumers needlessly buying higher priced premium unleaded gasoline for their cars when regular unleaded gasoline would meet their needs? Although not conclusive, indications are that consumers may be overbuying premium gasoline. For example, both government and industry studies show that premium gasoline sales, as a percentage of gasoline sales, exceed the percentage of vehicles on the road that require premium gasoline. In analyzing nationwide averages of gas sales along with retail and refiners' prices, GAO found that the price difference between premium and regular gasoline established at the refinery was
about the same as the price difference between the two grades of gasoline set at the retail pump. Two factors that contribute to the higher price of premium over regular gasoline are the costs of additional processing to increase the octane level and the cost of more or better additives that may be included in premium gasoline.

Testimony

Nuclear Safety and Health: Nonconforming Products Are a Governmentwide Problem, by Judy A. England-Joseph, Associate Director for Energy Issues, before the Senate Committee on Governmental Affairs. GAO/T-RCED-91-9, Mar. 6 (12 pages).

The full extent of nonconforming parts usage in the federal government is unknown. However, large and small companies, both foreign and domestic, have sold nonconforming parts—including counterfeit and substandard items—to nuclear power plants, commercial and military aircraft, naval ships, weapons systems, and the space shuttle. Accidents resulting from the failure of nonconforming parts could be devastating, GAO testified. To eliminate this problem, GAO believes that an aggressive, governmentwide approach is needed, one that would ensure that federal agencies cooperate and share information about nonconforming products. While a centralized information system may not stop the proliferation of nonconforming products, it should help federal agencies make informed decisions about potential suppliers and products. GAO concludes that the Office of Management and Budget is in the best position to develop an effective, appropriate, and cost-beneficial plan to help resolve the problem of nonconforming parts.


Due to the shutdown of its nuclear production reactors at Savannah River, South Carolina, DOE has not manufactured tritium—a radioactive material used in nuclear weapons—since 1988. Projected U.S. defense tritium requirements have fallen dramatically as a result of anticipated nuclear weapons retirements. While DOE has recently made changes to its Savannah River restart and new production reactor programs, GAO believes that additional time is now available, if needed, to evaluate (1) outstanding safety and environmental issues before restarting the Savannah River reactor and (2) when the reactors should be restarted.
DOE also has additional time to reconsider the capacity and choice of technology of new tritium production.


In this testimony, GAO characterizes DOE's January 1991 "Nuclear Weapons Complex Reconfiguration Study" as a starting point for reaching agreement on solutions to many of the complex's safety and environmental problems. Key decisions still need to be made about the size of the complex, where to relocate plutonium operations, what technologies to use for new tritium production, and what to do with excess plutonium. The total cost for reconfiguring and modernizing the complex is still uncertain, and some management issues remain unresolved. Congress faces a difficult task in making these decisions given the conflicting demands for scarce resources in a time of growing budget deficits and war in the Persian Gulf.

Environmental Protection

Coast Guard: Millions in Federal Costs May Not Be Recovered From Exxon Valdez Oil Spill

GAO/RCED-91-68, Mar. 5 (49 pages).

As of June 30, 1990, the federal government reported spending almost $154 million to help clean up the Exxon Valdez oil spill. However, the federal government may recover only $123 million or about $31 million less than reported. The federal government also will not recover millions of dollars more in spill-related costs that went undocumented and unreported. This report discusses (1) the reasons for the limited recovery of costs and (2) the need for improvements in the reimbursement process.

Testimony

Observations on the Environmental Protection Agency's Budget Request for Fiscal Year 1992, by Richard L. Hembra, Director of Environmental Protection Issues, before the Senate Committee on Environment and Public Works. GAO/T-RCED-91-14, Mar. 7 (13 pages); and

Observations on the Environmental Protection Agency's Budget Request for Fiscal Year 1992, by Richard L. Hembra, Director of Environmental Protection Issues, before the Senate Committee on Environment and Public Works. GAO/T-RCED-91-14, Mar. 7 (13 pages); and
Protection Issues, before the Subcommittee on VA, HUD and Independent Agencies, Senate Committee on Appropriations. GAO/T-RCED-91-22, Mar. 13 (13 pages).

In testimony on the Environmental Protection Agency's budget request for last year, GAO described environmental problems facing the nation that were not fully addressed by the agency's request for funds. In this testimony on the EPA's requested budget for fiscal year 1992, GAO moves beyond such a description of unmet needs and provides a perspective on how the nation might begin to balance environmental protection goals with budget realities.

Financial Institutions

Deposit Insurance: A Strategy for Reform

GAO/GGD-91-26, Mar. 4 (196 pages).

Effective bank supervision is a crucial issue in congressional deliberations about deposit insurance reform. While the deposit insurance program has generally succeeded in providing stability to the nation's banking system since the Great Depression, this stability has come at a price: possible taxpayer financing of deposit insurance shortfalls. In GAO's view, reform must preserve the benefits of deposit insurance but reduce the potential costs to taxpayers arising from insurance shortfalls. Reform is needed because banking is no longer the protected industry it once was; banking risks are greater today because competition is greater. GAO has developed a three-part deposit insurance reform proposal. First, GAO seeks to strengthen bank regulation and management by giving regulators the mandate, information, and resources needed to quickly resolve problems at all banks—particularly larger ones—when difficulties first surface. Second, GAO believes that the economic incentives of depository institutions should be changed through strengthened capital requirements, risk-based insurance premiums, and other means to ensure that owners, managers, and creditors—not the taxpayers or the insurance fund—bear most of the costs of bank failures. Third, GAO proposes updating bank holding company structure and regulation to reduce risks to the banking system and to prepare for financial system modernization if expanded powers for banks and other financial institutions are judged desirable by Congress. GAO summarized this report in testimony before Congress; see:
Deposit Insurance: A Strategy for Reform, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Banking, Housing, and Urban Affairs. GAO/T-GGD-91-12, Mar. 7 (26 pages).

Testimony


Strengthened bank supervision is at the top of GAO's agenda for deposit insurance reform. In this testimony, the Comptroller General discusses how the three bank regulators—the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Federal Reserve System—use their enforcement powers to deal with banks identified as having difficulty in meeting minimum capital standards. GAO looked at 72 problem banks across the country to see how regulators enforced safe and sound banking practices. This study yielded two main observations. First, regulators focused on measures of capital, not the underlying causes of capital depletion, and were reluctant to act until minimum capital was depleted to or below required levels. This means that regulators were not seizing the earliest opportunity to correct emerging problems. Second, when regulators used the most forceful actions, the banks were more likely to improve. Overall, GAO found 37 instances where it believes that regulators could and should have taken more forceful action, leading GAO to conclude that regulators may not be using the tools and authorities available to them in the most effective way possible. The Comptroller General believes that while the existing enforcement process is not broken beyond repair, major reform is needed to ensure safe and sound banking and to protect the deposit insurance fund.

Financial Management

Financial Management: Interior's Implementation of the Federal Financial System

GAO/AFMD-91-29DR, Mar. 6 (27 pages).

Because its accounting operations were badly in need of enhancement or repair, the Department of the Interior decided to modernize them with a single, standard accounting system known as the Federal Financial
System. This report examines Interior's progress in its accounting system replacement effort. GAO found that while Interior originally planned to install the system in its bureaus and major offices by October 1990, completion has been delayed until 1992. Interior estimates that by the end of fiscal year 1991, the total cost will be about $39 million. In GAO's view, overall leadership for the replacement effort included a number of positive aspects, including closely tracking resolution of implementation problems encountered by the bureaus and major offices. Even so, some Interior bureaus have experienced implementation problems, including deferral by the National Park Service of some system features and delays by the Bureau of Indian Affairs in testing the system and training its users. These difficulties could have been lessened had required studies and analysis been done before instituting the Federal Financial System project. Interior requires such studies when its bureaus start on major, new automated system projects.

Financial Reporting:
Framework for Analyzing Federal Agency Financial Statements


The Chief Financial Officers Act of 1990 set forth a centralized financial management structure for the federal government in which chief financial officers are to be established in each agency. These individuals will be responsible for preparing annually a description and analysis of the status of financial management at their agency. This staff study provides a framework that can help in analyzing federal department and agency financial statements. GAO's framework consists of three components: attributes, measures and indicators, and analytical techniques. As a case example, GAO analyzed the financial statements issued by the Department of Veterans Affairs for fiscal years 1986 through 1989.

Financial Audit:
Savings Association Insurance Fund's 1989 Financial Statements


The Savings Association Insurance Fund was created in 1989 to provide deposit insurance to thrifts after the Federal Deposit Insurance Corporation was dissolved. This report presents GAO's opinion on the financial statements of the Fund between August and December 1989, disclosing that the Fund's statements present fairly, in all material respects, its financial position and the results of its operations and cash flows. While
the Fund will receive at least $2 billion annually during fiscal years 1992 through 1999, the Fund's ability to maintain adequate capital levels and to provide insurance protection to depositors is directly dependent on the number and cost of savings institutions that it must resolve. GAO discusses various estimates of the number and cost of savings institutions that will require resolution after August 9, 1992, when the Fund will be fully responsible for assisting troubled thrifts; the availability of funds necessary for their resolution; and the resulting impact on the Fund. According to one estimate, the Fund may confront significant costs, perhaps even a backlog of failed institutions, when it assumes resolution responsibility. Under these conditions, the Fund may be insolvent, or close to it, when it assumes the duties of deposit insurer in 1992.

Financial Audit:
Forest Service's Financial Statements for Fiscal Year 1988

GAO/AFMD-91-18, Mar. 18 (36 pages).

This report presents the results of GAO's examination of the Forest Service's financial statements for fiscal year 1988. GAO discovered material weaknesses in the Forest Service's system of internal accounting controls that affect the Service's ability to prepare accurate and reliable external financial reports, including its year-end report to the Department of the Treasury and the Office of Management and Budget. The Forest Service recognizes and has begun to correct some of these weaknesses. Until these weaknesses are addressed, however, GAO believes that the Forest Service may have difficulty preparing future financial statements within the timeframes prescribed by the Chief Financial Officers Act of 1990. Concerning the Forest Service's compliance with laws and regulations, GAO notes that the Service has previously reported two violations of the Anti-Deficiency Act. For the transactions GAO tested, the Service complied with provisions of other laws and regulations that could have materially affected its financial statements.

Financial Audit:
House Stationery Revolving Fund Statements—June 30, 1990 and 1989

GAO/AFMD-91-47, Mar. 21 (13 pages).

The House of Representatives Stationery Revolving Fund provides financing for the Office Supply Service, which furnishes Members of
Congress, committees, and the like with stationery and office supplies.

GAO audited the balance sheets of the Fund as of June 30, 1990 and 1989, and the related statements of operations and cash flows for those years. In GAO's opinion, the Fund's financial statements present fairly, in all materials respects, the financial position of the Fund for those years, and the results of its operations and cash flows, in conformity with generally accepted accounting principles.

Testimony

Federally Sponsored Research: Indirect Costs Charged by Stanford University, by Milton J. Socolar, Special Assistant to the Comptroller General, before the Subcommittee on Oversight and Investigation, House Committee on Energy and Commerce. GAO/T-RCED-91-18, Mar. 13 (30 pages).

Since World War II, the federal government has been the leading supporter of research at universities—a role that generally has been seen as beneficial both for the universities and for the nation. Of the $69 billion earmarked for federal research and development in fiscal year 1991, an estimated $9.2 billion—over 13 percent of all federal R&D funding—will be spent on research activities at U.S. colleges and universities. Despite the generally good relationship between the government and the university community, tension and concern have arisen over rising charges for indirect costs. At Stanford University, GAO uncovered serious deficiencies in cost allocation and charging practices that, combined with inadequate oversight by the Office of Naval Research, have resulted in serious overcharging to the government. GAO testified that Stanford billed a variety of unallowable and inappropriate costs to federal research in 1986, including depreciation for a yacht, installation costs for a cedar-lined closet, and purchases of floral arrangements and sterling silverware. While Stanford and the government are taking positive steps to bring this situation under control, GAO testified that it is already looking beyond Stanford to discover the magnitude of these problems at other universities and—if so—what can and should be done to protect the government’s interest.
Unclaimed Properties: Value of Federal Funds Held by the District of Columbia is Minimal

GAO/AFMD-91-38, Feb. 6 (13 pages).

Each year, unclaimed properties are reported to the District of Columbia's Unclaimed Property Division, which lists only the owners' names and addresses in local newspapers in an effort to notify them of the existence of unclaimed property. GAO found that only 45 of the 8,740 unclaimed properties the District of Columbia listed in 1989 belonged to federal agencies. Forty-one of the properties, with a total value of $30,699, were checks for refunds or payments due federal agencies. Federal agencies have claimed only about $3,000 of that amount after having been notified by the holder of the property or the District of Columbia. The Office of Management and Budget is now considering several options for making federal agencies aware of the unclaimed federal properties in the possession of state or local entities and the need for agencies to reclaim these properties.

Mail Management: Improved Social Security Mail Management Could Reduce Postage Costs

GAO/GGD-91-34, Feb. 13 (23 pages).

This report—one in a series on how federal agencies can improve management of their mail operations—looks at how the Social Security Administration, one of the largest civilian agency mailers, could reduce postal costs through improved mail management. GAO found that while SSA's mail managers have begun some mail cost reduction measures, more needs to be done. SSA's mailing initiatives cut fiscal year 1989 postage costs by about $16 million. However, SSA could have further reduced mail costs by (1) using a nine-digit ZIP Code on first-class, computer-generated mail; (2) presorting first-class, computer-generated mail from large volume mailing locations; and (3) printing a barcode on outgoing mail where applicable. In addition, SSA could have reduced overpayments to the U.S. Postal Service resulting from overstating anticipated postage costs. Further, SSA lacks a multi-year mail management plan with goals and timetables for making mail management improvements.
Mail Management:
The Department of Veterans Affairs Can Further Reduce Its Postage Costs

GAO/GGD-91-44, Mar. 19 (10 pages).

This report—one in a series on how federal agencies can improve management of their mail programs—looks at how the Department of Veterans Affairs could reduce postage costs through improved mail management. VA incurred $48 million in postage costs during fiscal year 1989 and obtained about $6.3 million in postage discounts. However, GAO believes that VA could save an additional $4 million each year by sending more prescription and other drugs via fourth-class mail. The concerns of VA medical centers about the timeliness of fourth-class mail service in some areas, while valid, could be overcome by changing VA’s prescription renewal policy or by using alternative private sector mail carriers when fourth-class service is considered inadequate.

Mail Management:
Labor Programs Run by States Could Reduce Postage Costs

GAO/GGD-91-43, Mar. 20 (eight pages).

This report—one in a series on how federal agencies can improve management of their mail programs—looks at how the Department of Labor could reduce postage costs at State Employment Security Agencies. These agencies, which administer the federal-state unemployment insurance and the public employment service programs throughout the country, incurred $90.1 million in postage costs in fiscal year 1989. GAO believes that Labor could reduce its annual mailing costs $4.8 million by persuading the agencies to use more presorting and another $1.9 by persuading the agencies to include the nine-digit ZIP code on their mail. However, the agencies have little incentive at present to minimize postage costs because they would not directly benefit from any resulting savings. To reap benefits from presorting, Labor will need either to provide more funding to the agencies for equipment and software or to encourage the agencies to use outside contractors. The second option would reduce annual savings by $2.4 million in annual savings, although the agencies would be able to avoid investing in equipment and software.
Navy Office Space:
Cost Estimate for Consolidating the Naval Systems Commands May Be High

GAO/GGD-91-61, Mar. 8 (15 pages).

GAO reviewed the General Services Administration's cost estimates for locating the Naval Systems Commands offices in Northern Virginia. To cover all construction and land acquisition costs, Congress appropriated $240 million for the facility and an additional $10 million for contingencies. GAO recognizes that construction cost estimating, particularly for land costs, is often imprecise and subject to differences based on the assumptions used for many unknowns. As a result, neither GAO's estimate nor GSA's estimate should be taken as definitive. However, GAO concludes that GSA's cost estimate of $273.8 million for 1 million square feet of occupiable space may be high; GAO's estimate for the proposed facility is $257.8 million. Until offers are received and evaluated by GSA in late 1991, the contract costs will remain unknown.

1990 Census Adjustment:
Estimating Census Accuracy—A Complex Task

GAO/GGD-91-42, Mar. 11 (33 pages).

Decennial census counts play an important role in reapportioning the House of Representatives and in redrawing congressional, state, and municipal legislative district lines. However, the census has historically undercounted the population, especially black persons; undercounting can create inequities in political representation and the distribution of federal funds. GAO reviewed the Census Bureau's procedures for estimating the accuracy of the census counts in the 1988 dress rehearsal—the final precensus test. This report focuses on the post enumeration survey, which is the key census activity for a possible adjustment. GAO discusses a number of major hurdles to completing a high-quality post enumeration survey in 1990. GAO summarized this report in testimony before Congress; see:

Preparations for a Possible Census Adjustment, by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on Government Information and Regulation, Senate Committee on Governmental Affairs, and before the Subcommittee on Census and Population, House Committee on Post Office and Civil Service.

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

GAO/GGD-91-71, Mar. 29 (four pages).

The District of Columbia Retirement Reform Act provides for annual federal payments to the District of Columbia Police Officers and Fire Fighters' Retirement Fund. These payments, however, are to be reduced.
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