



Reports and Testimony: September 1990

Highlights

The Budget Deficit

Calling the budget deficit "out of control" and the current goal to cut it \$500 billion over five years only a "first step" toward securing long-term economic health, GAO proposes fiscal policy options that Congress and the Administration should consider to yield an overall surplus by 1997. Page 4.

Bank Insurance Fund

The insurance fund that protects depositors when banks fail is at its lowest level in history and unless replenished soon a taxpayer bailout might be needed if a recession strikes or a single big bank fails. Page 13.

Savings and Loan Crisis

GAO estimates that the minimum cost of the thrift bailout could reach \$370 billion—up \$45 billion over its April forecast—and urges Congress to help stem further bleeding by funding \$50 billion for another year of the rescue operation. Page 14.

04781 / 142480

Contents

Reports and Testimony: September 1990

Agriculture and Food	2
Budget and Spending	4
Business, Industry, and Consumers	6
Civil Rights	7
Economic Development	8
Education	9
Employment	10
Energy	11
Environmental Protection	12
Financial Institutions	13
Financial Management	18
Government Operations	23
Health	26
Housing	31
Information Management	32
International Affairs	37
Justice and Law Enforcement	41
National Defense, Security, and Military Procurement	43
Natural Resources	53
Science, Space, and Technology	56
Social Services	57
Tax Policy and Administration	58
Transportation	59
Veterans Affairs	62

Reports and Testimony: September 1990

Agriculture and Food

Food Safety and Quality: USDA Initiatives Regarding Aflatoxin Research

GAO/RCED-90-205FS, Aug. 15.

GAO examined aflatoxin research funded as part of the fiscal year 1989 appropriation for the U.S. Department of Agriculture's Agricultural Research Service. This fact sheet provides financial data on each of the Agricultural Research Service research projects in this area. To provide a more comprehensive overview of USDA's aflatoxin research efforts, GAO discusses (1) fiscal year 1990 research projects undertaken by the Agricultural Research Service as part of a program devoted solely to the prevention of aflatoxin formation and (2) aflatoxin research projects that involve USDA's Cooperative State Research Service. Some of these research projects are carried out by state institutions, including agricultural experiment stations associated with land-grant colleges and universities, and may be funded, in part, by the federal government.

Dairy Cooperatives: Role and Effects of the Capper-Volstead Antitrust Exemption

GAO/RCED-90-186, Sept. 4.

Because the increased market strength of processing and distribution firms and of dairy farmers offset each other, GAO concludes that the underlying premise of the 1922 Capper-Volstead Act antitrust exemption for cooperatives—that farmers cannot effectively bargain independently because their operations are too small—remains sound. Cooperatives often sell their milk at prices above legally mandated minimums, prompting concerns about market power. However, research on whether cooperatives have actually influenced milk prices is sketchy. USDA has not implemented an earlier GAO recommendation to actively oversee cooperative activities. As a result, it has little information on cooperative pricing activities and can provide few assurances that cooperatives are not overcharging. GAO recommends that Congress assign regulatory responsibility for cooperative pricing activities to the Federal Trade Commission.

**Farm Programs:
Conservation Compliance Provisions Could Be Made More Effective**

GAO/RCED-90-206, Sept. 24.

Each year billions of tons of soil erode from America's cropland, while millions of additional acres are converted into new cropland. To address this problem, the Food Security Act of 1985 requires farmers who participate in federal farm programs to reduce erosion on highly erodible cropland. In addition, the legislation prohibits conversion of wetlands to cropland. USDA has already successfully helped farmers develop conservation plans. Due to budget constraints, however, USDA doubts that it will have enough technical and financial resources to help farmers implement the plans. GAO found that because USDA has focused on developing conservation plans to meet the deadline set by law, it has identified only about 7.5 million acres out of the estimated 82 million acres of wetlands on nonfederal land. GAO found that the act covers about 142 million acres of highly erodible cropland, although opportunities exist to expand this amount. If Congress wishes to protect more erodible land, it may want to consider requiring USDA to lower its criterion to a level that would protect more lands that erode at substantial rates but at less than the current USDA criterion. While such a change would cut erosion, administering the act's provisions on more land would also raise USDA's costs. Congress may also wish to consider amending the act so that (1) benefits are lost when highly erodible land or wetlands are planted, and (2) restoration of the land is required before eligibility is reinstated.

**Infant Formula:
Cost Containment and Competition in the WIC Program**

GAO/HRD-90-122, Sept. 27.

The Special Supplemental Food Program for Women, Infants, and Children (WIC) served less than 50 percent of eligible women, infants, and children in the mid-1980s. To reach more individuals, WIC developed strategies to reduce the cost of its foods, targeting infant formula as the food likely to yield the greatest savings. GAO found that cost-containment initiatives for infant formula have been an effective way to save WIC food funds and increase program participation. Over fiscal year 1988 and 1989, infant formula rebates saved about \$326 million. In addition, today the WIC program reaches about 60 percent of eligible women, infants, and children. GAO's analysis shows that WIC agencies that used competitive bidding to obtain rebate contracts realized the

greatest savings. However, because only three firms produce almost all domestic formula, coordination of pricing and marketing strategies among manufacturers is always a danger. Consequently, efforts by the Federal Trade Commission to ensure competition in the infant formula industry will be an important element in state efforts to maximize cost-containment savings and to maintain or expand WIC service levels.

Budget and Spending

The Budget Deficit: Outlook, Implications, and Choices

GAO/OCG-90-5, Sept. 12.

The burgeoning federal deficit has ominous implications for the long-term health of the U.S. economy. The deficit has doubled as a percent of gross national product every decade since the 1950s. In the 1980s, however, deficit spending reached such levels that the size of the debt relative to the economy increased dramatically. The explosion of deficit, along with the decline in the U.S. savings rate, bode ill for future investment and economic growth. Ultimately, the future standard of living of the American people may be diminished. In GAO's view, an agreed-upon multiyear budget plan is the key to future fiscal responsibility. The options examined in this report are intended to provide a basis for constructive dialogue leading to an agreement between the executive and legislative branches on a long-term structural solution to the deficit problem. Rising deficits and borrowing mean that increasingly larger portions of federal revenue are being used for debt service rather than for more productive purposes. GAO recommends that this trend be reversed by a \$300 billion fiscal policy swing that would result in total budget surpluses of about two percent of GNP annually by 1997—and close to a balance in the general fund. GAO provides scenarios and packages covering defense and nondefense spending, as well as revenues, for achieving such a fiscal target.

Budget Issues: Effects of the 1990 Sequester on the Department of Education

GAO/HRD-90-150FS, Aug. 3.

What effect did the fiscal year 1990 sequester have on federal agencies? GAO looked at five federal agencies that provide a cross-section of large and small agencies and various types of programs that affect the public. This fact sheet—one in a series of case studies—specifically examines

how the Department of Education dealt with the \$266.1 million, or 1.1 percent, reduction in its fiscal year 1990 appropriation. It discusses (1) how resources were reduced by implementation of the sequester and (2) what impact the sequester had on the Department's ability to fulfill its mission and on those served by its programs.

Budget Issues:
Effects of the Fiscal Year 1990 Sequester on the Department of Health and Human Services

GAO/HRD-90-156FS, Aug. 9.

What effect did the fiscal year 1990 sequester have on federal agencies? GAO looked at five federal agencies that provide a cross-section of large and small agencies and various types of programs that affect the public. This fact sheet—one in a series of case studies—specifically examines how the Department of Health and Human Services dealt with the 1.4 percent reduction in its fiscal year 1990 appropriation. It discusses (1) how resources were reduced by the sequester and (2) what impact the sequester had on HHS' ability to fulfill its mission and on the people served by its programs.

Budget Issues:
Effects of the Fiscal Year 1990 Sequester at HUD

GAO/RCED-90-217FS, Aug. 10.

What effect did the fiscal year 1990 sequester have on federal agencies? GAO looked at five federal agencies that provide a cross-section of large and small agencies and various types of programs that affect the public. This fact sheet—one in a series of case studies—specifically examines how the Department of Housing and Urban Development dealt with the \$175.3 million reduction in its fiscal year 1990 appropriation. It discusses (1) how resources were reduced by the sequester and (2) what impact the sequester had on HUD's ability to fulfill its mission and on the people served by its programs.

Business, Industry, and Consumers

Small Business: Low Participation in Set-Aside Program Expected for Sheltered Workshops

GAO/RCED-90-192, Aug. 6.

For fiscal years 1989 through 1993, private and public organizations for the handicapped (sheltered organizations) have been authorized to compete for small business set-aside contracts awarded by federal agencies. GAO is required to prepare a report by September 1992 describing the impact that such contracts have had on for-profit small businesses. This interim report describes (1) the availability of data needed to measure how contracts with sheltered workshops have affected for-profit small businesses and (2) the extent to which sheltered workshops are participating in the early stages of the program. Overall, organizations representing sheltered workshops said that their participation in the program has been minimal. They said that sheltered organizations are unaware of their eligibility to participate in the program and how to bid on federal set-aside contracts. The organizations also said that the 1988 authorizing legislation prohibits items that are competitively supplied by sheltered workshops under set-aside contracts from being added to the list of products and services that are permanently awarded to sheltered workshops under the provisions of the Javits-Wagner-O'Day Act.

Flood Insurance: Information on the Mandatory Purchase Requirement

GAO/RCED-90-141FS, Aug. 22.

Under the Flood Disaster Protection Act of 1973, federal agencies like the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency must ensure that their member lending institutions—before making loans—require properties in special flood hazard areas to carry flood insurance. This insurance is designed to provide an alternative to disaster assistance. This fact sheet addresses the views of the Federal Emergency Management Agency's Federal Insurance Administration (which manages the National Flood Insurance Program), regulatory agencies, and lenders on issues related to compliance with the mandatory flood insurance provision; the level of compliance in certain areas of Texas and Maine; and efforts to increase compliance.

Testimony

Potential Liability of Property/Casualty Insurers for Costs of Cleaning Up Hazardous Waste Sites, by Peter F. Guerrero, Associate Director for Environmental Protection Issues, before the Subcommittee on Policy Research and Insurance, House Committee on Banking, Finance and Urban Affairs. GAO/T-RCED-90-109, Sept. 27.

GAO testified on the potential liability of the property/casualty insurance industry for billions of dollars to clean up the nation's hazardous waste sites, especially Superfund sites. This exposure arises from insurance claims by parties responsible for contaminating the sites, such as waste site owners and industrial users of hazardous substances, who are required by federal and state laws to pay for site cleanup. GAO testified that hazardous waste cleanup liability could become a serious problem for property/casualty insurers, but the amount of their liability is uncertain at this time. In a worst-case scenario, cleanup costs paid by insurers could seriously affect insurance industry surpluses. However, it is unclear how aggressively federal and state governments will pursue the cleanup of the nation's hazardous waste problems and how far courts will hold insurers responsible for cleanup costs. While the full dimensions of insurer liability may not be known for years, GAO believes that this situation warrants close tracking by Congress and state regulators. GAO continues to believe that Congress should consider requiring insurers or responsible parties to report to EPA the amounts of claim payments made to cover pollution cleanups and other expenses. This information would give some early warning of the possible impact of pollution claims on insurers.

Civil Rights

**EDA:
Treatment of Blacks at the Economic Development Administration
in the 1980s**

GAO/HRD-90-148, Sept. 26.

GAO examined allegations concerning the treatment of blacks at the Economic Development Administration (EDA) in the Department of Commerce. These allegations, raised by a former EDA employee, involved (1) personnel and equal employment opportunity matters affecting black EDA employees and (2) programmatic decisions dealing with the award of grant funds and how these activities affected black applicants. GAO could not review allegations about incidents occurring between fiscal year 1981 and 1984 because documentation was unavailable; EDA generally does not keep records and files for more than three years. However,

GAO does discuss the number, bases, and resolutions of formal discrimination complaints filed by black employees at EDA during fiscal years 1985 to 1989. During fiscal years 1986 through 1989, blacks were relatively well represented in all federal job categories and grade levels at EDA when compared with the national civilian labor force, even though EDA's funding and staffing levels had decreased significantly. EDA generally prepared annual affirmative employment plans and accomplishment reports as required, although it did not always follow through on actions stated in its affirmative employment plans. Data on the extent to which minorities benefitted from EDA grants were unavailable, as were data on the number of jobs created for minorities.

Economic Development

The Urban Underclass: Disturbing Problems Demanding Attention

GAO/HRD-90-52, Sept. 1990.

Concern has been mounting about the emergence of an "underclass" in the United States. While there is no universally accepted definition of the term, members of the underclass tend to experience persistent poverty, prolonged welfare dependency, more out-of-wedlock births, and high dropout rates. In addition, there is a greater likelihood that they will either become criminals or victims of crime. Members of the underclass are to be found everywhere in the United States, although the term is commonly applied to people—predominantly black or Hispanic—found in urban neighborhoods. Some experts speculate that the underclass is growing. This study briefly describes the state of research on defining and measuring the underclass. The central goal of GAO's work, however, is to summarize what is known about policies and programs that might be useful in developing a strategy for responding to the problems of the underclass. GAO groups these policies and programs into three main groups: (1) Those that address the persistent condition of poverty, whether by prenatal and pediatric care or by education and job opportunities. (2) Those that emphasize social standards and try to confront problems like drugs, welfare dependency, teen pregnancy, and gang violence. (3) Those that address urban spatial concentration via greater opportunities for people to leave depressed areas or urban development. GAO concludes that the problems of the underclass require a multifaceted approach involving economic development, criminal justice, health education, job training, social service, housing, and transportation programs.

Education

School Accreditation: Activities of Seven Agencies That Accredite Proprietary Schools

GAO/HRD-90-179BR, Sept. 12.

This briefing report discusses the activities of agencies that accredit for-profit or proprietary schools that may participate in the Stafford Student Loan Program. GAO provides statistical data on the accreditation actions taken during fiscal years 1985 to 1989 by the following seven accrediting agencies: Accrediting Bureau of Health Education Schools, Accrediting Council for Continuing Education and Training, Association of Independent Colleges and Schools, National Accrediting Commission of Cosmetology Arts and Sciences, National Association of Trade and Technical Schools, National Home Study Council, and Southern Association of Colleges and Schools' Commission on Occupational Education Institutions. During the five-year period, the seven agencies accredited 1,880 schools and denied 281 accreditation.

Defaulted Student Loans: Analysis of Defaulted Borrowers at Schools Accredited by Seven Agencies

GAO/HRD-90-178FS, Sept. 12.

This fact sheet discusses the default rates in the Stafford Student Loan Program for the schools accredited by the seven agencies mentioned in the previous report (GAO/HRD-90-179BR, Sept. 12). GAO provides data on each accrediting agency concerning the number of schools it accredited, the percentage of borrowers in default, and the amount of loans in default. GAO also provides additional information on each agency, including the average default dollars per school and the number of schools with a default volume of \$1 million or more.

Student Loan Lenders: Information on the Activities of the First Independent Trust Company

GAO/HRD-90-183FS, Sept. 25.

The First Independent Trust Company of Carmichael, California, made loans to students participating in the Stafford Student Loan Program until the California State Banking Department closed its doors in May 1989. Most of First Independent's loans were made to students attending

proprietary schools. This fact sheet provides a chronology of events from when First Independent began and ceased operations and afterwards. GAO (1) analyzes First Independent's loan portfolio, (2) determines whether it owed money to the Department of Education, and (3) summarizes the audits and reviews of First Independent done by various organizations.

**Guaranteed Student Loans:
Profits of Secondary Market Lenders Vary Widely**

GAO/HRD-90-130BR, Sept. 28.

The federal government subsidizes higher education to students through various programs, including the Stafford Student Loan Program. In fiscal year 1988, federal interest subsidies for Stafford Student Loans totaled about \$2.2 billion. This briefing report focuses on the activities of lenders that buy Stafford loans in the "secondary market." These lenders purchase the loans from originating lenders (those that made the loans), thereby providing them money to make new loans. In particular, GAO examines the after-tax rates of returns and profitability of institutions that buy in the secondary market.

Employment

**Occupational Safety & Health:
Options for Improving Safety and Health in the Workplace**

GAO/HRD-90-66BR, Aug. 24.

Fatality rates today reflect a safer workplace than when the Occupational Safety and Health Act was passed in 1970. Even so, on average at least 13 U.S. workers die each working day from injuries on the job, and another 11,000 are hurt seriously enough to lose work time or to have to limit work activity. Work-related illness is also a major problem. This briefing report cites several problems confronting efforts to improve safety in the workplace. For instance, the Occupational Safety and Health Administration has only about 800 inspectors to enforce safety standards for almost 3.6 million employers. This means that even employers in high-hazard, targeted industries are rarely inspected. In addition, OSHA civil and criminal sanctions are often negligible; in fiscal year 1988, the average assessed penalty for a serious violation was \$261. Another problem is OSHA's failure to keep pace with the changing nature of hazards in the workplace. Experts estimate that chemical manufacturers introduce between 1,000 and 3,000 new products into the

workplace each year—a rate that cannot be handled by OSHA's current approach to standard setting. GAO identifies and analyzes options that Congress and OSHA could consider for improving workplace safety.

Energy

Energy Regulation: Factors Relating to Oil Overcharge Settlements Need Better Documentation

GAO/RCED-90-181, Aug. 23.

GAO examined the Economic Regulatory Administration's (ERA) handling of the proposed settlement of the Cities Service oil overcharge litigation, including (1) the decision to allow extended payments for the settlement; (2) the analysis of the agency's risks in pursuing the Cities litigation, which ERA used in formulating the settlement; and (3) the role of ERA's litigating attorneys in the proposed settlement. GAO also assessed the adequacy of compliance with internal control standards relating to documentation on the proposed settlement. GAO found that ERA—part of the Department of Energy—has little or no documentation for many of the significant events that led to the proposed settlement, including the basis for the decision to allow extended payments and the litigation risk analysis prepared by ERA. In addition, ERA had little documentation on its negotiating sessions with Occidental and no documentation of the review of the proposed settlement by DOE's Office of General Counsel. ERA also failed to maintain settlement-related documents in a central, readily accessible location, as required by OMB's and GAO's standards. Such documentation is crucial in evaluating whether oil overcharge cases are being settled in the government's and the public's best interest.

Nuclear Health and Safety: Long-Term Plans to Address Problems of the Weapons Complex Are Evolving

GAO/RCED-90-219, Sept. 28.

The Department of Energy's long-range studies, published in 1988, indicate that over the next 20 years it could cost from \$125 billion to \$155 billion to modernize the nation's nuclear weapons complex and restore the environment at nuclear facilities. However, DOE has neither updated these long-term cost estimates nor developed long-term plans. The development of these plans is a difficult yet important task. Many uncertainties surround the problems of the weapons complex. "What should our

nuclear weapons capabilities be?"; "How clean is clean?"; and "How safe is safe?" are some of the fundamental policy issues that will have to be answered. DOE's plans are critical, since Congress relies on them to make informed budget decisions and to weight the enormous cost of correcting problems of the nuclear weapons complex against competing budget priorities in a deficit-conscious era. This report discusses existing cost estimates and DOE's current efforts to revise and update its modernization, environmental, and waste management plans.

Testimony

Long-term Policies Needed to Address Energy Use and Price Volatility, by Victor S. Rezendes, Director of Energy Issues, before the House Committee on Government Operations. GAO/T-RCED-90-105, Sept. 5.

Along with the gasoline price spike after the Exxon Valdez oil spill and the home heating fuel price increases last winter, the rise in oil prices following the Iraqi invasion of Kuwait represents the third sharp increase in energy prices during the last 18 months. The nation's ability to shield itself from the impact of rapid increases in oil prices remains a major issue. GAO testified that although the country is better prepared to deal with this situation than it was in the 1970s—due to increases in energy efficiency and the existence of strategic reserves to replace lost supplies—concerns remain about recent trends showing increasing oil consumption, increased reliance on imports from the Persian Gulf, and the Strategic Petroleum Reserve's role in reducing the impact of these incidents. In GAO's view, a national energy strategy that specifically addresses these matters is sorely needed.

Environmental Protection

Air Pollution:
EPA Not Adequately Ensuring Vehicles Comply With Emission Standards

GAO/RCED-90-128, July 25.

The nation's 157 million motor vehicles—122 million cars and 35 million light duty trucks—are a major source of air pollution, mainly smog and carbon dioxide. To reduce this potential health threat, EPA is required to establish programs to limit vehicles' contribution to air pollution. This report looks at the adequacy of EPA's efforts to (1) identify vehicles exceeding emission standards before and after the vehicles are sold to the public, (2) ensure that these vehicles are returned to compliance, and (3) monitor state programs to reduce motor vehicle emissions.

**Disinfectants:
Concerns Over the Integrity of EPA's Data Bases**

GAO/RCED-90-232, Sept. 21.

EPA relies on pesticide data systems to make a variety of decisions on regulations, enforcement, program management, and other matters relating to pesticides, including disinfectants. EPA also uses these data systems to provide information to Congress, industry, and the public. GAO looked at the accuracy and completeness of three data systems: (1) the Pesticide Product Information System, (2) the Pesticide Document Management System, and (3) the Federal Insecticide, Fungicide, and Rodenticide Act and Toxic Substances Control Act Enforcement System. GAO found several data integrity problems that may limit the extent to which the systems can support EPA's disinfectant program and its managers. Specifically, the systems contained inaccurate and/or incomplete data or were missing data on disinfectants. Further, although intended to capture relevant information, the systems could not be used to identify all types of disinfectants and their product performance claims. While these problems could adversely affect EPA's regulation of disinfectants, and perhaps the regulation of other pesticides, EPA has not fully addressed these problems.

Financial Institutions

**Bank Insurance Fund:
Additional Reserves and Reforms Needed to Strengthen the Fund**

GAO/AFMD-90-100, Sept. 11.

Not since its birth in the Great Depression has the federal system of deposit insurance for commercial banks faced such peril. The Bank Insurance Fund has enough resources to handle the bank failures expected in 1990. Over the next few years, however, low reserves coupled with a recession could exhaust the Fund and force taxpayers to foot the bill. The leading cause of the banking industry's problems is the increasingly risky nature of the industry's loan portfolio, especially the growing number of nonperforming loans. GAO identified 35 banks that are in such dire straits that, without some form of recapitalization, they are likely to fail or require help within the next year. The failure of these banks would result in an estimated cost to the Fund of between \$4 billion and \$6 billion. GAO also identified many other banks that are at risk of failure within the next few years. GAO believes that everything

possible must be done to avoid a repetition of the savings and loan disaster, which is now consuming billions in an unprecedented taxpayer bailout. GAO makes several recommendations to Congress, regulators, the accounting profession, and others to minimize the losses facing the thinly capitalized Fund. The Comptroller General summarized this report in testimony before Congress; see:

Additional Reserves and Reforms Are Needed to Strengthen the Bank Insurance Fund, by Charles A. Bowsler, Comptroller General of the United States, before the Senate Committee on Banking, Housing, and Urban Affairs. GAO/T-AFMD-90-28, Sept. 11.

**Thrift Resolutions:
Estimated Costs of FSLIC's 1988 and 1989 Assistance Agreements
Subject to Change**

GAO/AFMD-90-81, Sept. 13.

The Federal Savings and Loan Insurance Corporation has been entering into an increasing number of assistance agreements, which provide financial help to the acquirers or to FSLIC-selected new management of insolvent thrifts. Beginning in August 1989, the Federal Deposit Insurance Corporation became responsible for monitoring and making payments on all FSLIC agreements. As of March 1990, FDIC estimated that the 96 assistance agreements FSLIC entered into during 1988 and 1989 would cost \$67 billion in payments to acquirers or new management. Of this amount, \$58 billion had yet to be paid as of March 31, 1990. FSLIC had initially estimated that these agreements would cost \$61.9 billion. However, future payments could be more than \$58 billion if real estate markets worsen, interest rates rise, and asset disposition strategies are less successful at maximizing values than FDIC anticipates. In addition, costs other than assistance payments are being incurred as a result of these agreements—most significantly, decreased federal tax revenues.

**U.S. Government Securities:
More Transaction Information and Investor Protection Measures
Are Needed**

GAO/GGD-90-114, Sept. 14.

Public confidence in the integrity of the government securities market is essential if the government is to sell its securities at the lowest cost. This confidence was shaken in the early 1980s when several unregulated

government securities dealers failed and investors lost money. In response, Congress passed the Government Securities Act of 1986, which set up a regulatory structure for all banks and securities firms active in the government securities market. The act appears to have improved investor safety in the government securities market. Gaps remain, however, in the protection afforded to individual and small institutional investors. Investors could still lose money as a result of abusive dealer practices. Some investors could also lose money because specialist firms lack insurance coverage required of other securities firms registered with SEC. Because voluntary efforts by market participants have not resulted in public access to transaction information, GAO believes that legislation is needed to ensure the timely dissemination of transaction information by interdealer brokers. GAO also believes that the Department of the Treasury's role as rulemaker should be extended for a sunset period. New rules are needed in the areas of sales practices and information disclosure.

Testimony

Resolving Failed Savings and Loan Institutions: Estimated Costs and Additional Funding Needs, by Charles A. Bowsher, Comptroller General of the United States, before the House Committee on Ways and Means. GAO/T-AFMD-90-32, Sept. 19.

In April 1990 testimony, GAO projected that the thrift cleanup would cost at least \$325 billion over 43 years, with costs soaring to perhaps \$500 billion if the economy suffered a downturn and interest rates rose. Since then, more institutions have been predicted to fail and FSLIC's old transaction agreements are also expected to cost more. In this testimony, the Comptroller General revised upward the minimum estimate of the total cost of the S&L bailout to between \$335 billion and \$370 billion. The Comptroller General discussed the Resolution Trust Corporation's funding needs and the cost estimates for resolving failed and troubled financial institutions that were released within the last few months by RTC, its Oversight Board, and the Congressional Budget Office. GAO believes that, at a minimum, RTC's obligations limit should be increased and an additional \$50 billion in resolution funds provided. These funds, which should be on-budget, should be enough for RTC to pursue an aggressive resolution program for some time. GAO also recommends that the Oversight Board and FDIC develop funding estimates and report them to Congress semi-annually.

Deposit Insurance and Related Reforms, by Richard L. Fogel, Assistant Comptroller General for General Government Programs, before the

House Committee on Banking, Finance, and Urban Affairs.
GAO/T-GGD-90-46, Sept. 19.

The savings and loan debacle, along with growing concerns about the condition of the banking industry and the insurance funds, have made it clear that insuring the \$3 trillion in deposits in the nation's depository institutions is no longer the "riskless" and "inexpensive" proposition that it once was. GAO testified on three sets of actions that should be taken to better align the deposit insurance systems and financial regulation with the realities of today's markets. First, in the short term immediate action is needed to stabilize the banking industry and the Bank Insurance Fund. Second, additional steps are needed to change the economic incentives that have allowed bank owners and managers to abuse the deposit insurance systems via imprudent risk-taking. Finally, a framework should be established to ensure that actions taken to expand the powers of banking organizations will not undermine the safety and soundness of banks and financial markets.

RTC Asset Management: Contracting Controls Need to Be Strengthened, by Charles A. Bowsher, Comptroller General of the United States, before the Subcommittee on Federal Services, Post Office and Civil Service, Senate Committee on Governmental Affairs. GAO/T-GGD-90-53, Sept. 24.

In view of the unprecedented federal contributions to the thrift crisis, the magnitude and value of the assets being managed by the Resolution Trust Corporation, and RTC's heavy reliance on many private sector contractors, it is extremely important that RTC have effective management control over the contracting process. In fact, GAO cited RTC in January 1990 as one of 14 federal programs at high risk for fraud, waste, and abuse. The Comptroller General testified that RTC has made progress but needs to do more to ensure that it has an effective management structure in place to manage the assets under its control, a full cadre of well-trained staff, sound contracting procedures, and effective controls.

Immediate Measures That Can Be Taken to Strengthen the Bank Insurance Fund, by Donald H. Chapin, Assistant Comptroller General for Accounting and Financial Management, before the Senate Committee on Banking, Housing, and Urban Affairs. GAO/T-AFMD-90-33, Sept. 26.

GAO testified that the Bank Insurance Fund is too thinly capitalized to withstand the level of bank failures that would occur in the event of a recession. GAO supports the Senate Banking Committee's proposal to allow FDIC flexibility in setting assessment rates that will enable the

Fund to maintain the minimum designated reserve ratio to insured deposits. In GAO's view, the proposal could be further strengthened by specifying a target date by which the Fund balance should achieve the designated minimum reserve ratio, providing that consideration be given to the economic conditions affecting the financial health of the banking industry in setting assessment rate increases, and by removing the ceiling on the reserve ratio now set at 1.50. In addition, several other short-term measures, which could be implemented through administrative actions before Congress recesses, would also help strengthen the Fund. On a related matter, GAO believes that legislation is needed this year to institute comprehensive internal control, auditing, reporting, and management reforms for financial institutions. The goal is a sound system of deposit insurance that can sustain public confidence and withstand hard times without costing the taxpayers billions.

Comments on H.R. 5590: A Bill to Recapitalize the Bank Insurance Fund, by Richard L. Fogel, Assistant Comptroller General for General Government Programs, before the Subcommittee on Financial Institutions Supervision, Regulation and Insurance, House Committee on Banking, Finance and Urban Affairs. GAO/T-GGD-90-64, Sept. 27.

GAO testified on H.R. 5590, proposed legislation that would recapitalize the Bank Insurance Fund with a contribution by the banking industry equal to one percent of its total deposits. GAO supports the Fund's need for additional resources. Due to its undercapitalization, the federal system of deposit insurance for banks faces a period of danger and uncertainty unprecedented since its establishment in the Great Depression. However, GAO is not persuaded that the restructuring of the deposit insurance financing that this bill would require is necessary to place the deposit insurance system on sound financial footing. GAO has three main concerns with H.R. 5590: (1) the nature of the accounting treatment accorded the deposit, (2) the size and timing of the deposit in relation to FDIC's needs and the industry's ability to pay, and (3) the implications of the proposed legislation for resolution of several deposit insurance reform issues.

Financial Management

Foreign Military Sales: Air Force Efforts to Develop an FMS Accounting System

GAO/AFMD-90-82FS, Aug. 8.

In January 1990, GAO reported on DOD's efforts to (1) enhance the current Foreign Military Sales (FMS) accounting and billing system, (2) resolve the difference between billing and disbursement records in the current trust fund, and (3) implement a second FMS trust fund. As part of GAO's ongoing monitoring of FMS accounting at DOD, this fact sheet discusses the status of the Air Force's efforts to design, develop, and implement a new central FMS accounting and billing system.

Inspectors General: Office of Inspector General Operations at Financial Regulatory Agencies

GAO/AFMD-90-55FS, Aug. 24.

This fact sheet provides information on the offices of inspectors general at five financial regulatory agencies: the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, and the National Credit Union Administration. For all five offices, GAO discusses (1) their establishment and independence, (2) the types of work conducted, and (3) the extent of resources devoted to their audit and investigative activities.

Financial Management: Defining Requirements Is Crucial to System 90's Success

GAO/AFMD-90-85, Sept. 5.

GAO reviewed the Financial Management Service's efforts to initiate and define the requirements for System 90, a long-term strategy for modernizing and integrating its financial management activities, and System 90's first application—the Payments, Claims, and Enhanced Reconciliation (PACER) system. GAO found that although the Service had done many of the analyses stipulated in federal system development guidance, the Service has not (1) clearly defined the system capabilities that will be developed during phase 1 of System 90's development or (2) adequately analyzed the related costs and benefits. The uncertainty associated with

not clearly defining the project's scope is compounded because the Service has not yet finished refining and clarifying the PACER functional and internal control requirements. GAO believes that to help avoid misunderstandings, oversights, and potentially expensive future design changes, the Service must complete PACER's functional and internal control requirements before the contractor begins developing the detailed system design.

**Cash Management:
Benefits and Limitations of the Small Purchases Credit Card
Program**

GAO/AFMD-90-89BR, Sept. 11.

GAO concludes that the small purchases credit card program can help agencies improve the efficiency of their purchasing and payment processes. However, the amount of any administrative savings that have resulted from the program is unknown because most agencies have not compared the cost of using the credit card to the cost of other purchasing and payment methods. Although the program includes internal controls that should prevent the credit card from being misused, four of the seven agencies in GAO's review had problems with the implementation of these controls. These agencies are now taking or planning corrective action to resolve the problems.

**Financial Review:
Panama Canal Commission's 1989 Financial Statements**

GAO/AFMD-90-105, Sept. 21.

Due to security concerns, GAO was unable to travel to the Republic of Panama to conduct its financial audit of the Panama Canal Commission's financial statements for fiscal year 1989. GAO found no need for material modifications in order for the Commission's financial statements to be presented in accordance with generally accepted accounting principles. However, since GAO was unable to do a financial audit, it cannot be sure that the financial statements are free of material misstatements. GAO was also unable to report on the Commission's internal control structure and on its compliance with laws and regulations. GAO's review did note the following item of interest. In July 1984, the Commission established, without regulatory approval, a reserve for \$2.5 million to pay for future repairs of cranes, dredges, and other floating equipment. As a result, GAO qualified its fiscal years 1984 to 1987 opinions on

the Commission's financial statements, and GAO would have qualified the fiscal year 1988 statements had it done an audit to opine on the statements. In August 1989, the President of the United States approved the Commission's request for a toll rate increase. Because the Commission's request included the floating equipment reserve, the matter is resolved.

**Financial Audit:
House Beauty Shop Revolving Fund Financial Statements for 1989
and 1988**

GAO/AFMD-90-99, Sept. 6.

GAO audited the balance sheets of the House Beauty Shop Revolving Fund for 1989 and 1988, and the related statements of operations and cash flows for these same years. In GAO's opinion, the financial statements present fairly, in all material respects, the financial position of the House Beauty Shop Revolving Fund for 1989 and 1988, and the results of its operations and cash flows these years, in conformity with generally accepted accounting principles.

**Financial Audit:
Civic Achievement Program Financial Statements for September 30,
1989 and 1988**

GAO/AFMD-90-102, Sept. 27.

This report presents GAO's opinion on the financial statements of the Civic Achievement Award Program in Honor of the Speaker of the House of Representatives for fiscal years 1988 and 1989. The program, which is administered by the Close Up Foundation and funded through the Library of Congress, is designed to inspire the learning of U.S. history, government, geography, economics, and current events in the fifth through eighth grades and to recognize achievement in civic literacy. The Close Up Foundation contracted with the independent certified public accounting firm of KPMG Peat Marwick to do financial reviews of the program's 1989 and 1988 financial statements. In GAO's opinion, and consistent with the opinion of KPMG Peat Marwick, the program's statements present fairly, in all material respects, its financial position as of September 30, 1989, and 1988, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

**Financial Audit:
Statement of Accountability of the House Finance Office for Fiscal
Year 1989**

GAO/AFMD-90-95, Sept. 28.

GAO audited the Statement of Accountability for Appropriations and Other Funds and the supporting schedules of the House Finance Office for fiscal year 1989. In GAO's opinion, the statement and the supporting schedules present fairly, in all material respects, the accountability of the Clerk of the House for appropriated and other funds for fiscal year 1989 and the status of individual appropriations and other funds.

Testimony

Financial Management Reform, by Charles A. Bowsler, Comptroller General of the United States, before the House Committee on Government Operations. GAO/T-AFMD-90-31, Sept. 17.

Last year's scandal at the Department of Housing and Urban Development conjures images of gross financial mismanagement. Yet according to the Comptroller General, HUD does not hold membership in an exclusive club; serious internal control and accounting deficiencies plague all major agencies. For years GAO has strongly advocated the creation of a centralized leadership position to direct the government's financial management activities. Overall, GAO believes that legislation introduced in the Senate—S. 2840—best addresses the critical elements needed for reform. This bill would establish a governmentwide chief financial officer (CFO) position to lead the development and implementation of a comprehensive, governmentwide financial management improvement plan. The agency CFOs can centralize financial management authority and responsibilities at a senior level within agencies so that financial systems, practices, and reporting can be orchestrated to best meet the agencies' needs. GAO also believes that legislatively mandating the annual preparation and audit of agency financial statements for all executive departments and major agencies will help ensure that the financial systems are working, the government's assets are protected, and reliable information is being provided to program managers. In urging passage of CFO legislation, the Comptroller General testified that the government must be willing to make systems and personnel investments or face collapse of the government's financial management structure.

Guaranteed Loan Programs Are an Increasing Risk, by Donald H. Chapin, Assistant Comptroller General for Accounting and Financial Management, before the Senate Committee on Governmental Affairs. GAO/T-AFMD-90-29, Sept. 18.

In addition to the savings and loan crisis, the government must now face the possibility of another major financial burden—this one stemming from the billion of dollars in loans that it has guaranteed to business, education, housing, and other purposes. The signals are clear: loan guarantee programs are growing while sectors of the economy that rely on government guaranteed loans are faltering and losses from uncollectible loans are mounting. It is unclear, however, to what extent guaranteed loan losses will pinch taxpayers' pocketbooks. GAO testified that financial statements prepared by government agencies using appropriate accounting principles and sound financial management systems could help sound the alert to any gathering crisis. Aside from forecasting future bailouts, the government must also manage the immediate problem of maximizing the collection of guaranteed loans once they have been terminated by guarantor lenders. Steps must also be taken to ensure that future loan guarantees will result in minimal government losses. Particularly encouraging is the movement by the Office of Management and Budget toward requiring annual audited financial statements for the major credit programs. Strong central leadership, as embodied in a chief financial office position, would help ensure that agencies' financial information is reliable and that effective credit management and debt collection practices are implemented.

Financial Management: DOD's Use of Expired and Lapsed Appropriations, by Nancy R. Kingsbury, Director of Air Force Issues, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-NSLAD-90-65, Sept. 20.

GAO testified on the use of expired and lapsed budget authority by the Department of Defense. In particular, GAO analyzed DOD's use of these authorities and provided examples of specific transactions. GAO also provided its views on legislation to strengthen control and oversight of these budget authorities.

Wolf Trap Foundation: Debt Restructuring Alternatives, by Dennis J. Duquette, Director of Civil Agency Audits, before the Subcommittee on National Parks and Public Lands, House Committee on Interior and Insular Affairs. GAO/T-AFMD-90-34, Sept. 27.

The Wolf Trap Foundation for the Performing Arts, located in Fairfax County, Virginia, is the only national park dedicated to the performing arts. In April 1982, Wolf Trap's main outdoor amphitheater—the Filene Center—burned. To enable the Wolf Trap Foundation to rebuild, Congress provided \$17 million, including a \$9 million government grant and up to \$8 million in five-year government loans that were to have been repaid by November 1988. In January 1985, the main girder of the newly built center collapsed. To help fund the repairs, an additional \$1,435,000 was borrowed from the government. On the basis of its review of the Foundations' financial statements for fiscal years 1988 and 1989, GAO testified that the Foundation is financially healthy and should be able to pay about \$500,000 annually in settlement of its debt to the U.S. government. At the same time, GAO believes that, even under the most generous of repayment schedules, it would be very difficult for the Foundation to repay its present total debt of over \$17 million in principal and interest. GAO discusses several repayment alternatives, including forgiveness of accumulated interest to date.

Government Operations

Mail Management: GSA Needs to Improve Support of Agency Programs

GAO/GGD-90-49, Aug. 7.

Each year federal agencies spend about \$1.7 billion on mail operations. Postage alone cost the agencies \$965 million in fiscal year 1988—an increase of 52 percent from fiscal years 1979 to 1988. Agency mail volume, however, increased only six percent during that same period. The General Services Administration is responsible for finding ways to reduce government mail costs. Yet GAO found that GSA support for agencies' mail programs has dwindled and is not commensurate with the need for central agency leadership. GSA largely ignores mail management in its oversight of agencies' information resources management programs, issues guidance that is skimpy and untimely, provides no direct help and inadequate training delivery, and does not identify or advocate governmentwide concerns. As a result, GSA has failed to seize opportunities to improve government mail operations or to cut agency mail costs through expanded use of contracting and other means. GSA lacks a comprehensive plan for focusing its mail management program, and it needs a carefully crafted strategy to obtain agency support for a governmentwide mail program.

**Federal Recruiting and Hiring:
Making Government Jobs Attractive to Prospective Employees**

GAO/GGD-90-105, Aug. 22.

As an employer, the federal government faces a predicament. Its work is becoming more technical and knowledge-intensive while the labor market from which it must recruit is increasingly competitive. GAO examined federal recruiting and hiring and found two major obstacles facing the government: (1) noncompetitive starting pay—along with a complex and time-consuming hiring process—and (2) limited outreach. Special salary rates are widely used, but federal government starting salaries, even when bolstered by special pay rates, still lag behind private and other public sector starting pay. Federal agencies now have little flexibility in setting entry-level starting salaries that are above the minimum entry step. For these reasons, GAO continues to support federal pay reform. Direct hire has become a popular way to make the federal hiring process more flexible. However, OPM's direct hire procedures do not ensure that merit principles are being met, and GAO believes that additional guidance and oversight are needed. The Office of Personnel Management has recruiting initiatives underway and plans to increase its outreach to potential applicants. Yet many of the agency recruiters GAO interviewed had little knowledge of these initiatives.

**Recruitment and Retention:
Inadequate Federal Pay Cited as Primary Problem by Agency
Officials**

GAO/GGD-90-117, Sept. 11.

Federal law mandates comparability between federal and private sector pay for similar white-collar jobs. Yet since the late 1970s, the pay gap has widened to the point where average private sector salaries now exceed federal pay by about 25 percent. GAO reviewed a range of jobs in different agencies and geographic locations across the country and found that low federal pay was the most frequently cited reason for employees to leave the federal government and for applicants to decline a federal job offer. The availability of nonfederal jobs and, particularly for nurses, federal understaffing were also cited as important reasons to decline federal employment. Federal job security was mentioned as the most important reason to stay in or accept a federal job. GAO believes that pay reform, particularly locality-based pay adjustments, would

improve recruitment and retention efforts. Agencies seldom keep systematic records documenting how recruitment and retention problems affect their operations. However, agencies commonly indicate that these difficulties have reduced service delivery and have caused productivity losses. Thus, while restoring federal pay to competitive levels will be costly at first, GAO believes that the cost will be offset to some degree by savings and improvements in government operations. GAO also believes that those costs are preferable to further deterioration of government services.

**The Public Service:
Issues Affecting Its Quality, Effectiveness, Integrity, and
Stewardship**

GAO/GGD-90-103, Sept. 13.

To enhance the usefulness of its annual report on the activities of the Office of Personnel Management, GAO broadened the scope of its investigation to include a discussion of key issues affecting the federal public service. Many of these issues involve concerns raised by the National Commission on the Public Service. In GAO's view, the state of the public service is not what it should be. As a result, some government programs and services have suffered. GAO believes that federal pay reform is the most critical issue. Federal salaries now lag far behind private sector pay in many important occupations. With uncompetitive pay rates, the government is unlikely to be able to attract and retain the good people it needs. In addition, the integrity of the public service needs to be enhanced by curtailing conflicts of interest and by strengthening personnel administrative systems. Overall, GAO concludes that the stewardship of the public service could be improved through more effective OPM leadership in human resources management and civil service administration.

**Federal Pay—Special Rates:
Effect on Recruitment and Retention for Selected Clerical
Occupations**

GAO/GGD-90-118, Sept. 24.

Congress is considering proposals to reform the General Schedule, the largest white-collar employee pay system in the federal government. The goal is to make federal salaries more competitive with private sector pay and to institute a "locality pay" approach in which salary rates would vary by geographic area. In some locales, federal agencies

are relying on "special rates" for certain jobs to counteract recruitment problems caused by higher private sector pay and other factors. GAO examined the effectiveness of special rates in recruiting and retaining employees in selected localities for clerical positions. GAO found that higher salaries paid under the special rates program appear to have helped to retain employees in the four clerical occupations GAO reviewed, at least in the short term. However, GAO concludes that special rates may be a partial solution to recruitment and retention problems but are not a substitute for comprehensive reform of the federal pay system that would increase basic salaries to more competitive levels.

Testimony

Decennial Census: Status of Housing Coverage Check and Postcensus Local Review Programs, by L. Nye Stevens, Director of Government Business Operations Issues, before the Subcommittee on Census and Population, House Committee on Post Office and Civil Service. GAO/T-GGD-90-63, Sept. 25.

GAO testified on the status of two of the Census Bureau's final coverage improvement programs for the 1990 decennial census: Housing Coverage Check and Postcensus Local Review. The goal of both programs is to reduce population undercounts resulting from missed housing units. GAO believes that the two programs, while important, are not likely to identify enough additional housing units to reconcile the current address list with the independent estimate; the Bureau said in July that its census address list contained about 102 million housing units compared to its independent estimate of 104 million units. The question of whether the gap is real—that is whether the estimate was incorrect, whether the address list remains incomplete, or whether the gap is a product of both—remains open.

Health

Health Care: Public Health Service Funding of Community Health Centers in New York City

GAO/HRD-90-121, Aug. 7.

In order to receive funding under section 330 of the Public Health Services Act, public community health centers must have community governing boards that conform to certain requirements. This report provides information on the following centers in New York City that receive grants from the Public Health Service: Montefiore Hospital and

Medical Center/Ambulatory Care Network, Bronx-Lebanon Hospital Center/Ambulatory Care Network, Lutheran Medical Center/Sunset Park Family Health Center, and St. Mary's Hospital/Family Health Care Network. GAO found that none of the four centers had governing boards that complied with federal regulations for the section 330 program. In each case, the Public Health Service gave the center a chance to meet the requirements. Three of the four grantees subsequently complied with the regulations; the fourth decided to make no changes and did not apply for a continuation grant. GAO also discusses the share of section 330 funds that the Public Health Service awarded to grantees in New York state during the 1980s.

**Nursing Homes:
Admission Problems for Medicaid Recipients and Attempts to Solve Them**

GAO/HRD-90-135, Sept. 5.

Medicaid recipients have more difficulty getting into nursing homes than do higher paying private payers. Equalizing payment rates for the two groups, or reducing the difference between their payment rates, would improve access for Medicaid recipients. Establishing rates that are scaled to the severity of Medicaid recipient care needs would be another way to improve access for those with "heavy" care needs. Increasing Medicaid rates, however, would cost more money, and some states—citing competing demands for limited resources—question the affordability of such measures. In order to avoid higher Medicaid spending, some states have restricted the supply of nursing home beds, and, thereby, created a shortage. Faced with these shortages, some states have tried regulatory reforms, with uncertain effectiveness, to allocate existing beds so that Medicaid recipients and private payers have the same chance of getting an available bed.

**Long-Term Care Insurance:
Proposals to Link Private Insurance and Medicaid Need Close Scrutiny**

GAO/HRD-90-154, Sept. 10.

Several state demonstration projects have been proposed to coordinate private long-term care insurance with Medicaid. The goal of the projects is to see whether the promotion of long-term care insurance for the elderly will yield more adequate long-term care protection without

increasing public sector costs. While the projects vary significantly, most propose allowing people who buy a qualifying private long-term policy to become Medicaid-eligible after the policy pays for a period of long-term care costs. Participants would not have to “spend down” or deplete as much of their savings as is now required to meet Medicaid eligibility thresholds. GAO believes that the proposed projects could reduce the financial hardships that some elderly endure as a result of catastrophic long-term care costs. On the other hand, risks would be involved if the projects are given authority to link private insurance coverage with Medicaid. GAO summarized this report in testimony before Congress; see:

Long-Term Care Insurance: Proposals to Link Private Insurance and Medicaid Need Close Scrutiny, by Lawrence H. Thompson, Assistant Comptroller General for Human Resources Programs, before the Subcommittee on Health and the Environment, House Committee on Energy and Commerce. GAO/T-HRD-90-55, Sept. 14.

**Drug Abuse:
Research on Treatment May Not Address Current Needs**

GAO/HRD-90-114, Sept. 12.

In this report, GAO (1) assesses the current state of knowledge about drug abuse treatment, (2) identifies what has influenced the state of knowledge, and (3) determines current activities at the National Institute on Drug Abuse aimed at developing such knowledge. During the 1980s, the nature of drug abuse changed; cocaine and crack surpassed heroin as a drug of choice, and new drugs like “ice” began to hit the streets. However, GAO found that knowledge on how to treat drug abuse advanced slowly. NIDA’s relatively low budget accounts for much of the slow progress, although the lack of a strategic plan to direct drug abuse research and the lack of emphasis on the training of drug abuse researchers were also contributing factors. Few recent large-scale evaluations of treatment programs have been done, and methodological shortcomings detract from existing evaluations. Also, little is known about how to match patients with the most appropriate treatment, the effectiveness of certain components of treatment programs, and how to best treat individuals addicted to new drugs. Despite the recent surge of cocaine and crack use, NIDA continues to focus on developing therapies for heroin and other opiate addictions.

**Rural Drug Abuse:
Prevalence, Relation to Crime, and Programs**

GAO/PEMD-90-24, Sept. 14.

The commonly held view of drug abuse tends to focus on “high intensity” drug zones in cities like Los Angeles, New York, and Miami. Yet GAO found that total substance abuse, which includes both alcohol and drugs, is about as high in rural areas as in urban locales. In addition, GAO found that substance abuse arrest rates are just as high in rural areas as they are in nonrural areas. Most prison inmates in rural areas have abused either drugs or alcohol, a problem that is overwhelming inmate treatment services. In its review of the literature on program effectiveness in reducing substance abuse through prevention or treatment, GAO discovered that a few thorough evaluations have found particular programs to be effective. However, almost no studies have focused on programs in the rural United States. Low population density makes it hard for rural areas to have high program intensity. In particular, a rural community is unlikely to be able to afford drug program specialists. GAO believes that one way for rural locations to compensate for the shortage of expertise is to pool resources and coordinate efforts. In this way, rural areas may be able to address collectively problems that would be too complex for any one community to solve on its own.

**Mental Health Plans:
Many States May Not Meet Deadlines for Plan Implementation**

GAO/HRD-90-142, Sept. 18.

GAO is required to evaluate states’ implementation of the State Comprehensive Mental Health Services Plan Act of 1986 by September 30, 1990. This law requires states to plan and implement community-based care for their seriously mentally ill. It also directs the Department of Health and Human Services to provide planning assistance. While GAO concludes that it is too soon to fairly and adequately assess implementation because states are not required to fully implement their plans until September 1991, GAO did examine state planning activities and assessed the National Institute of Mental Health’s role in helping states develop plans. GAO found that the states and NIMH have complied with the act’s planning requirements. In addition, the act has achieved beneficial results, like greater involvement by the mentally ill, their families, and advocates in mental health planning, as well as more money for community mental health services. However, many states may have difficulties

in meeting the act's implementation deadlines and, as a result, may be subject to cuts in block grant allotments in fiscal years 1991 and 1992.

Medicare:

Comparison of Two Methods of Computing Home Health Care Cost Limits

GAO/HRD-90-167, Sept. 28.

In 1989 Medicare paid home health agencies about \$2.8 billion for visits made to beneficiaries. Medicare pays for six types of home health visits: skilled nursing; physical, speech, and occupational therapy; medical social services; and home health aid. GAO estimates that Medicare costs would have been cut by 2.5 percent—or \$49 million—if cost limits had been applied by type of visit for cost-reporting periods during the year beginning July 1, 1989. While applying cost limits by type of visit would have reduced payments to twice as many agencies as applying the limits in the aggregate, the payment reductions would have been small for most agencies. GAO surveyed agencies that would have faced additional reductions if type-of-visit cost limits had been used. Over 40 percent of these agencies said that the additional reductions would have caused them to stop participating in Medicare or to curtail services. In most cases, however, GAO found other agencies in the same geographic areas that were willing and able to expand service even if type-of-visit limits were used. GAO estimates that 1.8 percent of home health visits to beneficiaries would be unavailable if type-of-visit limits were adopted. On a related matter, GAO found that changing the cost-limit-computation method—from the 75th percentile of home health agencies to 112 percent of mean costs—had little effect on limit levels. The purpose of cost limits is to give home health agencies incentives to control cost growth. In the final analysis, the question is whether the additional cost savings from applying cost limits by type of visit are worth the small decrease in beneficiary access that could result.

Testimony

Quality of Care Provided Medicaid Recipients by Chicago-area HMOs, by Janet L. Shikles, Director of Health Financing and Policy Issues, before the Subcommittee on Health and the Environment, House Committee on Energy and Commerce. GAO/T-HRD-90-54, Sept. 14.

In a series of articles running in October 1987, the *Chicago Sun-Times* alleged that Chicago-area HMOs provided poor quality care to Medicaid recipients. Medicare pays the Chicago-area HMOs a fixed monthly

amount for each enrolled recipient to cover his or her health services. Although this practice has significant potential for containing health care costs, it also poses the danger of diminished quality of care. On the basis of its earlier report (GAO/HRD-90-81, Aug. 27), GAO testified that effective quality assurance mechanisms are not in place in the Chicago-area program to counterbalance the strong financial incentives given to HMO physicians to underserve Medicaid patients. Further, the effects of such incentives on patient care cannot be adequately assessed until the HMOs fully and accurately document the medical care services provided and an effective system is developed to analyze the utilization data gathered.

Housing

Home Ownership: Limiting Mortgage Assistance Provided to Owners With High- Income Growth

GAO/RCED-90-117, Sept. 26.

Congress passed legislation in 1988 to recapture some or all of the subsidy from first-time home owners who receive qualified mortgage bond assistance. The purpose of the measure was to retrieve the subsidy from owners who experience rapid income increases after they bought their assisted home and, as a result, no longer needed the subsidy. GAO is concerned that the recapture provisions, which will go into effect in 1991, do not treat all owners with income increases equitably. For example, the 1.25 percent point recapture rate may be larger than the interest-rate reduction owners received. Moreover, because the recapture amount is computed only after the subsidy is discontinued, some owners will continue to receive the assistance even after they no longer require it to make housing payments. Finally, assisted loans can be made to those who could afford market-rate conventional loans with comparable terms, and therefore do not need mortgage bond assistance. GAO believes that a more fundamental change would be to discontinue the assistance when the owner could afford to remain an owner without the reduced interest-rate loan. Finally, agencies could limit this assistance to those who could not initially afford a market-rate conventional loan with comparable terms.

Information Management

Federal Communications Commission: Strategic Focus Needed to Improve Information Resources Management

GAO/IMTEC-90-52, July 20.

As a result of rapid technological change over the past decade, the workload of the Federal Communications Commission has increased substantially. Today, FCC is licensing new communications services like low-power television and cellular radio, and it may soon become more involved in areas like cable television. Information technology is playing an important role in helping FCC meet these new challenges. For example, FCC relies on information technology to perform engineering analyses and to process millions of license applications each year (along with millions of dollars in licensing fees). Despite the growing importance of information technology, FCC has not developed a strategic information resources management plan to define goals, priorities, and milestones. Further, FCC has not always followed federal guidelines regarding the cost-benefit analyses that should be prepared in the early stages of system development. Finally, the agency has not developed a continuity of operations plan to deal with any emergency that might disable its computers.

Information System: National Health Practitioner Data Bank Has Not Been Well Managed

GAO/IMTEC-90-68, Aug. 21.

The National Practitioner Data Bank, currently under development, will enable the Health Resources and Services Administration (HRSA) to collect and release information on malpractice litigation and adverse professional actions involving doctors, dentists, and other health care workers. The data bank will basically be an exception list containing the names of practitioners whose professional competence has been called into question. However, because HRSA failed to follow a sound managerial approach in developing the data bank, it is doubtful whether HRSA can open it by September 1990. A major problem is that HRSA cannot ensure that security measures will be installed to prevent unauthorized access to confidential information. The data bank project has been plagued by lack of effective management; no one person has been accountable for the project since it began. Furthermore, the project's total cost is unclear at this time and could increase substantially. GAO

believes that the data bank should not be opened until the Department of Health and Human Services takes corrective action.

**Air Force ADP:
Millions Can Be Saved If Automated Technical Order System Is
Discontinued**

GAO/IMTEC-90-72, Aug. 23.

GAO reviewed the cost effectiveness of the Air Force Logistics Command's Automated Technical Order System. As originally planned, the system would have automated the receipt, distribution, and revision of Air Force technical orders, which are the information and instructions needed to operate and maintain weapons and other equipment. However, because of early development problems and funding constraints, the Air Force completed only the first phase of the system and now uses it to revise technical orders. GAO concludes that the system is not cost-effective as a stand-alone system and that further expenditures to enhance it are not warranted for several reasons. In fact, GAO estimates that the Command could save over \$4 million annually if it discontinued the system.

**Futures Market:
Use of Automation to Detect Trade Abuses**

GAO/IMTEC-90-81, Aug. 24.

In September 1989, GAO reported that weaknesses in controls over futures trading at exchanges afforded dishonest trading participants the opportunity to defraud their customers through falsification of their trade records. The exchanges use these trade records to detect abuses. This report examines efforts by the 14 U.S. futures exchanges to accurately record trade times via automation. GAO found that five U.S. futures exchanges are working on 10 automated systems that could provide more accurate trade records to detect abuses. As now planned, however, the use of some systems will be optional, and others may be limited to certain trading locations. Consequently, it is unclear whether and to what extent these systems will be implemented. In addition, GAO's limited risk assessments of the after-hours trading systems planned by the Chicago Board of Trade and the Chicago Mercantile Exchange identified internal control areas that the exchanges needed to strengthen before implementing each system. The risks associated with these areas

included some that could affect the security of the systems. The Commodity Futures Trading Commission has increased its oversight of automation initiatives and has sought to obtain the additional technical expertise needed to assess these initiatives. Because these efforts are in the formative stages, it is too early to assess their effectiveness.

**Army Automation:
Decisions Needed on SIDPERS-3 Before Further Development**

GAO/IMTEC-90-66, Sept. 5.

During its September 1989 review of the Army's Standard Installation/Division Personnel System III (SIDPERS-3), DOD's Major Automated Information System Review Committee raised significant concerns about whether the Army had selected the best program available in terms of system cost, hardware, and software. SIDPERS-3 is an automated personnel management system intended to automate organizational and personnel recordkeeping, manpower accounting, and personnel management reporting. In spite of these concerns, the committee let the Army continue system design and development. GAO believes that the committee instead should have had the Army stop additional work until its concerns were resolved. Moreover, the Army still has not adequately addressed committee concerns about the use of alternative systems and the Ada programming language. In the meantime the Army has paid a contractor about \$6 million for continuing technical design and software development of SIDPERS-3. Finally, this automated personnel system may be contrary to a recent DOD initiative to establish single systems, such as one for personnel, for all military services and Defense agencies.

**Information Resources:
Management Improvements Essential for Key Agriculture Automated Systems**

GAO/IMTEC-90-85, Sept. 12.

GAO reviewed two major information resources management projects at the Department of Agriculture's Stabilization and Conservation Service, which is responsible for administering farm commodity, conservation, and emergency assistance programs. GAO sought to (1) explain escalating costs and schedule delays for the Grain Inventory Management System and Processed Commodity Inventory Management System and (2) evaluate how the Service monitors and manages disk capacity to determine upgrades for minicomputers for its 2,800 county offices. Overall, GAO

found that ineffective project management and oversight contributed to cost growth, schedule delays, and significant unmet user needs for the grain and processed commodity inventory systems. The two systems have been fraught with serious cost overruns and significant schedule delays. In 1983 the Service awarded a contract to develop the two systems at a combined cost of about \$7 million; current cost estimates for the systems now total \$62 million, almost a nine-fold increase. One system was installed two years later than planned, and the other is scheduled to be installed in July 1991, almost a six-year delay. The Service plans to request a \$57-million increase in its procurement authority, primarily to buy more minicomputer disk drives and computer equipment for county offices. However, the method used by the Service to justify these purchases is flawed, and GAO questions the basis for the request. GAO summarized this report in testimony before Congress; see:

Management Improvements Essential for Key Automated Systems at the Agricultural Stabilization and Conservation Service, by JayEtta Z. Hecker, Director of Resources, Community, and Economic Development Information Systems, before the Subcommittee on Government Information, Justice, and Agriculture, House Committee on Government Operations. GAO/T-IMTEC-90-13, Sept. 18.

**Securities Industry:
Additional Testing Needed to Ensure Efficient Post-Trade
Processing of Stocks**

GAO/IMTEC-90-83, Sept. 26.

During the October 1987 stock market crash, the U.S. stock markets experienced backlogs in correcting trade problems, where buyers and sellers disagree on the terms of their transactions. These backlogs delayed determining over \$1 billion in financial obligations by market participants. This report provides information on (1) automated systems developed to correct problem trades more quickly, (2) the extent to which these systems have been tested to ensure that they can process increased work load volumes like those experienced during the 1987 market crash, (3) the impact these systems will have on reducing the five-day period needed to clear and settle stock trades, and (4) the role the Securities and Exchange Commission played in reviewing and approving these systems.

**Customs Automation:
Weaknesses in Revenue Collection at John F. Kennedy International Airport**

GAO/IMTEC-90-16, Sept. 27.

In March 1989, GAO reported on physical weaknesses at the cashier's office in the John F. Kennedy International Airport area office, where revenues are controlled and deposited. In addition, GAO found that accountability and storage procedures for prenumbered collection documents were lax and deposits of certain revenues were untimely. In this report, GAO notes that these three weaknesses persist and heighten the area office's vulnerability to lost or stolen collections.

**Information Management:
Immigration and Naturalization Service Lacks Ready Access to Essential Data**

GAO/IMTEC-90-75, Sept. 27.

GAO found that the Immigration and Naturalization Service's information resources management problems are varied. Program and management data are kept in a loose collection of automated information systems, as well as a number of ad hoc, labor-intensive manual systems. These information systems contain incomplete and inaccurate data that cannot be effectively accessed or shared. Further, because of the autonomy of INS' regional and central office, redundant systems have been developed. The result is that INS managers and field officials lack adequate, reliable, and timely information with which to do their jobs. Top managers, for example, cannot measure program performance and field office productivity. In many cases, INS lacks the information needed to (1) identify, apprehend, and deport criminal aliens; (2) process an alien's application for benefits; and (3) account for or collect fees owed to the government. An overriding problem is that INS' information resources management plan offers conceptually sound goals but little direction on how to meet them. While INS has tried to enhance systems' capabilities and to improve its information resources management planning process, a concerted effort and long-term commitment by agency leadership is needed to solve INS' information resources problems.

**ADP Budget:
Analysis of HCFA's Fiscal Year 1991 ADP Budget Request**

GAO/IMTEC-90-67, Sept. 28.

The Health Care Financing Administration manages several health programs, including Medicare and Medicaid. GAO analyzed HCFA's fiscal year 1991 information technology systems budget request of \$60.7 million. This amount includes \$12.2 million for three major system enhancement projects to obtain more automated data processing and communications equipment, new software development, and related commercial services. GAO concludes that HCFA has adequate support for all three projects.

Testimony

Competitiveness of Federal Computer Procurements, by Milton J. Socolar, Special Assistant to the Comptroller General, before the Subcommittee on Legislation and National Security, House Committee on Government Operations. GAO/T-IMTEC-90-12, Sept. 13.

Overall, how competitive are federal computer acquisitions? GAO testified on several problems with the acquisition of computer hardware and software by federal agencies, including agency actions that inappropriately restricted competition. In fact, GAO found that 82 percent of all mainframe procurements limit competition in some way. While this situation raises concerns about the extent of competition-limited procurements, in some cases agencies may be limiting competition for legitimate reasons. For example, some agencies have a large hardware/software base that demands compatibility. On the other hand, GAO knows that a general lack of skills, knowledge, and understanding of ADP systems and the procurement process, coupled with ineffective agency oversight, can result in inappropriate limitations on competition. GAO also found cases in which competition was limited by a desire to expedite the procurement process or deliberately favor a particular vendor. GAO questions GSA's effectiveness in overseeing federal ADP acquisitions.

International Affairs

**Foreign Affairs:
Forced Labor in the People's Republic of China**

GAO/NSIAD-90-244BR, July 23.

GAO examined allegations of widespread forced labor in the People's Republic of China. This briefing report addresses (1) the extent of

forced labor in China, including the number of facilities and the number of those detained, and (2) the organization of the forced labor system.

**Foreign Agent Registration:
Justice Needs to Improve Program Administration**

GAO/NSIAD-90-250, July 30.

In a 1980 report on the administration of foreign agent registration, GAO recommended that the Attorney General seek legislative authority to (1) require written notification to the Justice Department of all exemption claims prior to any agent activity and (2) give the Justice Department additional enforcement measures like administrative subpoena powers, a schedule of civil fines for minor violations, and increases in existing fines. Because the Justice Department has not implemented GAO's recommendations, it has no information on exemptions and still has limited enforcement authority. The administration of foreign agent registration remains a problem. Of the Justice Department files GAO reviewed, half indicated that the foreign agents had not fully disclosed their activities; over half either registered initial forms late or filed their required semi-annual reports late. GAO also found that the Justice Department's disclosure criteria are unclear. Both foreign agents and Justice Department employees who review the registration forms lack specific written guidance on what should be reported. The questions on the semiannual supplemental statements are general and do not specifically require the information necessary to satisfy the act's disclosure requirements. GAO summarized this report in testimony before Congress; see:

Foreign Agent Registration and Former High-Level Federal Officials Representing Foreign Interests, by Allan I. Mendelowitz, Director of Trade, Energy, and Finance Issues, before the Senate Committee on Commerce, Science, and Technology. GAO/T-NSIAD-90-50, Sept. 27.

**Foreign Investment:
Aspects of the U.S.-Japan Relationship**

GAO/NSIAD-90-203FS, July 31.

During the 1980s, Japanese investment in the United States soared, with the result that Japanese investments in this country exceeded U.S. investments in Japan by \$128.5 billion at the end of 1988. This fact sheet provides information on (1) the extent and sectorial composition of Japanese investment in the United States and U.S. investment in

Japan, (2) the forms of Japanese direct investment in the United States, and (3) barriers to U.S. investment in Japan.

**El Salvador:
Pipeline of U.S. Aid as of August 1990**

GAO/NSIAD-90-285FS, Sept. 19.

As of August 1990, about \$432 million in aid to El Salvador had not been spent. Of this amount, about \$54 million was for military assistance and about \$378 million was for economic assistance. About half of the unexpended military assistance related to items that had been ordered through the Defense Security Assistance Agency and military services but had not been delivered. Unexpended economic aid consisted of about \$35 million in unobligated funds and about \$343 million in funds that had been obligated but not expended.

**El Salvador:
Accountability for U.S. Military and Economic Aid**

GAO/NSIAD-90-132, Sept. 21.

The United States gave El Salvador \$3.5 billion worth of military and economic assistance during the 1980s. GAO found that U.S. military aid to El Salvador has generally been used in accordance with conditions set forth in Foreign Military Sales agreements. However, U.S. aid could be vulnerable to misuse or diversion because of control weaknesses. The United States and El Salvador plan to improve controls over such assistance. Despite staff limitations, the Agency for International Development, which handles economic assistance projects, is generally following established policies and procedures for managing appropriated economic assistance to El Salvador, but some misuse has occurred. El Salvador's local currencies, which are associated with the AID program, are vulnerable to misuse because Salvadoran agencies with weak financial management capability control the funds, not AID. AID's policy on its level of accountability for these funds is unclear, and AID staff resources are insufficient to closely monitor all local currency uses.

**International Trade:
Czech Trade Data**

GAO/NSIAD-90-298BR, Sept. 20.

This briefing report provides information to help in evaluating the impact of the trade agreement between the United States and Czechoslovakia signed in April 1990. This agreement, which awaits congressional approval, would grant Czechoslovakia "most-favored-nation" trade status. GAO discusses (1) Czech exports and imports to selected countries, (2) tariff rates on U.S. imports from Czechoslovakia versus tariff rates on imports with countries with most-favored-nation status, (3) Czechoslovakia's eligibility for receiving generalized system of preference trade benefits, and (4) leading U.S. exports to and imports from Czechoslovakia from 1987 to 1990.

**Central America:
Assistance to Promote Democracy and National Reconciliation in
Nicaragua**

GAO/NSIAD-90-245, Sept. 24.

Has the assistance provided to promote democracy and national reconciliation in Nicaragua been spent according to legislative intent? The Agency for International Development has been responsible for administering \$9 million in aid to Nicaragua, including funds for free and fair elections. GAO found that AID and its grantees had generally complied with applicable requirements and had established adequate accounting controls.

Testimony

Cambodia: Non-Lethal Assistance and Status of the Cambodian Seat at the United Nations, by Harold J. Johnson, Director of Foreign Economic Assistance Issues, before the Subcommittee on East Asian and Pacific Affairs, Senate Committee on Foreign Relations. GAO/T-NSIAD-90-63, Sept. 19.

GAO testified on ongoing U.S. efforts to encourage a settlement of the 11-year war in Cambodia. GAO discussed (1) the accountability for and impact of non-lethal assistance like medical supplies being given to the military forces of the Noncommunist Cambodian Resistance (NCR) and (2) the status of the U.N. seat now held by the Coalition Government of

Democratic Kampuchea. Overall, GAO found that while poor accountability and control was a problem in the early years of the non-lethal assistance program, controls now exist to ensure that aid reaches the NCR. GAO found no evidence that U.S. non-lethal assistance has directly benefited the Khmer Rouge. However, because U.S. officials cannot enter parts of Cambodia where much of the assistance goes, it is hard to say if the aid is being used properly after it is turned over to the NCR.

Foreign Assistance: AID's Microenterprise Assistance Program, by Harold J. Johnson, Director of Foreign Economic Assistance Issues, before the Subcommittee on International Economic Policy and Trade, House Committee on Foreign Affairs. GAO/T-NSIAD-90-38, Sept. 26.

GAO's testimony on the Agency for International Development's microenterprise program focuses on two issues: Has AID adequately managed the microenterprise program and complied with congressional guidance on the size of loans disbursed, the economic status and gender of loan recipients, and the use of indigenous "grass roots" organizations to carry out the program? Is AID's March 1990 report to Congress on the program reasonably accurate and reliable? GAO concludes that AID has improved its management of the program, and is trying to implement the congressionally recommended program guidance. GAO also believes that while AID wanted to give Congress an accurate and reliable report on the program in March 1990, full disclosure of the limitations AID encountered in accumulating the data would have improved the report's credibility.

Justice and Law Enforcement

Immigration Services: INS Resources and Services in the Miami District

GAO/GGD-90-98, Aug. 6.

GAO reviewed certain Immigration and Naturalization Service operations in its Miami District. This report provides information on (1) authorized and actual staffing levels for the Miami District for the four-month period ending in December 1989, (2) its processing times for aliens' applications by selected application types as of September 1989, and (3) the Miami District budget for fiscal year 1990. For perspective, GAO also includes information on the seven other districts in the Southern Region.

**Developing a Federal Drug Budget:
Implementing the Anti-Drug Abuse Act of 1988**

GAO/GGD-90-104, Aug. 23.

The process used to formulate the federal drug budget is evolving. For fiscal years 1981 through 1990, Congress did not require the preparation of an annual drug budget, although the Office of Management and Budget did give Congress and executive branch agencies a summary of the drug budgets of federal agencies. The Anti-Drug Abuse Act of 1988, however, required the Office of National Drug Control Policy (ONDCP) to prepare an annual federal budget and outline a drug budget formulation process. ONDCP issued its first comprehensive federal drug budget in January 1990. ONDCP officials said that they will continue to refine the guidelines to prepare the drug budget and expect that it may take two to three years before the process is running smoothly. The drug budget data GAO reviewed at five agencies usually consisted of estimates and could not be tracked or monitored through agency accounting systems because drug programs are generally combined with other programs in an account. GAO believes that the ability to track drug expenditures with precision is essential if meaningful evaluations are to be made of the many approaches now being used to confront the drug problem.

**Financial Institution Fraud:
Effect of Regional Fraud Offices Unclear**

GAO/GGD-90-124, Sept. 28.

In response to reported massive levels of thrift and bank fraud in Northern Texas, Congress required that the Department of Justice create a regional office of the Fraud Section of the Criminal Division in the Northern District of Texas. This office must be maintained through fiscal year 1992. GAO found that Justice has initiated the minimum necessary actions to comply with the law's requirements for a regional office in northern Texas. However, the reduction in the number of Fraud Section attorneys traveling between Washington, D.C., and Dallas has not been achieved. Because the Fraud Section's regional office had no discernible impact on Justice's prosecution of financial institution waste, fraud, and abuse, GAO could not determine whether regional offices should be set up in other parts of the country. Justice opposes the idea of establishing regional fraud offices. Further, GAO believes that subsequent actions by Justice to establish task forces in 27 cities and to create the position of Special Counsel for Financial Institution Fraud may have

rendered moot the question of whether more regional offices should be established.

National Defense, Security, and Military Procurement

Chemical Warfare: DOD's Reporting of Its Chemical and Biological Research

GAO/NSIAD-90-102, Aug. 2.

GAO assessed the Department of Defense's reporting of its chemical warfare and biological defense research programs and found them to be generally accurate and consistent with one another. These reports comply with the requirement that DOD identify the amount, purpose, and necessity for each expenditure. However, DOD's annual report does not describe intermediate or overall program goals and objectives. The annual report also does not set the accomplishments in the perspective of a broader purpose. GAO believes that such information, while not required, is necessary because project details alone do not provide enough information for most readers to know whether progress is being made toward program objectives or the relative importance of the results being reported.

Defense Inventory: DOD Could Better Manage Parts With Limited Manufacturing Sources

GAO/NSIAD-90-126, Aug. 16.

DOD established the Diminishing Manufacturing Sources and Material Shortages Program to ensure the availability of spare parts even when manufacturers stop making them. In response to concerns that this program may be unnecessarily contributing to inventory growth, GAO reviewed the program. GAO found that the Defense Logistics Agency had been identifying parts with diminishing sources and was providing management oversight of the program. The services had not, however. They were still developing programs and plans, and did not have the data either to monitor the program or to enable GAO to assess the program's impact of inventory goals. Diminishing sources spare parts were valued at about \$279 million in 1989, a ten-fold increase since 1985. Some of this growth was caused by reclassifying existing stocks to diminishing sources status. Although GAO could not determine the extent to which DOD has bought stock that will never be used, almost one-third of the items had more than a 25-year supply of stock valued at about \$186

million. Such overbuying increases the risk that they might never be used. GAO also has concerns about the extent to which this stock has been adequately stored and routinely tested.

**Defense Inventory:
Information on Disposal of Unrequired Inventory**

GAO/NSIAD-90-228BR, Aug. 17.

Unrequired inventory is stock that is not needed to meet current requirements but is held to satisfy possible future requirements and contingencies. This briefing report provides information on the disposal of DOD's unrequired inventory. GAO discusses (1) unrequired inventory available for disposal and sale, (2) the condition of potential excess inventory and the related storage costs, and (3) inventories disposed of and sales proceeds.

**Consulting Services:
Role and Use in Acquiring Three Weapon Systems**

GAO/NSIAD-90-119, Aug. 20.

As part of its ongoing effort to assess the government's use of consulting services, GAO reviewed three DOD weapon systems to determine how DOD used consulting services in acquiring these systems; how the systems' contractors used consultants; and whether consultants worked for both the government and defense contractors on these systems, and if so, whether any conflicts of interest existed. The three weapon systems were the Army's Fiber Optic Guided Missile, the Navy's V-22 tiltrotor aircraft, and the Air Force's Peacekeeper Rail Garrison missile basing system. DOD used consultant services in developing system specifications, preparing cost estimates, and reviewing requests for proposals. GAO found that defense contractors for these systems used consultants to obtain a variety of services, ranging from advice on government business to technical assistance in preparing bids for defense contracts. There was no indication of any conflicts of interest in the three instances in which GAO identified consultants who worked both for the government and for a defense contractor on matters related to the same weapon system. GAO did find that DOD, due to difficulties in interpreting the definitions of consulting services or other internal control weaknesses, did not accurately identify or report its use of these services. Without improvement in these areas, DOD and Congress will continue to

lack accurate information on how much DOD is relying on consultant services to develop its weapon systems.

**B-2 Bomber:
Initial Flight Tests**

GAO/NSIAD-90-284, Sept. 4.

This unclassified summary discusses GAO's evaluation of the initial flight worthiness testing of the B-2, known as Block 1 flight testing. Block 1 testing examines basic B-2 flying and ground handling qualities, takeoff and landing characteristics, and aerial refueling. GAO found that the Block 1 tests demonstrated the B-2's basic flight worthiness, but were not a rigorous test of the B-2's full performance capabilities. The tests did not try to simulate a realistic mission environment or a series of realistic flight profiles. Accordingly, threat data were not used in the tests.

**Burden Sharing:
Allied Protection of Ships in the Persian Gulf in 1987 and 1988**

GAO/NSIAD-90-282BR, Sept. 6.

In late 1986, Iran began attacking ships in the Persian Gulf. This unclassified version of a classified GAO report discusses the major activities of the allies and Persian Gulf states to sustain open navigation in the Persian Gulf between March 1987 and August 1988. GAO (1) identifies the countries involved in sustaining open navigation and the role each played, (2) analyzes the value of the contributions provided by those countries, and (3) assesses the potential economic impact of the disruption of Gulf oil imports on Gulf states and industrialized countries.

**Defense Health Care:
Potential for Savings by Treating CHAMPUS Patients in Military Hospitals**

GAO/HRD-90-131, Sept. 7.

Due to staff shortages, the military hospital system has considerable unused physical capacity and beneficiaries are turning to civilian medical providers for health services. The Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) picks up a major part of the tab for such treatment. GAO found that DOD can potentially save money by adding staff and equipment at military hospitals so they can treat

more patients, rather than paying for their care under CHAMPUS. This conclusion tends to support expansion of military hospital capacity in the manner now being tested under several DOD health care initiatives. However, potential savings vary significantly by medical specialty and hospital; the savings could be great in some specialties and in some locations but negligible in others. GAO believes that DOD should identify facilities and specialties in which expansion of treatment capability is most likely to be cost-effective before it expands the current initiatives.

**Defense Budget:
Potential Reductions to Air Force and Navy Missile and Other Budgets**

GAO/NSIAD-90-272BR, Sept. 7.

To identify potential budget reductions, GAO reviewed the Air Force's fiscal year 1991 procurement budget request and past appropriations for the Advanced Medium Range Air-to-Air Missile, QF-106 target aircraft, AGM-130 guided bomb, and GBU-15 improved data link programs. GAO also reviewed the Navy's fiscal year 1991 missile procurement budget request for AMRAAM. GAO identified potential reductions of \$1,338.4 million from the Air Force's and the Navy's fiscal year 1991 AMRAAM procurement requests. GAO also identified potential reductions of \$43.6 million from the Air Force's procurement budgets for the other programs GAO reviewed.

**Defense Budget:
Potential Reductions to DOD's Ammunition Budget**

GAO/NSIAD-90-256, Sept. 17.

GAO reviewed the military services' justifications for their fiscal year 1991 budget requests for ammunition and the Army's request for modernizing and expanding the ammunition production base. GAO concluded that \$434 million, or 19.6 percent, of the service's fiscal year 1991 budget request is not justified and should not be funded, and that the Army's request for modernizing and expanding the ammunition production base is adequately supported. GAO also concluded that the services' fiscal year 1989 ammunition appropriations can be reduced by \$88,000, and their fiscal year 1990 ammunition appropriations can be reduced by \$49.9 million.

**Defense Budget:
Potential Reductions to the Army and Navy Missile Programs**

GAO/NSIAD-90-302BR, Sept. 27.

GAO identified potential reductions of \$1,214.2 million from the Army's, the Navy's, and the Marine Corps' budgets for seven of 13 selected missile systems: \$887.4 million from the fiscal year 1991 request and \$326.8 million from the fiscal year 1991 appropriations. These reductions result primarily from (1) requests for fiscal year 1991 procurement funds that could be deferred to future years, (2) questionable requirements, (3) reduced requirements, (4) less than anticipated costs, and (5) recalculated amounts using more current information. In addition, there may be potential to cut the fiscal year 1991 requests for two other missile systems under certain conditions.

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

GAO/NSIAD-90-275BR, Sept. 10.

This briefing report discusses the Army's justification for its fiscal year 1991 operation and maintenance budget. GAO identified potential reductions of about \$734 million—\$326 million at the U.S. Army, Europe, and \$407.8 million at the U.S. Army Forces Command. The reasons for the proposed reductions are that (1) figures included in the budget submission to Congress exceeded figures in budget planning guidance provided to the two commands by the Army, (2) the costs to repair and maintain facilities at installations to be closed had been included in the budget request, (3) the planned attrition of civilian personnel as a result of the hiring freeze had not been taken into account, (4) documentation was lacking to completely justify planned ground and air operating tempo accounts, and (5) training exercises had been canceled.

**Army Inventory:
Army Annually Spends Millions to Keep Retention-Level Stocks**

GAO/NSIAD-90-236, Sept. 11.

The Army's secondary items inventory, which includes spare and repair parts, is valued at \$18.5 billion. Of that amount, \$4.3 billion exceeds current operating and war reserve needs. GAO found that the Army's retention inventory policies and practices result in keeping virtually all

inventory applicable to active weapon systems regardless of its quantity, its material condition, or the number of end items to be supported. Maintaining this inventory is expensive. For example, the Army spends about \$481 million each year to hold its retention-level inventory. By continuing to retain this inventory, the Army is overcrowding storage facilities and adversely affecting inventory management of needed items. GAO also discovered systemic problems with the computer programs that the Army uses to make decisions about retention-level inventory.

**Military Airlift:
Information on Gander Crash and Improved Controls Over Military Charters**

GAO/NSIAD-90-243BR, Sept. 11.

This briefing report provides information on the U.S. government's participation in the Canadian investigation of the 1985 crash of an Arrow Air aircraft in Gander, Newfoundland. Specifically, GAO discusses (1) the roles of the U.S. federal agencies that assisted the Canadian Aviation Safety Board in its investigation, (2) the cargo that was loaded aboard the plane, and (3) the actions taken to ensure the safety and security of U.S. military airlift charters in response to a March 1987 GAO report.

**Government Contracting:
Financial Measures for Evaluating Contractor Profitability**

GAO/NSIAD-90-200BR, Sept. 12.

This briefing report discusses the types of financial measures that could be used to assess how federal government policies may have affected the profitability of government contractors. GAO believes that—as a prerequisite to any evaluation of government contractor profitability—a profit reporting program should be established that requires major government contractors to annually report financial results for the parts of the company doing government work. Return on assets, which is the ratio of income to assets, should be used as the main financial measure in assessing the profitability of government contractors. If segment-level data were available, a combination of several measures of financing defense contract work could be used, along with return on assets, to assess the effect that government policies have on government contractors.

**Strategic Missiles:
Logistics Support for Advanced Cruise Missile Based on Outdated
Plans**

GAO/NSIAD-90-178, Sept. 13.

Over the next five years, the Air Force plans to deploy 1,461 Advanced Cruise Missiles. Logistics support is expected to cost \$1.7 billion. GAO found that the Air Force did not revise the Advanced Cruise Missile logistics plan when major program changes occurred. Because logistics support was provided on the basis of outdated data, the Air Force expended resources prematurely to acquire spares, maintenance and repair capability, and facilities. In addition, logistics and support costs could increase because of marginal system reliability and design and quality problems like fuel leaks and accessibility to subsystems. Air Force managers are working to overcome these problems. Logistics and support cost savings of between \$74 million and \$991 million are possible if logistics plans are promptly updated.

**Panama:
Cost of the U.S. Invasion of Panama**

GAO/NSIAD-90-279FS, Sept. 13.

This fact sheet presents information on the incremental cost of the U.S. invasion of Panama. It represents the cost over and above the cost for normal operations for each service participating in the invasion. DOD estimates that the cost of the U.S. invasion of Panama was about \$163.6 million: \$155 million for the Army, \$5.7 million for the Air Force, and \$2.9 million for the Navy. DOD said that it has not requested additional funds to cover this cost but plans to reprogram funds from existing resources in other appropriation accounts.

**Military Aviators:
Assignment Policies and Practices**

GAO/NSIAD-90-213, Sept. 24.

GAO reviewed the aviator assignment policies and practices followed by the armed services to accommodate the assignment preferences of aviators within the services' operational needs. This report (1) determines service policies on aviator assignments, (2) describes how assignments are actually made, (3) identifies the extent of aviator input into the

assignment process, and (4) identifies aviator views on the assignment process.

**Test and Evaluation:
DOD's Fiscal Year 1989 Test Resource Budget**

GAO/NSIAD-90-177FS, Sept. 25.

To give Congress a baseline for evaluating future development and operational test resource funding requests, GAO determined the amount of funds DOD budgeted in fiscal year 1989 for test and evaluation of its major weapon system acquisitions. This amounted to about \$5 billion in fiscal year 1989. Of this amount, \$4.1 billion was allotted for the Major Range and Test Facility Base, which consists of 21 ranges and test facilities used for development and operational testing and training. The remaining amount—approximately \$900 million—was allotted for a mixture of DOD programs. Although DOD has a budgeting system for displaying actual and programmed resources, it does not aggregate all resources attributable to test and evaluation. GAO notes that test and evaluation resources may be somewhat overstated in certain categories and understated in others.

**Navy Maintenance:
Status of the Public and Private Shipyard Competition Program**

GAO/NSIAD-90-161, Sept. 26.

The public and private shipyard competition program has resulted in limited competition between public and private shipyards, with both types of shipyards submitting proposals on less than half the vessels completed. In part, this is because private shipyards can price proposals below expected costs, whereas public shipyards must include a proportionate share of all expected costs. Additionally, the limited availability of commercial ship construction and repair work has created a highly competitive market among private shipyards resulting in relatively low price proposals. Also, only two private shipyards are capable of overhauling or repairing nuclear submarines. While the Navy believes that the program has encouraged public shipyards to adopt a more business-like approach to ship repair work, the Navy's projected costs savings cannot be substantiated.

**Apache Helicopter:
Serious Logistical Support Problems Must Be Solved to Realize
Combat Potential**

GAO/NSIAD-90-294, Sept. 28.

At an estimated cost of \$12 billion, the Army's Apache helicopter ranks as the most advanced attack helicopter in the world. Yet GAO found that the Apache's availability rates fall well short of the peacetime goal—that at any given time at least 70 percent of the Apaches are ready to perform any mission—and actually decrease as battalions accumulate flight hours. Underlying the Apache's poor showing are serious logistical support problems like undersized maintenance organizations, weaknesses in repair capabilities, and frequent component failures. Given the Apache's performance problems despite favorable, peacetime conditions, GAO questions whether the helicopter can meet the far more strenuous demands of high-intensity combat. While the Army has tried to improve aircraft reliability and maintenance capabilities, there is no guarantee that the Apache can be sustained in high-intensity combat. In GAO's view, it will be difficult to assess the effectiveness of corrective actions until the Apache's logistical support needs are determined under combat conditions. GAO believes that DOD should buy fewer aircraft to better support those in the field. If DOD buys all 807 Apaches, it may be necessary to field fewer battalions to provide a greater concentration of resources—people, aircraft, and equipment—to each battalion.

**Chemical Weapons:
Status of the Army's M687 Binary Program**

GAO/NSIAD-90-295, Sept. 28.

In October 1989, GAO recommended that Congress deny the Army's \$47 million fiscal year 1990 request for 155-millimeter M687 binary chemical projectiles because the canister supplier had been unable to meet delivery schedules and because a new chemical production facility needed to produce the projectiles had not been finished. Although the requested funds were appropriated, GAO is required to continue to report on the situation. GAO found that the canister supplier continues to have problems meeting the delivery schedule for canister components. Also, completion of the new chemical production facility has slipped to October 1990. Even then, the Army may not be able to use the facility because of difficulties in obtaining sufficient supplies of a chemical

needed in the production process. In any case, the fiscal year 1989 procurement is likely to be the last for M687 projectiles because in June 1990 the United States and the Soviet Union agreed to halt production of chemical weapons.

**Navy Ships:
Concurrency Within the SSN-21 Program**

GAO/NSIAD-90-297, Sept. 28.

The Seawolf nuclear attack submarine (SSN-21) program, which is intended to counter the Soviet Union's new generation of quieter, more capable submarines, is being designed and built concurrently. In addition, six of its 10 subsystems that GAO reviewed also involve concurrency; four of these subsystems, including the AN-BSY-2 combat system, are critical to the ship's achieving full performance. Under current Navy plans, some of the SSN-21's subsystems will not be operationally tested before initial production. As a result, problems revealed during testing may require expensive ship and/or subsystem modifications and possible schedule delays. GAO believes that changing world events, the mounting U.S. budget deficit, and the benefits of a less concurrent program warrant a one-year delay in the award of the next SSN-21 production contract.

**Special Operations Command:
Progress in Implementing Legislative Mandates**

GAO/NSIAD-90-166, Sept. 28.

Is DOD prepared to effectively undertake special operations missions? To bolster the ability of the United States to undertake special operations missions and to engage in low-intensity conflicts, Congress passed reform legislation in the 1980s that reorganized U.S. special operations policies, programs, and capabilities. GAO found that the U.S. Special Forces Command have made progress in integrating special operations forces. The Command is reaching agreements with the Army, Navy, Air Force, and other DOD organizations to delineate responsibilities and relationships. However, some of the agreements that the Command considers essential have not been completed, and milestone date have not been set up for completing them. In addition, the adequacy and appropriateness of funding requested for special operations forces for fiscal years 1990 and 1991 are uncertain. The requests do not represent the joint worldwide special operations' requirements because they have not

yet been validated by the Command. The Command is taking steps to assume its congressionally mandated programming and budget responsibilities beginning with the fiscal year 1992 budget. Timely completion of this process requires the cooperation of DOD and its organizations.

Natural Resources

Mineral Revenues: Collection and Distribution of Revenues From Acquired Lands

GAO/RCED-90-7, Aug. 2.

Many federal agencies have the authority to acquire lands for a variety of purposes, including timber production, livestock grazing, and irrigation. The Department of the Interior acquires lands for mineral development. This report provides information on the collection and distribution of mineral revenues from acquired lands. GAO (1) discusses the role of Interior's Minerals Management Service in collecting mineral revenues from acquired lands; (2) identifies the agencies involved, and the processes they use, to distribute mineral revenues from acquired lands; and (3) evaluates the accuracy and timeliness of agencies' distributions of fiscal years 1986 and 1987 mineral revenues to nonfederal recipients.

Wildlife Management: Effects of Animal Control Program on Predators

GAO/RCED-90-149, Aug. 9.

This report—the second in a series on federal wildlife management efforts—discusses the effects of animal damage control programs on several species of predators. GAO focused on 17 western states where bears, wolves, foxes, bobcats, mountain lions, and coyotes are most common. GAO found that while the federal government has an interest in preserving wildlife, it lacks a comprehensive policy for managing predators. Instead, most matters pertaining to fish and wildlife, including predators, are relegated to the states. The federal government does try to control predators in areas where they are causing damage to livestock or agriculture. According to available information, the number of predators killed under animal damage control programs has not threatened statewide predator populations. These activities, however, may have helped decrease some predator populations in areas with heavy livestock grazing.

**National Forests:
Administration of Outfitter and Guide Policies at the Gallatin
Forest**

GAO/RCED-90-163, Aug. 22.

GAO reviewed allegations made by a number of outfitters/guides operating in Montana national forests that the Forest Service has acted arbitrarily in deciding the number of days outfitters are permitted to use the forests. GAO limited its review to the Gallatin National Forest since that is where most of the allegations occurred. GAO found that the Forest Service does not now know, nor does it have plans to determine, the level of outfitter or other recreation use the forest can sustain. Until such an assessment is done, any limits to outfitter use imposed by the Forest Service will be subject to challenge and the controversy at Gallatin will, in all likelihood, continue. GAO believes that similar problems could develop at other national forests because historical use has traditionally been the basis for determining outfitter levels throughout the Forest Service. While GAO could not resolve whether favoritism occurred at Gallatin's outfitter permitting program, GAO did find that Forest Service procedures do not adequately ensure that such acts, or the appearance of such acts, do not occur.

**Corps of Engineers:
Weak Contracting Practices**

GAO/NSIAD-90-268, Sept. 7.

Did the U.S. Army Corps of Engineers' Alaska District act properly in restricting the purchase of certain electrical equipment to items manufactured by General Electric? GAO reviewed the Corps' contract for upgrading electrical systems at Clear Air Force Station, Alaska, and found that the Corps' actions were not properly justified. Contrary to Federal Acquisition Regulations, the Corps' Alaska District specified GE equipment without ensuring that it was the only equipment that would meet the government's needs. At least one other manufacturer could have met the government's needs, and at an estimated savings of \$600,000. Three key management controls—oversight by the contracting officer, the waiver review procedure for restrictive specifications, and contract review by the competition advocate—were lacking. As a result of these management control weaknesses, GAO is concerned that similar problems may be found with other restrictive contracts.

**Water Resources:
The Corps of Engineers' Revised Review Process for Proposed Civil Works Projects**

GAO/RCED-90-188, Sept. 13.

GAO reviewed the management and administration of the U.S. Army Corps of Engineers' civil works program. This report describes recent changes to the Corps' review process for feasibility studies that the Corps uses to recommend congressional authorization for constructing proposed civil works water resources projects. This report also examines the Office of Management and Budget's role in the review process.

Testimony

Hardrock Mining on Federal Lands, by James Duffus III, Director of Natural Resources Management Issues, before the Subcommittee on Mining and Natural Resources, House Committee on Interior and Insular Affairs. GAO/T-RCED-90-106, Sept. 6.

Over the past four years, GAO has reported on several aspects of the Mining Law of 1872 and its administration and had made several recommendations to Congress and the federal managing agencies. GAO testified that H.R. 3866, the Mining Exploration and Development Act of 1990, effectively addresses many of GAO's concerns and should well serve the nation's natural resource policy interests. The bill's requirement for graduated diligent development expenditures or graduated payments in lieu of development should encourage timely development of mineral resources and should discourage unauthorized activities on federal lands. The bill's requirement for financial guarantees covering all mining operations that will cause significant surface disturbance should ensure reclamation of land scarred by mining operations. Finally, the bill will eliminate the patent provision, thereby preventing lands from passing out of federal ownership and keeping open the opportunity for the government to obtain revenues for minerals extracted from its lands.

Bonneville Unit's Irrigation and Drainage System Is Not Economically Justified, by James Duffus III, Director of Natural Resources Management Issues, before the Subcommittee on Water and Power, Senate Committee on Energy and Natural Resources. GAO/T-RCED-90-108, Sept. 18.

GAO testified on S. 2969, the Central Utah Project Completion Act, which would authorize \$150 million in federal funds for construction of the Irrigation and Drainage System of the Central Utah Project's Bonneville

Unit. According to estimates by the Department of the Interior's Bureau of Reclamation, by 1992 the currently authorized cost ceiling for the project will be too low to allow construction of the Irrigation and Drainage System. GAO testified that from a strict cost-benefit analysis the construction of the Irrigation and Drainage System is not justified. In the final analysis, the decision on whether to approve the project is a policy judgment for Congress, and other factors like regional development contributions and construction costs already incurred may be considered.

Science, Space, and Technology

Federal Research: SEMATECH's Efforts to Strengthen the U.S. Semiconductor Industry

GAO/RCED-90-236, Sept. 13.

In response to the loss of a major share of the semiconductor industry to the Japanese in the 1980s, U.S. semiconductor and computer manufacturers formed SEMATECH in 1987 to restore world manufacturing leadership to the U.S. semiconductor industry. Believing that such a government-industry consortium was in the nation's economic and security interests, Congress appropriated \$100 million for SEMATECH in each of the past three fiscal years, matching funds provided by SEMATECH's 14 member companies. This annual assessment of SEMATECH's progress discusses SEMATECH's efforts to strengthen U.S. suppliers of equipment and materials for the semiconductor manufacturing industry. According to senior executives GAO surveyed from 31 firms, the high cost of capital, weak relationships between SEMATECH's 14 member companies and their suppliers, and other factors that led to the decline of the U.S. semiconductor supplier base still confront the industry and seriously constrain any efforts to strengthen it. While the executives generally support SEMATECH's efforts, many are uncertain whether SEMATECH will significantly strengthen the U.S. supplier industry, in part because of SEMATECH's limited available resources, but, more basically, because of the need for a fundamental change in the relationship between semiconductor manufacturers and their suppliers. GAO believes that Congress may wish to closely monitor the commitment of SEMATECH's members to developing closer long-term working relationships with their suppliers and make further federal assistance for SEMATECH contingent upon the members' following through with this commitment.

**Space Projects:
Improvements Needed in Selecting Future Projects for Private
Financing**

GAO/NSIAD-90-147, Sept. 21.

To encourage private sector involvement in civilian space activities, the President's fiscal year 1990 budget proposed private financing for seven key projects in the space shuttle and space station programs. However, GAO found that efforts to spur commercial interest in the seven NASA projects were generally unsuccessful because most of them were poor candidates for commercialization. The projects were selected for commercialization and funds were removed from NASA's budget request before the likelihood of their success was adequately screened. NASA did compare the cost of private and government financing of the advanced solid rocket motor production facility. NASA relied on this analysis in recommending approval of the private financing option. However, while most of the analysis was well done, it did not adequately address the government's exposure to possible increases in short-term commercial interest rates. In addition, the analysis included cases in which the private borrowing rate was assumed to be cheaper than the government's borrowing rate—an unlikely scenario.

Social Services

Testimony

Older Americans Act: Dissemination of Research and Demonstration Findings Could Be Improved, by Joseph F. Delfico, Director of Income Security Issues, before the Subcommittee on Human Resources, House Select Committee on Aging. GAO/T-HRD-90-53, Sept. 11.

To spur ideas on how to improve services for the elderly, Title IV of the Older Americans Act initiated several research and demonstration programs. To be effective, however, program results need to be disseminated to agencies serving the elderly. GAO surveyed state agencies in all 50 states and the District of Columbia and found that almost all are aware of some research and demonstration results. Moreover, most states agencies use this information in shaping their programs and operations. However, GAO found that the Administration on Aging disseminates results in an ad hoc and haphazard way and does not monitor how these results are used. State officials believe that the Administration on

Aging could improve dissemination by publishing a summary of the results of completed Title IV projects and by conducting more conferences and seminars.

Tax Policy and Administration

Tax Administration: IRS' Improved Estimates of Tax Examination Yield Need to Be Refined

GAO/GGD-90-119, Sept. 5.

IRS' fiscal year 1991 budget includes several initiatives to increase or modify IRS compliance efforts, thereby generating more tax revenues. One initiative calls for increasing IRS' examination staff by 750 revenue agents and 290 support staff. IRS estimates that these new staff will yield an additional \$1.1 billion in tax revenues by the end of fiscal year 1995. This report examines the methodology IRS used to estimate these additional audit revenues and its plans to track the results of the staffing increase—if the increase is authorized by Congress. Although the revised methodology is more realistic than its predecessor in its expectations of additional revenues, GAO considers some of the assumptions IRS used in applying the methodology to the proposed fiscal year 1991 staffing increase to be overly optimistic. IRS plans to monitor the impact of the staffing increase if it is authorized. However, because IRS has not yet computed the baseline from which it will begin tracking results, GAO could not assess its validity.

Alcohol Excise Taxes: Simplifying Rates Can Enhance Economic and Administrative Efficiency

GAO/GGD-90-123, Sept. 27.

GAO concludes that the existing structure of the alcohol excise tax system has led to economic inefficiencies and administrative problems. First, similar products are being taxed differently. For example, table wine is taxed at a rate 95 percent lower than sparkling wine because the latter was once viewed as a "luxury." The tax difference has also resulted in a tax credit that has promoted the development of more costly products manufactured to gain the advantage of the special tax credit. This tax credit has become an incentive for producers to use wine and flavors in distilled spirits products. These additional ingredients can boost the cost of distilled spirits by 200 percent or more, but the added

cost is more than offset by the tax credit. Sometimes these ingredients are added solely to obtain the tax benefits, rather than in response to product requirements, market demand, or cost. Standardizing the tax rates on the basis of the alcohol contained in the product, rather than on the basis of what ingredients it contains, would encourage more efficient economic decisions by producers and would eliminate the need for a tax credit. Second, the special occupational taxes, now primarily paid by alcohol retailers, are both difficult to collect and administer. The same amount of revenue could be generated by eliminating special occupational taxes and increasing existing tax rates on alcohol, tobacco, and firearms. In addition, the excise taxes that the Bureau of Alcohol, Tobacco and Firearms administers have not been changed in years, and they impose a lower tax burden than when they were last changed. Indexing these taxes or converting them to rates that represent a percentage of the price of the product would help them keep pace with inflation.

Transportation

Railroad Safety:

New Approach Needed for Effective FRA Safety Inspection Program

GAO/RCED-90-194, July 31.

The Federal Railroad Administration and state railroad inspectors are responsible for inspecting the nation's 580 railroads, which include 20,000 locomotives, 1.2 million freight cars, and 258,000 miles of track. GAO found that FRA's inspection program cannot guarantee that the nation's railroads are operating safely. FRA lacks minimum standards on the frequency of inspections and on how large a territory inspectors are to cover. Also, FRA does not systematically target inspections but rather relies on inspectors' judgment in planning inspections, a practice that could result in high-risk areas receiving decreased inspection activity. In addition, FRA neither requires railroads to report on corrective actions taken, nor does it have a systematic follow-up inspection program to determine whether railroads actually correct safety problems. Finally, GAO found that inspectors were not uniformly applying FRA's safety regulations, which resulted in FRA regions filing different numbers of violations for the same defective condition.

**Airline Competition:
Industry Operating and Marketing Practices Limit Market Entry**

GAO/RCED-90-147, Aug. 29.

Congress passed the Airline Deregulation Act of 1978 with the goal of promoting lower fares and good service through increased competition. Rising fares and a wave of mergers and bankruptcies, however, have refocused attention on airline industry competitiveness. GAO found that airport access and airline marketing barriers to entry have grown in recent years in ways unforeseen when the industry was deregulated. Airlines face several physical constraints in gaining access to airports, including slots, gates, and noise restrictions. Even if airport access is not a problem, airlines might choose not to offer new service because marketing strategies of incumbent airlines inhibit non-incumbents from capturing traffic. For example, frequent flyer plans increase passenger loyalties and foreclose much of the business passenger market from new airlines. While these barriers to entry pose a problem for the future of competition in the airline industry, the solution is not clear-cut. Some industry practices like code-sharing that discourage entry also benefit consumers. While expansion of airport capacity would help ease access to some airports, its effects might come too late to preserve the benefits of competition.

**Air Traffic Control:
The Interim Support Plan Does Not Meet FAA's Needs**

GAO/RCED-90-213, Sept. 11.

GAO evaluated the planning and support analysis underlying the Federal Aviation Administration's Interim Support Plan. FAA developed the plan in 1987 to sustain existing air traffic control equipment and to increase computer capacity, primarily at terminal radar approach control facilities. GAO found that FAA inadequately identified its requirement for the plan and that the plan is not progressing in a manner that reflects its stated urgent nature. Because FAA is about one year behind its contracting schedule and about three years behind its installation schedule, it will be 1998 before the traveling public can benefit from all the plan's equipment. GAO, which has reported on similar problems before, believes that changes are needed to ensure that future projects are planned and assigned more effectively.

Testimony

Aviation Noise: A National Policy Is Needed, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Aviation, House Committee on Public Works and Transportation. GAO/T-RCED-90-112, Sept. 27.

GAO testified that in the absence of a national noise policy, local airports will likely continue to implement a variety of uncoordinated and independently derived noise restrictions. While these measures are often needed to reduce airport noise in local communities, they may ultimately impose a serious cost burden on the nation's air transportation system. The extent of these costs is undocumented; however, airlines have said that the current "patchwork quilt" arrangement of local noise restrictions imposes costs and inefficiencies on the system. GAO believes that these costs are likely to become more serious as local restrictions proliferate after 1995. FAA needs to develop a national noise policy that balances the concerns of airports, airlines, local communities, and the nation's air transportation system.

Issues That Need to Be Considered in Formulating Strategies to Reduce Aviation Noise, by Kenneth M. Mead, Director of Transportation Issues, before the Subcommittee on Transportation, Aviation and Materials, House Committee on Science, Space and Technology. GAO/T-RCED-90-111, Sept. 27.

GAO testified on the impact of having insufficient federal guidance on how to address the aviation noise problem, the issues needing resolution before an adequate national aircraft noise policy can be formulated, and FAA's research on aircraft noise. GAO concludes it will take federal guidance and a focused research program to reduce aircraft noise in the future. In the short term, a national aircraft noise policy is needed to balance community noise concerns with the air transportation industry's responsiveness to the travelling public. In the long-term, FAA's noise research could be more effective if FAA established priorities among projects and linked these projects to specific objectives.

Veterans Affairs

Veterans' Benefits: Information on Noncitizen Veterans Receiving VA Disability Compensation

GAO/HRD-90-163FS, Sept. 12.

From time to time, foreign citizens volunteer for and are inducted into the U.S. armed forces. Such persons who have been discharged from the armed forces under conditions other than dishonorable are entitled to VA benefits. This fact sheet provides information on the number of noncitizen veterans who served less than three years in the military and are receiving disability compensation from the Department of Veterans Affairs. GAO also discusses the nature of the disabilities for which such veterans are being compensated.

Veterans' Benefits: VA Acts to Improve Quality Control System

GAO/HRD-90-161BR, Sept. 24.

This briefing report discusses actions taken by VA in response to recommendations made in an April 1989 GAO report. These recommendations involve the statistical quality control system that VA runs for compensation, pension, and burial programs. GAO found that VA has fully implemented GAO's recommendations. VA now requires regional offices to select sample cases randomly for system reviews and to review cases for the same month they are selected. In addition, VA has improved the central office role by (1) having its reviews to validate regional system reviews cover the same time period and types of processing actions as the regional reviews and (2) enforcing regional office compliance with central office requirements to report corrective action planned or taken for periods of sustained unacceptable quality. As recommended, VA has also developed measures of claims processing quality for individual programs. VA is taking steps to respond to two other recommendations.

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.

AGRICULTURE AND FOOD

Food Safety and Quality:
USDA Initiatives Regarding
Aflatoxin Research
GAO/RCED-90-205FS, Aug. 15.

Dairy Cooperatives:
Role and Effects of the Capper-
Volstead Antitrust Exemption
GAO/RCED-90-186, Sept. 4.

Farm Programs:
Conservation Compliance Provi-
sions Could Be Made More
Effective
GAO/RCED-90-206, Sept. 24.

Infant Formula:
Cost Containment and Competi-
tion in the WIC Program
GAO/HRD-90-122, Sept. 27.

BUDGET AND SPENDING

The Budget Deficit:
Outlook, Implications, and
Choices
GAO/OCG-90-5, Sept. 12.

Budget Issues:
Effects of the 1990 Sequester
on the Department of Education
GAO/HRD-90-150FS, Aug. 3.

Budget Issues:
Effects of the Fiscal Year 1990
Sequester on the Department of
Health and Human Services
GAO/HRD-90-156FS, Aug. 9.

Budget Issues:
Effects of the Fiscal Year 1990
Sequester at HUD
GAO/RCED-90-217FS, Aug. 10.

BUSINESS, INDUSTRY, AND CONSUMERS

Small Business:
Low Participation in Set-Aside
Program Expected for Sheltered
Workshops
GAO/RCED-90-192, Aug. 6.

Flood Insurance:
Information on the Mandatory
Purchase Requirement
GAO/RCED-90-141FS, Aug. 22.

Testimony

Potential Liability of Property/
Casualty Insurers for Costs of
Cleaning Up Hazardous Waste
Sites
GAO/T-RCED-90-109, Sept. 27.

CIVIL RIGHTS

EDA:
Treatment of Blacks at the Eco-
nomic Development Administra-
tion in the 1980s
GAO/HRD-90-148, Sept. 26.

ECONOMIC DEVELOPMENT

The Urban Underclass:
Disturbing Problems
Demanding Attention
GAO/HRD-90-52, Sept. 1990.

EDUCATION

School Accreditation:
Activities of Seven Agencies
That Accredit Proprietary
Schools
GAO/HRD-90-179BR, Sept. 12.

Defaulted Student Loans:
Analysis of Defaulted Borrowers
at Schools Accredited by Seven
Agencies
GAO/HRD-90-178FS, Sept. 12.

Student Loan Lenders:
Information on the Activities of
the First Independent Trust
Company
GAO/HRD-90-183FS, Sept. 25.

Guaranteed Student Loans:
Profits of Secondary Market
Lenders Vary Widely
GAO/HRD-90-130BR, Sept. 28.

EMPLOYMENT

Occupational Safety & Health:
Options for Improving Safety
and Health in the Workplace
GAO/HRD-90-66BR, Aug. 24.

ENERGY

Energy Regulation:
Factors Relating to Oil Over-
charge Settlements Need Better
Documentation
GAO/RCED-90-181, Aug. 23.

Nuclear Health and Safety:
Long-Term Plans to Address
Problems of the Weapons Com-
plex Are Evolving
GAO/RCED-90-219, Sept. 28.

Testimony

Long-Term Policies Needed to
Address Energy Use and Price
Volatility
GAO/T-RCED-90-105, Sept. 5.

ENVIRONMENTAL PROTECTION

Air Pollution:
EPA Not Adequately Ensuring
Vehicles Comply With Emission
Standards
GAO/RCED-90-128, July 25.

Disinfectants:
Concerns Over the Integrity of
EPA's Data Bases
GAO/RCED-90-232, Sept. 21.

FINANCIAL INSTITUTIONS

Bank Insurance Fund:
Additional Reserves and
Reforms Needed to Strengthen
the Fund
GAO/AFMD-90-100, Sept. 11.

Thrift Resolutions:
Estimated Costs of FSLIC's
1988 and 1989 Assistance
Agreements Subject to Change
GAO/AFMD-90-81, Sept. 13.

U.S. Government Securities:
More Transaction Information
and Investor Protection Mea-
sures Are Needed
GAO/GGD-90-114, Sept. 14.

Testimony

Additional Reserves and
Reforms Are Needed to
Strengthen the Bank Insurance
Fund
GAO/T-AFMD-90-28, Sept. 11.

Resolving Failed Savings and
Loan Institutions.
Estimated Costs and Additional
Funding Needs
GAO/T-AFMD-90-32, Sept. 19.

Deposit Insurance and
Related Reforms
GAO/T-GGD-90-46, Sept. 19.

RTC Asset Management:
Contracting Controls Need to
Be Strengthened
GAO/T-GGD-90-53, Sept. 24.

Immediate Measures That
Can Be Taken to Strengthen the
Bank Insurance Fund
GAO/T-AFMD-90-33, Sept. 26.

Comments on H.R. 5590:
A Bill to Recapitalize the Bank
Insurance Fund
GAO/T-GGD-90-64, Sept. 27.

FINANCIAL MANAGEMENT

Foreign Military Sales:
Air Force Efforts to Develop an
FMS Accounting System
GAO/AFMD-90-82FS, Aug. 8.

Inspectors General:
Office of Inspector General
Operations at Financial Regula-
tory Agencies
GAO/AFMD-90-55FS, Aug. 24.

Financial Management:
Defining Requirements Is Cru-
cial to System 90's Success
GAO/AFMD-90-85, Sept. 5.

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

continued

□ Cash Management:
Benefits and Limitations of the
Small Purchases Credit Card
Program
GAO/AFMD-90-89BR, Sept. 11.

□ Financial Review:
Panama Canal Commission's
1989 Financial Statements
GAO/AFMD-90-105, Sept. 21.

□ Financial Audit:
House Beauty Shop Revolving
Fund Financial Statements for
1989 and 1988
GAO/AFMD-90-99, Sept. 6.

□ Financial Audit:
Civic Achievement Program
Financial Statements for Sep-
tember 30, 1989 and 1988
GAO/AFMD-90-102, Sept. 27.

□ Financial Audit:
Statement of Accountability of
the House Finance Office for
Fiscal Year 1989
GAO/AFMD-90-95, Sept. 28.

Testimony

□ Financial Management
Reform
GAO/T-AFMD-90-31, Sept. 17.

□ Guaranteed Loan Programs
Are an Increasing Risk
GAO/T-AFMD-90-29, Sept. 18.

□ Financial Management:
DOD's Use of Expired and
Lapsed Appropriations
GAO/T-NSIAD-90-65, Sept. 20.

□ Wolf Trap Foundation:
Debt Restructuring Alternatives
GAO/T-AFMD-90-34, Sept. 27.

GOVERNMENT OPERATIONS

□ Mail Management:
GSA Needs to Improve Support
of Agency Programs
GAO/GGD-90-49, Aug. 7.

□ Federal Recruiting and Hiring:
Making Government Jobs
Attractive to Prospective
Employees
GAO/GGD-90-105, Aug. 22.

□ Recruitment and Retention:
Inadequate Federal Pay Cited
as Primary Problem by Agency
Officials
GAO/GGD-90-117, Sept. 11.

□ The Public Service:
Issues Affecting Its Quality,
Effectiveness, Integrity, and
Stewardship
GAO/GGD-90-103, Sept. 13.

□ Federal Pay—Special Rates:
Effect on Recruitment and
Retention for Selected Clerical
Occupations
GAO/GGD-90-118, Sept. 24.

Testimony

□ Decennial Census:
Status of Housing Coverage
Check and Postcensus Local
Review Programs
GAO/T-GGD-90-63, Sept. 25.

HEALTH

□ Health Care:
Public Health Service Funding
of Community Health Centers in
New York City
GAO/HRD-90-121, Aug. 7.

□ Nursing Homes:
Admission Problems for Medi-
caid Recipients and Attempts to
Solve Them
GAO/HRD-90-135, Sept. 5.

□ Long-Term Care Insurance:
Proposals to Link Private Insur-
ance and Medicaid Need Close
Scrutiny
GAO/HRD-90-154, Sept. 10.

□ Drug Abuse:
Research on Treatment May Not
Address Current Needs
GAO/HRD-90-114, Sept. 12.

□ Rural Drug Abuse:
Prevalence, Relation to Crime,
and Programs
GAO/PEMD-90-24, Sept. 14.

□ Mental Health Plans:
Many States May Not Meet
Deadlines for Plan
Implementation
GAO/HRD-90-142, Sept. 18.

□ Medicare:
Comparison of Two Methods of
Computing Home Health Care
Cost Limits
GAO/HRD-90-167, Sept. 28.

Testimony

□ Long-Term Care Insurance:
Proposals to Link Private Insur-
ance and Medicaid Need Close
Scrutiny
GAO/T-HRD-90-55, Sept. 14.

□ Quality of Care Provided
Medicaid Recipients by
Chicago-Area HMOs
GAO/T-HRD-90-54, Sept. 14.

HOUSING

□ Home Ownership:
Limiting Mortgage Assistance
Provided to Owners With High-
Income Growth
GAO/RCED-90-117, Sept. 26.

INFORMATION MANAGEMENT

□ Federal Communications
Commission:
Strategic Focus Needed to
Improve Information Resources
Management
GAO/IMTEC-90-52, July 20.

□ Information System:
National Health Practitioner
Data Bank Has Not Been Well
Managed
GAO/IMTEC-90-68, Aug. 21.

□ Air Force ADP:
Millions Can Be Saved If Auto-
mated Technical Order System
Is Discontinued
GAO/IMTEC-90-72, Aug. 23.

□ Futures Market:
Use of Automation to Detect
Trade Abuses
GAO/IMTEC-90-81, Aug. 24.

□ Army Automation:
Decisions Needed on SIDPERS-
3 Before Further Development
GAO/IMTEC-90-66, Sept. 5.

□ Information Resources:
Management Improvements
Essential for Key Agriculture
Automated Systems
GAO/IMTEC-90-85, Sept. 12.

□ Securities Industry:
Additional Testing Needed to
Ensure Efficient Post-Trade
Processing of Stocks
GAO/IMTEC-90-83, Sept. 26.

□ Customs Automation:
Weaknesses in Revenue Collec-
tion at John F. Kennedy Interna-
tional Airport
GAO/IMTEC-90-16, Sept. 27.

□ Information Management:
Immigration and Naturalization
Service Lacks Ready Access to
Essential Data
GAO/IMTEC-90-75, Sept. 27.

□ ADP Budget:
Analysis of HCFA's Fiscal Year
1991 ADP Budget Request
GAO/IMTEC-90-67, Sept. 28.

Testimony

□ Competitiveness of Federal
Computer Procurements
GAO/T-IMTEC-90-12, Sept. 13.

□ Management Improvements
Essential for Key Automated
Systems at the Agricultural Sta-
bilization and Conservation
Service
GAO/T-IMTEC-90-13, Sept. 18.

INTERNATIONAL AFFAIRS

□ Foreign Affairs:
Forced Labor in the People's
Republic of China
GAO/NSIAD-90-244BR, July 23.

□ Foreign Agent Registration:
Justice Needs to Improve Pro-
gram Administration
GAO/NSIAD-90-250, July 30.

□ Foreign Investment:
Aspects of the U.S.-Japan
Relationship
GAO/NSIAD-90-203FS, July 31.

□ El Salvador:
Pipeline of U.S. Aid as of
August 1990
GAO/NSIAD-90-285FS,
Sept. 19.

□ El Salvador:
Accountability for U.S. Military
and Economic Aid
GAO/NSIAD-90-132, Sept. 21.

□ International Trade:
Czech Trade Data
GAO/NSIAD-90-298BR,
Sept. 20.

□ Central America:
Assistance to Promote Democ-
racy and National Reconciliation
in Nicaragua.
GAO/NSIAD-90-245, Sept. 24.

Testimony

□ Cambodia:
Non-Lethal Assistance and
Status of the Cambodian Seat
at the United Nations
GAO/T-NSIAD-90-63, Sept. 19.

□ Foreign Assistance:
AID's Microenterprise Assis-
tance Program
GAO/T-NSIAD-90-38, Sept. 26.

□ Foreign Agent Registration and Former High-Level Federal Officials Representing Foreign Interests
GAO/T-NSIAD-90-50, Sept. 27.

JUSTICE AND LAW ENFORCEMENT

□ Immigration Services: INS Resources and Services in the Miami District
GAO/GGD-90-98, Aug. 6.

□ Developing a Federal Drug Budget: Implementing the Anti-Drug Abuse Act of 1988
GAO/GGD-90-104, Aug. 23.

□ Financial Institution Fraud: Effect of Regional Fraud Offices Unclear
GAO/GGD-90-124, Sept. 28.

NATIONAL DEFENSE, SECURITY, AND MILITARY PROCUREMENT

□ Chemical Warfare: DOD's Reporting of Its Chemical and Biological Research
GAO/NSIAD-90-102, Aug. 2.

□ Defense Inventory: DOD Could Better Manage Parts With Limited Manufacturing Sources
GAO/NSIAD-90-126, Aug. 16.

□ Defense Inventory: Information on Disposal of Unrequired Inventory
GAO/NSIAD-90-228BR, Aug. 17.

□ Consulting Services: Role and Use in Acquiring Three Weapon Systems
GAO/NSIAD-90-119, Aug. 20.

□ B-2 Bomber: Initial Flight Tests
GAO/NSIAD-90-284, Sept. 4.

□ Burden Sharing: Allied Protection of Ships in the Persian Gulf in 1987 and 1988
GAO/NSIAD-90-282BR, Sept. 6.

□ Defense Health Care: Potential for Savings by Treating CHAMPUS Patients in Military Hospitals
GAO/HRD-90-131, Sept. 7.

□ Defense Budget: Potential Reductions to Air Force and Navy Missile and Other Budgets
GAO/NSIAD-90-272BR, Sept. 7.

□ Defense Budget: Potential Reductions to DOD's Ammunition Budget
GAO/NSIAD-90-256, Sept. 17.

□ Defense Budget: Potential Reductions to the Army and Navy Missile Programs
GAO/NSIAD-90-302BR, Sept. 27.

□ Army Budget: Potential Reductions to the Operations and Maintenance Budget
GAO/NSIAD-90-275BR, Sept. 10.

□ Army Inventory: Army Annually Spends Millions to Keep Retention-Level Stocks
GAO/NSIAD-90-236, Sept. 11.

□ Military Airlift: Information on Gander Crash and Improved Controls Over Military Charters
GAO/NSIAD-90-243BR, Sept. 11.

□ Government Contracting: Financial Measures for Evaluating Contractor Profitability
GAO/NSIAD-90-200BR, Sept. 12.

□ Strategic Missiles: Logistics Support for Advanced Cruise Missile Based on Outdated Plans
GAO/NSIAD-90-178, Sept. 13.

□ Panama: Cost of the U.S. Invasion of Panama
GAO/NSIAD-90-279FS, Sept. 13.

□ Military Aviators: Assignment Policies and Practices
GAO/NSIAD-90-213, Sept. 24.

□ Test and Evaluation: DOD's Fiscal Year 1989 Test Resource Budget
GAO/NSIAD-90-177FS, Sept. 25.

□ Navy Maintenance: Status of the Public and Private Shipyard Competition Program
GAO/NSIAD-90-161, Sept. 26.

□ Apache Helicopter: Serious Logistical Support Problems Must Be Solved to Realize Combat Potential
GAO/NSIAD-90-294, Sept. 28.

□ Chemical Weapons: Status of the Army's M687 Binary Program
GAO/NSIAD-90-295, Sept. 28.

□ Navy Ships: Concurrency Within the SSN-21 Program
GAO/NSIAD-90-297, Sept. 28.

□ Special Operations Command: Progress in Implementing Legislative Mandates
GAO/NSIAD-90-166, Sept. 28.

NATURAL RESOURCES

□ Mineral Revenues: Collection and Distribution of Revenues From Acquired Lands
GAO/RCED-90-7, Aug. 2.

□ Wildlife Management: Effects of Animal Control Program on Predators
GAO/RCED-90-149, Aug. 9.

□ National Forests: Administration of Outfitter and Guide Policies at the Gallatin Forest
GAO/RCED-90-163, Aug. 22.

□ Corps of Engineers: Weak Contracting Practices
GAO/NSIAD-90-268, Sept. 7.

□ Water Resources: The Corps of Engineers' Revised Review Process for Proposed Civil Works Projects
GAO/RCED-90-188, Sept. 13.

Testimony

□ Hardrock Mining on Federal Lands
GAO/T-RCED-90-106, Sept. 6.

□ Bonneville Unit's Irrigation and Drainage System Is Not Economically Justified
GAO/T-RCED-90-108, Sept. 18.

SCIENCE, SPACE, AND TECHNOLOGY

□ Federal Research: SEMATECH's Efforts to Strengthen the U.S. Semiconductor Industry
GAO/RCED-90-236, Sept. 13.

□ Space Projects: Improvements Needed in Selecting Future Projects for Private Financing
GAO/NSIAD-90-147, Sept. 21.

SOCIAL SERVICES

Testimony

□ Older Americans Act: Dissemination of Research and Demonstration Findings Could Be Improved
GAO/T-HRD-90-53, Sept. 11.

TAX POLICY AND ADMINISTRATION

□ Tax Administration: IRS' Improved Estimates of Tax Examination Yield Need to Be Refined
GAO/GGD-90-119, Sept. 5.

□ Alcohol Excise Taxes: Simplifying Rates Can Enhance Economic and Administrative Efficiency
GAO/GGD-90-123, Sept. 27.

TRANSPORTATION

□ Railroad Safety: New Approach Needed for Effective FRA Safety Inspection Program
GAO/RCED-90-194, July 31.

□ Airline Competition: Industry Operating and Marketing Practices Limit Market Entry
GAO/RCED-90-147, Aug. 29.

□ Air Traffic Control: The Interim Support Plan Does Not Meet FAA's Needs
GAO/RCED-90-213, Sept. 11.

Testimony

□ Aviation Noise: A National Policy Is Needed
GAO/T-RCED-90-112, Sept. 27.

□ Issues That Need to Be Considered in Formulating Strategies to Reduce Aviation Noise
GAO/T-RCED-90-111, Sept. 27.

VETERANS AFFAIRS

Veterans' Benefits:
Information on Noncitizen Veterans Receiving VA Disability Compensation
GAO/HRD-90-163FS, Sept. 12.

Veterans' Benefits:
VA Acts to Improve Quality Control System
GAO/HRD-90-161BR, Sept. 24.

Requests for copies of GAO reports and testimony 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 and testimony 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**
