



September 1988

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National Security

Industrial Base: Defense-Critical Industries

GAO/NSIAD-88-192BR, Aug. 15.

Because of its concern about serious indications of decline in sectors of the industrial base that are important to national security, the Department of Defense has taken initiatives to improve the competitiveness of relevant U.S. industries. These initiatives have involved industry, academia, and experts from agencies concerned with identifying and maintaining the defense industrial base. A Logistics Management Institute study to assess whether the overall strength of the industrial base masks any weaknesses in individual defense-critical industries was another part of the initiatives. Some have linked DOD procurement of key parts and components from foreign sources to the decline of U.S. industries, arguing that foreign dependency may evolve over time into a vulnerability. This report provides information on industries critical to the defense industrial base and on DOD's prime contract awards to foreign sources. It also describes several industrywide programs which DOD and Commerce established to identify and address specific problems of defense-critical industries.

Defense Inventory: Growth in Secondary Items:

GAO/NSIAD-88-189BR, July 19.

The Department of Defense classifies its material inventories as principal items (aircraft, tanks, and ships) or secondary items. It defines secondary items as minor end items; replacement, spare, and repair components; personnel support and consumable items. The value of DOD's secondary items increased about \$51 billion between 1980 and 1987, from about \$43 billion to about \$94 billion. Navy and Air Force inventories grew the most, with increases of about \$19 billion and \$18 billion, respectively. The greatest growth Defensewide was in aircraft components and parts, which grew \$30.6 billion. Military officials attributed much of the growth to inflation, modernization, and increased lead time and war reserves. GAO attributes some of the inventory growth to such problems as inaccurate requirements computations.

**Army Budget:
Potential Reductions to the
Research, Development,
Test, and Evaluation
Budget**

Acc. No. 136708 (GAO/NSIAD-88-214), Sept. 1.

GAO reviewed 22 projects in the Army's combined FY 1989 budget of \$1,050 million (21 percent of the total FY 1989 research, development, test, and evaluation budget) and identified potential reductions of \$33.7 million in FY 1988 and 1989 budgets for three projects: the Army Tactical Missile System, the advanced Antitank Weapon System-Medium, and the Fighting Vehicle Improvements projects. The potential reductions total \$13.9 million in the FY 1988 budget and \$19.8 million in the FY 1989 budget request.

**Army Budget:
Potential Reductions to
Aircraft Procurement
Budgets**

Acc. No. 136899 (GAO/NSIAD-88-227), Sept. 27.

The Army requested about \$2.8 billion in FY 1989 for aircraft, aircraft modifications, spares and repair parts, and support equipment and facilities. About \$1.9 billion of the request was for five helicopter systems. In examining the budgetary justification for these amounts, GAO identified \$91.0 million in potential reductions made possible because budget amounts exceeded actual contract values; lower contract estimates were received after budget submission; acquisition schedules slipped; funds are being considered for purposes for which they were not originally intended; funds were not designated for a specific purpose; and in some instances local estimating procedures were not followed in budget development, resulting in overestimations.

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

GAO/NSIAD-88-223, Sept. 29.

The Army requested \$22.085 billion for its FY 1989 operation and maintenance budget. GAO identified net potential reductions of about \$18.3 million in the flying hour program and in the force modernization program. The potential flying hour program reductions are based on an historical underuse of funded flying hours by the active Army and the Army Reserve, reductions in the rotary-wing aircraft inventory, and changes in planned student-aviator training requirements. The potential flying hour reductions were offset by about \$3.7 million because aircraft cost factors have increased since the budget was prepared. The net potential reductions identified in the force modernization program are due to changes in the numbers of systems that will be fielded and sustained during the budget year.

**Procurement:
Assessment of DOD's
Multiyear Contract
Candidates**

Acc. No. 136735 (GAO/NSIAD-88-233BR), Sept. 1.

Multiyear procurement is a method for acquiring up to 5 years' requirements of systems, subsystems, or other items with a single contract. It can benefit the government by saving money and improving contractor productivity but it can also entail certain risks, including increased costs to the government. GAO identified two budgetary concerns that apply to most of the seven candidates proposed in the Department of Defense's amended FY 1988-89 biennial budget—the accuracy and realism of DOD's savings estimates and the stability of funding and/or requirements. In addition, GAO is concerned about the design stability of the Ultrahigh Frequency Follow-on Satellite. This system is still being developed and major design reviews and tests needed to achieve design stability are not scheduled to be completed until after the planned multiyear contract would be awarded and significant funds obligated.

**Procurement:
Quality and Safety
Problems With the Beretta
M9 Handgun**

Acc. No. 136824 (GAO/NSIAD-88-213), Sept. 15.

The Army has experienced quality and safety problems with the Beretta M9 handgun related to frame cracks and the slide assembly separating from the weapon. Army did not attempt to disguise or hid the problems and in fact rejected lots of M9s. The M9 configuration and criteria for the weapon have changed but these changes have not materially affected the weapon's performance characteristics. After initially exempting the M9 from re-competition testing for a follow-on procurement contract, Army decided to include the M9 in recompetition testing. The contract should be awarded in May 1989.

**Air Force Procurement:
Ammunition Container
Contract**

Acc. No. 136709 (GAO/NSIAD-88-218BR), Sept. 1.

Concerns have been raised about the U.S. Air Force's procurement of steel ammunition storage containers for which the contractor, Interpool Limited, located in New York City, obtained most of the labor and materials from a West German subcontractor and its Polish licensee. GAO found that (1) there were no significant problems involving the solicitation, award or administration of the 1986 or 1987 container contracts, (2) no law or regulation precludes awarding such contracts or subcontracts to firms located in Poland or any other member of the Warsaw Pact, (3) there have been no significant quality problems with the 360 containers delivered under the 1986 contract, (4) the first 800 of the 1,640 containers to be ordered under the 1987 contract are not due for

delivery until September 1988, and (5) the Air Force does not now plan to award a 1988 contract for this type of ammunition container.

**Military Airlift:
Operational Support
Airlift Program Needs
More Controls**

GAO/NSIAD-88-219, Sept. 16.

The military services are not following Department of Defense policies and procedures concerning the use of military versus commercial aircraft for the travel of DOD military and civilian personnel. The result is that DOD transportation costs have increased. These findings are not new; they have been reported several times before by DOD and service audit groups. Management oversight and control over operational support airlift should be strengthened. In addition, consolidation and automation of operational support airlift scheduling could make the airlift system more efficient and economical.

**Aircraft Basing:
Assessment of Navy's May
1988 Basing Study for the
TACAMO Aircraft**

Acc. No. 136833 (GAO/NSIAD-88-242BR), Sept. 13.

In a May 1988 life-cycle cost study, Navy supported its decision to base its new E-6A Take Charge and Move Out aircraft at Tinker Air Force Base, Oklahoma. Basing the aircraft at Tinker is the least costly of four alternatives examined and will permit the exchange of experiences between Air Force and Navy aircrews and allow the Navy to draw on the expertise of Air Force maintenance technicians to solve problems. While such benefits are nonquantifiable, GAO believes they are nevertheless real and should be considered in the basing decision.

**Weapon Systems:
Changing Roles and
Priorities for the Army's
OH-58D Helicopter
Program**

GAO/NSIAD-88-236, Sept. 30.

The Army initiated the Army Helicopter Improvement Program to upgrade existing OH-58 helicopters to an OH-58D configuration in order to meet its aerial scout mission needs. During the past 3 years, the primary role for the OH-58D has changed from being a scout and a target designator for attack helicopter units to being assigned to air cavalry units as a scout for ground commanders. Army is currently considering additional roles for the modified helicopter. Among them are arming most OH-58Ds with air-to-ground weapons and using them to replace older attack helicopters.

**Foreign Military Sales:
Redirection of Accounting
Improvement Efforts Is
Appropriate**

Acc. No. 136823 (GAO/AFMD-88-75), Sept. 15.

Defense officials have recognized recent setbacks in their efforts to correct long-standing foreign military sales accounting deficiencies and, at the Deputy Secretary's direction, are planning actions that should significantly redirect future efforts. However, any forthcoming accounting improvement efforts must implement controls to ensure that central FMS records are accurate and that discrepancies between disbursements and performance can be identified in the case level to facilitate reconciliation. In addition, the primary responsibility for reconciling FMS accounts should lie with the same agency that is responsible for FMS accounting.

**Inventory Management:
Receipt Confirmation
Problems**

GAO/NSIAD-88-179, July 14.

The military services and the Defense Logistics Agency have problems in material receipt procedures and controls. Because of these problems, they cannot assure themselves that material that is paid for is actually received. The Defense Logistics Standard Systems Office proposed corrective actions but existing systemic problems require immediate attention. Some shipments remain on the records for months or years as intransit material. Procedures to follow up on either (1) have not been established or (2) where established, are not being followed or are otherwise not effective.

**Computer Procurement:
Decision Needed on Navy's
Standard Automated
Financial System**

Acc. No. 136769 (GAO/IMTEC-88-47), Sept. 13.

Since Navy's Standard Automated Financial System was initiated in 1980, its costs have soared to \$230 million with implementation ranging as high as \$479 million. The system has yet to be fully tested, has not become fully operational at any site, has grown well beyond its originally intended purpose, and is experiencing opposition from users. In addition, the Office of the Secretary of Defense's decision to change the centers from industrial funding to an alternative funding method would necessitate costly changes in the system. Finally, the full costs of the program have not been provided to either the Office of the Secretary of Defense or the Congress. Navy must decide the best course of action: whether to continue with some version of the current system or pursue an alternative.

**Software Development:
Better Management
Controls Needed at Navy
Regional Data Automation
Center**

GAO/IMTEC-88-46, Sept. 28.

The Navy Regional Data Automation Center provides data processing services and system development support to a variety of Navy commands which are then billed for the cost of these services. GAO's review of NARDAC disclosed weaknesses in two project management control mechanisms that inhibit its ability to effectively provide system development services to its customers. Specifically, project status reports do not adequately track and monitor projects and the chargeback system, used to accumulate the costs of resources used on a project, does not provide adequate information. As a result, NARDAC does not have an effective means to measure a project's progress or accurately collect cost information associated with the project.

**ADP Planning:
Challenges at the U.S.
Transportation Command**

Acc. No. 136770 (GAO/IMTEC-88-54), Sept. 14.

The U.S. Transportation Command is developing a draft transportation-oriented Command, Control, Communications, and Computer Systems plan that will support the execution of its worldwide transportation mission. Several issues have arisen from the Command's organizational relationship with other members of the military transportation community. These are (1) resolving the developmental problems of the ADP system to be used by the Command in the mid-1990s; (2) working with the transportation community to plan for the most effective and efficient means to implement systems to fulfill the Command's mission needs; (3) ensuring the participation of the transportation community when determining changes to be made to operational systems to meet the Command's data requirements; and (4) working with the transportation community in developing and defending priorities for resources to fulfill the Command's information requirements.

**Military Manpower:
Lack of Management
Oversight Over Civilian
Substitution**

Acc. No. 136734 (GAO/NSIAD-88-169), Sept. 6.

The Army and the Air Force do not monitor civilian substitution practices or routinely keep records on substitutions made or the disposition of military positions "freed" as a result of substitutions. Civilian substitution may take on increased importance in the future in light of recent military personnel end strength reductions. Therefore, the Army and the Air Force should improve their management oversight and assess progress made towards achieving civilian substitution objectives. Although

more military positions could be made civilian, the success of these substitutions depends on the services' ability to obtain funding for the additional civilian positions required and to implement the necessary internal control procedures to ensure that the substitutions accomplish their objectives.

**Military Personnel:
Experience of Prominent
Generals and Admirals**

GAO/NSIAD-88-167FS, Aug. 4.

The career experience of prominent generals and admirals is used in considering the impact of a joint duty tour on the career paths of officers; a joint duty assignment is a prerequisite for promotion to brigadier general or rear admiral (lower half). This fact sheet provides information on the experience of 18 prominent generals and admirals of the World War II era.

**Women in the Military:
More Military Jobs Can Be
Opened Under Current
Statutes**

Acc. No. 136896 (GAO/NSIAD-88-222), Sept. 7.

Since the inception of the All-Volunteer Force in 1973, the number of women in the U.S. military services has increased from 2.5 percent of total forces in FY 1973 to 10.2 percent in FY 1987. But despite the dramatic increase, statutes and service policies restrict the kind and number of military jobs available to women. Based on the combat exclusion and related program needs, about 1.1 million of 2.2 million military jobs are closed. All of the remaining jobs are not available to women. Through their policies and procedures for identifying job availability and for determining or implementing accession goals for women, the services further limit the jobs that women may compete for.

**DOD Health Care:
Requirements for
Emergency Services
Adequate and Generally
Attainable**

GAO/HRD-88-94, Sept. 28.

Department of Defense and service policies represent valid efforts to ensure quality care in military emergency rooms and set forth requirements that meet or exceed minimum civilian sector standards. Requirements for physician staffing exceed minimum civilian standards and are attainable although the requirement that all emergency services physicians have at least 1 year's experience in a primary or patient care specialty needs clarification. Although most of the training requirements can be met, those for technician certification might not be met, especially by 1989. Guidance and monitoring are needed in this area and in emergency room protocol. Hospital officials reported no significant

problems resulting from the lack of written patient transfer agreements. However, civilian organizations believe such agreements should exist.

**DOD Health Care:
Pediatric and Other
Emergency Room Care**

HRD-88-113, Sept. 28.

GAO visited eight military hospitals to determine the number of pediatric cases treated in each emergency room. All eight hospitals had designated pediatricians to be available to the emergency room for consultation on an as-needed basis. The pediatricians reviewed records for all patients under certain ages as part of their quality assurance program. All hospitals had some written pediatric procedures for physicians, nurses, and/or technicians and five of the eight hospitals had sufficient supplies and equipment for pediatric emergencies.

International Affairs

**International Finance:
U.S. Commercial Banks'
Securities Activities in
London**

Acc. No. 136913 (GAO/NSIAD-88-238), Sept. 8.

The London securities subsidiaries operations of U.S. commercial banks have experienced management problems, internal control weaknesses, and inadequate evaluation of credit and market risks. The result, in several cases, was the requirement of capital infusions from the U.S. parent in order to permit continued operations and to bring capital up to minimum standards. The financial difficulties were exacerbated by the stock market crash last October; during that same period, the London markets were deregulated and became one of the most competitive and highly volatile in the world. GAO believes that the London experience points to the need for strong regulation of any additional securities powers for U.S. banks.

**Foreign Aid:
Better Management of
Commodity Import
Programs Could Improve
Development Impact**

Acc. No. 136912 (GAO/NSIAD-88-209), Sept. 26.

In FY 1987, the United States provided \$350 million in Commodity Import Program assistance to address balance-of-payments problems in countries important to U.S. political and security interests. The programs have had positive economic effects in recipient countries. However, some of the assistance to Pakistan and Egypt has been inconsistent with the Agency for International Development's strategies. Moreover,

weaknesses in the management of local currencies in these countries has reduced the amounts effectively directed to support development. Control weaknesses in systems used to monitor commodity arrivals, disposition, and end use have limited AID's assurance that all commodities are received and used for their intended purposes. Similarly, weaknesses in AID's monitoring of local currencies lessen AID's assurance that these funds are used to support development.

**South Africa:
Summary Report on Trade,
Lending, Investment, and
Strategic Minerals**

Acc. No. 136825 (GAO/NSIAD-88-228), Sept. 7.

World trade with South Africa has declined considerably over the past several years despite a large increase in world trade overall. It has lost substantial sales in products under U.S. sanction and has been unable to replace those sales in other markets. In the financial arena, lending to South Africa has decreased recently. About half of U.S. firms have withdrawn since 1984, but there has been an increase in the value of U.S. direct investment. Reinvested earnings, that have partially offset other U.S. disinvestment, have contributed significantly to this increase. According to the Bureau of Mines, there are alternative suppliers of most of the strategic minerals produced by South Africa, although at a higher cost. U.S. industry users of strategic minerals believe the Bureau's assessment to be overly optimistic.

**Financial Audit:
Inter-American
Foundation's Financial
Statements for Fiscal Year
1987**

Acc. No. 136783 (GAO/AFMD-88-74), Sept. 8.

The Inter-American Foundation provides financial support through grant or loan programs for individual self-help developmental projects designed to improve the social and economic conditions of people in Latin America and the Caribbean. Total assets for the Foundation in FY 1987 were \$39,006,994.

Science, Space, and Technology

Technology Transfer: U.S. And Foreign Participation in R&D at Federal Laboratories

GAO/RCED-88-203BR, Aug. 15.

The principal mechanism for U.S. and foreign participation in research and development is through programs that bring researchers from outside organizations to work at the federal laboratories. Foreigners comprised 30 percent of the outside researchers who worked during FY 1986 at 50 laboratories that GAO surveyed. The federal laboratories support open exchanges in areas of basic scientific research, but have varying degrees of restrictions on foreign access to technologies with commercial potential. Some researchers at federal laboratories have not had difficulty getting access to foreign laboratories and except for some isolated instances, foreign researchers have readily exchanged information with federal laboratory researchers. Research managers and administrators do not perceive a need for additional guidance or authority concerning foreign access to the federal laboratories.

National Science Foundation: Allegations of Waste Within the U.S. Antarctic Program

Acc. No. 136904 (GAO/RCED-88-223BR), Sept. 22.

Allegations were made that wasteful practices were carried on at the National Science Foundation's McMurdo Station in Antarctica during the winter of 1987. These practices included (1) discarding large quantities of unused trail-marking flags and bamboo poles said to cost \$7.00 each, sleeping bags in good condition, and thousands of feet of recently purchased stainless steel pipe of the wrong size; (2) custody by New Zealand of a usable pickup truck owned by NSF that should be part of the capitalized property under the control of the Navy; and (3) purchase of thousands of light fixtures of the wrong kind that had to be reordered. GAO found no documentation to support the allegations and as a result, could not substantiate them.

Energy

Nuclear Science: Questions Associated With Completing WNP-1 As a Defense Materials Production Reactor

GAO/RCED-88-221, Sept. 21.

The feasibility of the Department of Energy acquiring a nuclear weapons materials production facility located on DOE's Hanford Reservation near Richland, Washington, led to questions concerning the safety, licensability, and cost of Washington Nuclear Plant #1 as a tritium production facility and the schedule for completing it. GAO found no major safety, technical, or other barriers which would preclude WNP-1 from being considered as an option for the next new materials production reactor. In addition, GAO found no basis to question the process used by DOE contractors for estimating the WNP-1 completion cost and schedule but did identify several unresolved issues that could have an impact on the cost and completion schedule. These include potential design changes, legal questions surrounding the acquisition cost for the WNP-1, and policy questions arising from completing a commercial reactor as a weapons materials production reactor.

Nuclear Science: Issues Associated With Completing WNP-1 As a Defense Materials Production Reactor

GAO/RCED-88-222, Sept. 21.

This report addresses the same questions and issues as RCED-88-221, Sept. 21. It also provides information on the N-reactor, which the Department of Energy could use for tritium production. Specifically, the issues related to converting the N-reactor to tritium production concern the feasibility and safety, the practicality, cost savings, and the length of time and cost involved in the conversion. GAO found a number of unresolved technical and safety factors that must be addressed before the reactor can be used as a tritium-production facility. Although DOE has not made a decision to produce tritium in the N-reactor, and has decided to place it in a cold standby condition, it has Westinghouse preparing an emergency plan for restarting the N-reactor if it should become necessary to do so.

Nuclear Waste: Fourth Annual Report on DOE's Nuclear Waste Program

GAO/RCED-88-131, Sept. 28.

In 1980, the Department of Energy estimated that about 167,000 metric tons of highly radioactive wastes would be produced at commercial nuclear power plants through 2020, with still more waste expected after

that date. Utilities have not ordered new nuclear power plants for 10 years and are not expected to do so unless and until conditions affecting the nuclear power industry improve. Unless new plants are built, the total volume of commercial and government waste that DOE may have to dispose of will exceed the authorized capacity of the first repository by about 50 percent or less. If DOE selects Yucca Mountain as a repository site, up to 70,000 metric tons of waste can be stored. If the waste quantity expected exceeds that amount in 20 years, then DOE may recommend either development of a second repository or expansion of the Yucca Mountain facility.

**Nuclear Waste:
Problems Associated With
DOE's Inactive Waste Sites**

GAO/RCED-88-169, Aug. 3.

An inactive waste site is any place not currently being used to dispose of waste, but where radioactive and/or hazardous waste is present. Although the Department of Energy has been identifying its inactive waste sites since 1981, it does not yet have a comprehensive listing of all of them, and large discrepancies exist between DOE headquarters site inventory and the listings compiled by DOE officials at six installations GAO reviewed. Environmental problems, including contamination of groundwater with radioactive, chemical, and other hazardous substances, were found at all six locations. In some cases, the contamination was detected at levels hundreds to thousands of times above federal drinking water standards. The most recent DOE information indicates that the total cleanup costs nationwide could be as high as \$60 billion.

**Nuclear Waste:
Supplementary
Information on Problems
at DOE's Inactive Waste
Sites**

Acc. No. 136771 (GAO/RCED-88-229FS), Sept. 12.

The Department of Energy's nationwide inventory of inactive waste sites now contains 3,276 sites at all DOE installations. This represents an increase of over 2,000 sites previously reported by GAO. This fact sheet provides information on three inactive waste sites—Feed Materials Production Center, Ohio; Los Alamos National Laboratory, New Mexico; and Pantex Plant, Texas—and the extent of environmental contamination. The information confirms previous GAO findings that the waste disposal practices used by DOE and its predecessor agencies over the past 40 years have released hazardous radioactive and chemical substances into the environment.

**Nuclear Regulation:
NRC's Decommissioning
Cost Estimates Appear
Low**

GAO/RCED-88-184, July 29.

Although only minimal data exist on the actual costs to decommission nuclear facilities around the country, most experts believe that the Nuclear Regulatory Commission's estimates ranging from the tens of millions to \$3 billion for a plant are too low. GAO believes that NRC's estimates should reflect the most current information while recognizing that the estimates can change as NRC and the industry gain experience and obtain better data on decommissioning activities and their associated costs. Although each decommissioning method could increase ratepayers' costs, the impact of licensees' setting aside funds throughout the time the plants operate is much less than allowing the bill to go unpaid until decommissioning occurs. GAO supports the concept that decommissioning costs should be paid by the current beneficiaries of the service received.

**Naval Petroleum Reserve
No. 1:
Examination of DOE's
Report on Divestiture**

GAO/RCED-88-151, Aug. 25.

The administration wants to sell the government's interest in the Naval Petroleum Reserves 1 and 3 in California and Wyoming respectively, because it believes that they no longer serve a national defense purpose and that owning and operating the NPR is a business, not a governmental activity. In a June 1987 report to the Congress, the Department of Energy concluded that immediate cash receipts of about \$3.6 billion to \$4.3 billion could be realized from the sale. GAO critiqued DOE's divestiture report and believes that it does not provide enough information to justify selling NPR-1. Among the problems are a lack of accurate reserve data on which critical variables are based, inadequate methodology that does not provide the Congress with enough information on how industry expectations about production, operating costs, and oil/gas prices would affect NPR-1 valuation estimates; and no consideration given to the potential for leasing NPR-1 as an alternative to either selling or holding the asset.

**Energy Regulation:
Allegations Concerning the
Development of Fishways
at Hydropower Projects**

GAO/RCED-88-186, July 28.

Allegations were made that hydropower projects at Sewalls Falls, New Hampshire; Lockwood, Maine; and Scotts Mill, Virginia; may not have provided adequately for fishways facilities for anadromous fish. GAO found that the Department of the Interior had adequately provided for fishways at the three projects and that the Federal Energy Regulatory

Commission correctly acknowledged that fishways properly prescribed by Interior under the Federal Power Act must be imposed as license conditions by FERC. GAO also found no indication that FERC's actions concerning these projects were intended to impede Fish and Wildlife Service efforts to carry out the Service's responsibilities.

Natural Resources and Environment

Wetlands: The Corps of Engineers' Administration of the Section 404 Program

GAO/RCED-88-110, July 28.

Wetlands, which include swamps, marshes, bogs, estuaries, and similar areas and which provide important ecological benefits, have been disappearing at the rate of about 300,000 to 500,000 acres a year. The Section 404 program of the Clean Water Act of 1977 does not provide the Corps of Engineers with the authority to regulate activities that result in these losses. However, the Corps and the resource agencies disagree on whether the Corps is doing all it can to protect wetlands under existing program authority. Corps districts do not systematically seek out violators of Section 404 permit requirements nor do they always follow up on suspected violations. In pursuing violators, it rarely uses available civil or criminal remedies and suspends or revokes few permits, preferring instead to seek voluntary correction of the violation observed.

Water Pollution: Efforts to Clean Up Michigan's Rouge River

GAO/RCED-88-164, Aug. 10.

The Rouge River, located in southeastern Michigan, flows into the Detroit River which, in turn, flows into Lake Erie. Currently, its pollution problems are so severe that the water quality in each of its 11 sub-basins does not meet Michigan's standards for water use in at least 3 of the designated use categories. As a consequence, federal, state, and local levels of government have begun to address the difficult task of restoring this potentially valuable resource to designated uses. A draft remedial action plan estimated \$1.8 billion would be needed to complete just part of the plan. State and local officials are concerned about the availability of federal and state funds and affordability to local communities to fully restore the river. EPA's permit program which can limit the types and amounts of pollutants discharged has not been as effective as it

could be. EPA needs to establish controls designed especially to oversee Michigan's implementation of corrective actions under permits for the Rouge River.

**Water Resources:
Competition for Corps of
Engineers Civil
Construction Contracts**

GAO/RCED-88-193, Sept. 29.

The U.S. Army Corps of Engineers spent \$5.8 billion in FY 1986 and 1987 to construct, operate, and maintain a nationwide system of water resource civil works projects. About 60 percent of its civil works obligations were contracted out to the private sector in these 2 years. Because the Corps is legislatively required to set aside contracts for exclusive small business participation, large-size potential bidders or offerors were not able to compete for all construction contracts. However, the Corps districts uniformly used full and open competitive contracting procedures for contract awards to both large and small businesses. Corps construction contract proposals GAO reviewed did not negatively affect competition for awards. Legislative and national defense constraints affect the Corps' ability to contract for more of these services.

**Water Resources:
An In-Depth Look at
Overflow Dredging on the
Great Lakes**

GAO/RCED-88-200BR, Aug. 11.

The environmental impacts of overflow dredging are unknown and no research is currently underway by the Corps of Engineers or the Environmental Protection Agency to determine such impacts. The Corps believes that models can be developed to predict the impacts but developing these models would take about 7 years and cost \$7 million to \$8 million. In addition, research on overflow dredging has been given a low priority. GAO identified only one instance where overflow dredging was used in an area of highly contaminated sediment on the Great Lakes—in the Saginaw River. Following its guidelines, the Corps allowed overflow dredging in a part of the river where heavy metals existed but restricted its use in the area where PCBs exceeded EPA guidelines. Periodic Corps monitoring of the dredging contractor's work showed no evidence of overflow dredging in areas where its use was restricted.

**Air Pollution:
Reliability and Adequacy
of Air Quality Dispersion
Models**

GAO/RCED-88-192, Aug. 24.

Air quality dispersion models provide estimates of pollution concentrations and are used as a basis for regulatory decisions under the Clean Air Act. They have had a major impact on the cost and extent of pollution controls and the selection of sites for new industrial sources. GAO found that 45 of the 48 models used in making regulatory decisions have been evaluated either by the Environmental Protection Agency or other organizations but 11 of the evaluations did not conform to the statistical approach EPA currently uses. Model reliability has ranged from underestimated pollution concentrations of 50 percent for one model to overestimated pollution concentration of 1,720 percent for another model. However, substantially different results are obtained for the same model evaluated at different sites.

**Degradable Plastics:
Standards, Research and
Development**

Acc. No. 136837 (GAO/RCED-88-208), Sept. 20.

Problems are mounting because of the permanency of plastics in municipal solid waste, litter, and marine pollution. Unlike traditional plastics, degradable plastics offer potential environmental benefits and new opportunities for the use of agricultural commodities. But the federal government and the private sector are making only limited efforts to develop standards for degradable plastics. Such standards are needed to facilitate manufacturers' compliance with existing and potential legislation mandating the use of degradable plastics. Federal agencies' support of degradable plastics research and development has been limited and virtually no testing has been done; the limited testing that is planned or is being conducted may help to evaluate product performance but does not ensure the establishment of standards for degradable plastics.

**Superfund Contracts:
EPA Needs to Control
Contractor Costs**

GAO/RCED-88-182, July 29.

Between 1982 and 1985, the Environmental Protection Agency awarded five contracts, valued at about \$894 million, to engineering firms to study the extent of contamination at hazardous waste sites and devise cleanup strategies under the Superfund program. EPA has not sufficiently monitored, controlled, and challenged contractor expenditures and professional hour usage for remedial studies. In over 50 percent of the 43 sites GAO reviewed, inadequate contractor or subcontractor performance increased the cost of performing the remedial studies. EPA did not, however, challenge questionable costs for most of these increases

and as a result, may be paying more than needed. EPA does not consistently include an assessment of the prime contractors' management of subcontractors in final contractor performance evaluations and therefore does not have sufficient information on which to make award fee decisions.

Commerce and Housing Credit

Failed Banks: FDIC's Asset Liquidation Operations

GAO/GGD-88-132, Sept. 28.

Because the Federal Deposit Insurance Corporation foresaw a need to prepare for an increasing number of bank failures and a resulting increase in the liquidation workload, it decided to create a decentralized structure, delegate authority, and rely on a large temporary employee workforce. Internal management reviews, an approval process for liquidation decisions, audits, and information systems were developed to oversee the decentralized program. Mission of the liquidation division is to achieve the highest possible level of collections on assets at the earliest practical time in the most cost-efficient manner. This report reviews FDIC's liquidation operations and provides information on (1) how the organization has adapted to the large increase in bank failures, (2) how it manages the asset liquidation process, and (3) how much of the book value of assets disposed of it recovers and in what time frames.

Commercial Banking: Lending to Troubled Sectors

GAO/GGD-88-126BR, Sept. 22.

Of the 13,700 insured commercial banks in the United States, 9,604 had significant loan exposures to one or more of the five troubled sectors at year end 1987. These banks held \$249.16 billion in loans to these sectors or about 99 percent of the commercial banking industry's total capital. The most frequent exposures were to the real estate or agricultural sectors individually or in combination with other sectors. As the number of sectoral exposures increased within banking organizations, so did measures of the extent of the financial risk. This review identifies banks with significant loan exposures to troubled economic sectors to determine the value of commercial bank loans to various troubled sectors of the economy in relation to measures of safety and soundness.

**Securities Regulation:
Efforts to Detect,
Investigate, and Deter
Insider Trading**

GAO/GGD-88-116, Aug. 5.

Federal investigations have uncovered intricate insider trading schemes in which individuals were found to have accumulated millions of dollars in illicit profits over many years before being caught. Several factors cause the securities markets to be vulnerable to insider trading, and the nature of this violation makes detection and proof unusually difficult. Gathering information faster and strengthening negotiations with other governments to identify persons responsible for suspicious trades would improve the regulators' ability to investigate violations. Congress is considering a proposal for stronger penalties to deter insider trading. Additional investigative methods, such as payments for useful information, changes in the securities laws, and defining insider trading, may be necessary if the goal is stronger penalties for this violation.

**Financial Markets:
Information on Computer
Data Used for Stock
Market Crash Studies**

Acc. No. 136831 (GAO/IMTEC-88-57), Sept. 15.

Allegations had been made that the New York Stock Exchange supplied different computer transaction data to the Securities and Exchange Commission and the Brady Commission for use in their studies of the October 1987 market crash than it provided to Mr. Nicholas Katzenbach, a consultant to the Exchange. Specifically it was alleged that only Mr. Katzenbach was provided computer transaction tapes with data on the crash that (1) distinguished program trades from non-program trades and (2) reflected the actual time each program trade was executed. Indications are that the SEC and the Brady Commission had knowledge of the types of data Mr. Katzenbach was provided and that they chose not to request similar data because the Exchange's data did not distinguish among the various trading strategies employed by its member firms during the October crash. The SEC and the Brady Commission independently decided to obtain program trading data directly from member firms, rather than rely on computer transaction data provided by the Exchange.

**Housing Finance:
Agency Issuance of Real
Estate Mortgage
Investment Conduits**

Acc. No. 136704 (GAO/GGD-88-111), Sept. 2.

The Real Estate Mortgage Investment Conduit has emerged as a vehicle for overcoming tax obstacles that had made it difficult for some mortgage market participants to issue multiple-class mortgage-backed securities. A critical issue raised was whether federally sponsored agencies like the Federal National Mortgage Association and the Federal Home

Loan Mortgage Corporation should have the authority to issue REMICS. GAO has found no basis in the FNMA or FHLMC charters which would preclude them from participating in the tax advantages permitted by the REMIC legislation. It has also found little basis to support the fear that agency REMICS will lead to a loss of deposits by the thrift industry. REMICS are not close substitutes for thrift deposits in individual investors' portfolios. Furthermore, the range of investment alternatives to deposits is sufficiently broad that REMICS should have only a marginal impact on the thrift industry.

**Postal Service:
Preliminary Report on
Compliance With 1988
Budget Reduction Mandate**

Acc. No. 136706 (GAO/GGD-88-121), Sept. 1.

This preliminary report on the extent of compliance by the United States Postal Service's plan to reduce its FY 1988 operating budget by \$160 million finds that the budgets have been reduced by the amount called for in the Omnibus Budget Reconciliation Act of 1987 and that actions laid out in the budget reduction plan are underway. Conclusions as to the amounts saved and any recommendations needed to enforce compliance with the provisions of the act will be included in a final report.

**Postal Service:
Mailings by Selected
Religious Organizations**

GAO/GGD-88-122FS, Aug. 25.

This fact sheet details the nature and volume of mailings by selected religious organizations under special bulk third class nonprofit permits during March and April 1988. The religious organizations are the ministries of Jerry Falwell, Pat Robinson, Jimmy Swaggart, Oral Roberts, Rex Humbard, Robert Schuller, Peter Popoff, and Billy Graham. The use of third class rates entitles the Postal Service to open and inspect the mail pieces. Examples collected by the post offices and mailed to GAO included solicitations for contributions; advertisements and subscription renewals; religious merchandise and publications; and notices of events, such as changes in the time of television and radio programs.

**Financial Analysis:
FADA's Preliminary and
Final 1987 Financial
Statements**

GAO/AFMD-88-77FS, Aug. 5.

The Federal Asset Disposition Association is a wholly owned subsidiary of the Federal Savings and Loan Insurance Corporation and was chartered by the Federal Home Loan Bank Board as a savings and loan

association to manage and dispose of assets FSLIC acquired from financially troubled thrifts. FADA showed major differences between its preliminary 1987 financial statements provided to the Congress and the final 1987 financial statements. GAO found that the (1) changes resulted in a reduction of about \$4.2 million in FADA's losses for 1987; (2) fee agreement between FADA and its parent organization, FSLIC, changed several times; (3) advances from the Federal Home Loan Bank of Topeka totaled \$7 million at December 1987; and (4) fee income at year-end was uncertain and subject to adjustment.

Transportation

Aviation Security: Corrective Actions Underway, but Better Inspection Guidance Still Needed

GAO/RCED-88-160, Aug. 23.

GAO found security weaknesses at six of the nation's highest risk airports—weaknesses that could have resulted in the access of unauthorized persons to air operations areas. The Federal Aviation Administration's inspection process was unsuccessful in disclosing some of these weaknesses. FAA has acted or planned actions to address many of the security deficiencies but the process needs to be further improved to ensure that security weaknesses are sufficiently disclosed and that corrective actions are taken by responsible airport and air carrier officials.

Airline Competition: Fare and Service Changes at St. Louis Since the TWA- Ozark Merger

Acc. No. 136838 (GAO/RCED-88-217BR), Sept. 21.

The merger of Trans World Airlines and Ozark Air Lines in 1986 increased the number of TWA passengers boarding at Lambert-St. Louis International Airport, the number of cities served directly from St. Louis, and the number of cities now receiving jet service. However, while the total share of enplanements of other carriers remained about the same as before the merger, many St. Louis routes are now served by fewer airlines and average air fares have risen. TWA's fares increased more than those of other carriers serving St. Louis, and TWA's St. Louis fares increased more than its fares for comparable service at Kansas City, a city where the merger had little impact on TWA's market share. TWA attributed the fare increase to several factors that caused its and Ozark's fares to be unusually low in 1986. And finally, recent developments in the airline industry may have made large-scale expansion more

difficult at airports like St. Louis, where one carrier has the predominant market share.

**FAA Staffing:
Recruitment, Hiring, and
Initial Training of Safety-
Related Personnel**

GAO/RCED-88-189, Sept. 2.

The Federal Aviation Administration expects to meet its inspector and maintenance staffing targets for FY 1988 but will not meet its mandated goal for full performance controller staffing. FAA is attracting fewer high quality controller candidates than in the past, and training losses are affecting the agency's ability to meet staffing goals. FAA does not have a national recruitment policy other than meeting staffing targets designated by the Congress. Its current recruitment process relies on individual regions, is not centrally coordinated, and is not targeted towards those candidates most likely to succeed as air traffic controllers. FAA is experiencing more trainee attrition at its busiest facilities than at lower level facilities. Better field placement of FAA Academy graduates could help reduce this attrition by matching a graduate's demonstrated performance level with a facility's air traffic activity.

**Housing and
Community
Development**

**Assisted Housing:
Overview of Problems at
the Longwood Cooperative
in Cleveland, Ohio**

GAO/RCED-88-202, Aug. 23.

Longwood Cooperative, a low-income housing project in Cleveland, Ohio, has faced severe financial and management problems in its 30-year history that resulted in the project's physical deterioration, poor living conditions, and the questionable use of millions of dollars in federal subsidies. During the first 18 years of operation, various attempts were made to make Longwood into a viable project, including a change in the project's ownership. The actions proved unsuccessful. The Department of Housing and Urban Development tried to help by providing rental assistance subsidies which exceeded \$5 million but eventually foreclosed on the project. During the foreclosure process, HUD provided the project another \$5 million in subsidies while its physical condition worsened. HUD sold the project in August 1987 and rehabilitation costs for the new owner are expected to exceed \$12 million. As of May 1988,

approximately 85 percent of the rehabilitation work had been completed. To ensure that the project continues to serve low-income tenants, HUD is providing Section 8 subsidies to all 820 project units for a 15-year period.

**Financial Audit:
Neighborhood
Reinvestment
Corporation's Financial
Statements for 1987**

GAO/AFMD-88-79, Sept. 30.

The Neighborhood Reinvestment Corporation promotes reinvestment in older neighborhoods by local financial institutions in cooperation with the community, residents, and local government. Financed primarily through congressional appropriations, NRC fulfills its purpose by providing grants to neighborhood projects and programs, as well as by creating revolving loan funds. During 1987, NRC provided over \$5 million grants. Its total fund balance as of September 1987 was \$942,936.

Social Services

**"Sweatshops" in the U.S.:
Opinions on Their Extent
and Possible Enforcement
Options**

GAO/HRD-88-130BR, Aug. 30.

Sweatshops exist throughout the United States and the problem is spreading into the restaurant, apparel manufacturing, and meat-processing industries. The ethnic groups most heavily represented in these establishments are Hispanics and Asians and the violations found include failure to keep required records of wages, hours worked, and injuries; incorrect wages, both below the minimum wage and without overtime compensation; illegal work by minors; fire hazards; and work procedures that cause crippling illness. Three factors may limit efforts to regulate multiple labor violators: (1) insufficient coordination among enforcement agencies, (2) insufficient staff, and (3) inadequacy of penalties for wage and hour violations under present law. Enforcement might be enhanced if Wage and Hour, the Occupational Safety and Health Administration, and the Immigration and Naturalization Service worked more closely together and with the states through an increased emphasis on referrals of suspected violators to other agencies and through joint efforts concentrating on problem locations or industries.

**Children's Programs:
A Comparative Evaluation
Framework and Five
Illustrations**

GAO/PEMD-88-28BR, Aug. 31.

GAO developed a framework to guide the formulation of questions about programs serving children and families—Head Start; Women, Infants, and Children; the extensions of Medicaid eligibility to children and pregnant women; Child Welfare Services; and the Juvenile Justice and Delinquency Prevention grants—and to organize evidence on those programs. The framework includes general criteria to assess the programs' needs, implementation, and effects and to analyze proposed changes to existing programs or to compare them.

Health

**AIDS Education:
Reaching Populations at
Higher Risk**

Acc. No. 136836 (GAO/PEMD-88-35), Sept. 16.

GAO derived a seven-step model of health education directed to AIDS that covers the selection of media most likely to reach populations at risk, the provision of skills for reducing risk, and other components. These steps are: specifying the target group, identifying characteristic placing the group at risk, selecting the media likely to reach that group, determining the information to be covered, developing risk-reduction skills, providing motivators for risk reduction, and specifying the intended outcomes of the message. No attempt, however, can be made in this study to evaluate campaign effects because of the short period of time during which campaigns have been in operation. Most campaigns, though, have not collected the sort of data by which their effects might be assessed.

**Health Insurance:
Hospital Indemnity and
Specified Disease Policies
Are of Limited Value**

GAO/HRD-88-93, July 12.

Hospital indemnity and specified disease policies typically pay only a small portion of the policyholder's costs for covered medical services and several states have concluded that this insurance is of little value to consumers. Of 12 states that GAO visited, 3 currently ban or restrict the sale of specified disease policies. Two of the states advise consumers against buying them. All 12 states had educational programs to help consumers choose health insurance, seven had procedures for reviewing insurance advertising material, and all 12 had personnel who try to resolve consumer complaints about insurance. Shopping around for a

hospital indemnity or specified disease policy is advisable because available policies offer substantially different benefits at widely varying costs.

**Health Insurance:
A Profile of the Uninsured
in Ohio and the Nation**

GAO/HRD-88-83, Aug. 30.

Between 1982 and 1985, the number of uninsured persons in the United States increased by 13 percent; Ohio experienced a 17 percent increase. For poverty-level families, insurance in parts of Ohio could cost nearly one-third of their incomes. Consequently, many of these low-income families remain uninsured. They frequently obtain care through federal, state, and locally subsidized and/or charity providers. But access to this care is not always uniformly available, and except for emergencies and hospital commitments there is no legal obligation to provide unreimbursed care. Dissimilarity in incomes, personal characteristics, and access to health care of the uninsured makes efforts to improve health care availability complex. It may require a combination of approaches but because these approaches are costly, they raise difficult questions concerning who should finance them.

**Medical Devices:
FDA's 510(k) Operations
Could Be Improved**

GAO/PEMD-88-14, Aug. 17.

The Medical Device Amendments of 1976 greatly expanded the Food and Drug Administration's authority to regulate medical devices and attempted to encourage advances in medical technology and protect the public against unsafe and ineffective medical devices. The premarket notification provision (510(k)) allows FDA to review submissions to determine whether they are substantially equivalent to pre-1976 devices. The statute does not define or otherwise elaborate on the meaning of the term substantial equivalence and the relevant legislative history can be read in different ways. FDA's guidance requires clarification. Because of FDA's inadequate documentation of the review process, GAO could not determine whether FDA's decisions are made in accordance with its stated policy. GAO also found weaknesses in the implementation of other provisions of the amendments that affect premarket notification.

**Homeless Mentally Ill:
Problems and Options in
Estimating Numbers and
Trends**

GAO/PEMD-88-24, Aug. 3.

There are no sound national estimates of the number of homeless persons who are chronically mentally ill or of trends over time. There are, however, local estimates that use methods which could be applied on a larger scale. The three national estimates had methodological flaws and only one national estimate included an assessment of mental illness. Counting homeless mentally ill persons is never likely to be entirely precise. People disagree on the definition of homelessness, and homelessness itself can be responsible for behavior and appearance that suggest mental illness. However, clear definitions of homelessness and the collection of consistent information coupled with smaller-scale studies would provide data permitting statistical adjustments.

**Medicaid:
Views on Changes Needed
in Mental Health Benefits**

GAO/HRD-88-96FS, Sept. 27.

GAO sent a questionnaire to state Medicaid and mental health directors in the 50 states and the District of Columbia to solicit their views on changes in federal laws, regulations, or procedures needed to improve the delivery of mental health services to Medicaid recipients. The state directors most frequently expressed concerns about the exclusion of Medicaid coverage for services provided to people aged 22 to 64 in institutions for mental diseases; limited coverage of home and community-based mental health services; administrative requirements for the Medicaid waiver programs; administration of the Medicaid program; and strict income and asset limits for Medicaid eligibility.

**Seafood Safety:
Seriousness of Problems
and Efforts to Protect
Consumers**

GAO/RCED-88-135, Aug. 10.

Seafood illness data reported to the Centers for Disease Control from 1978 to 1984, while recognized as incomplete, represented about 5 percent of all food-borne illness cases. In addition, the U.S. Food and Drug Administration in 1986 found adverse seafood samples—those in violation of regulations and requiring action—about 29 percent of the time. Yet, unlike the meat and poultry industry, the seafood industry is not subject to mandatory, 100-percent product inspection by the federal government. Many experts believe that seafood safety problems do not reflect the need for major changes in federal programs. But they identified specific areas for improvement. GAO believes that there does not

appear to be a compelling case at this time for implementing a comprehensive, mandatory federal seafood inspection program similar to that used for meat and poultry.

**Inspectors General:
Compliance With
Professional Standards by
the HHS Inspector General**

GAO/AFMD-88-36, Sept. 29.

The Office of Inspector General, Department of Health and Human Services, satisfactorily complied with 18 of 23 audit and investigation standards. Prompt corrective actions have been taken to address problems GAO identified in the OIG's satisfactory compliance with three audit standards: evidence, reporting, and quality assurance; and two investigation standards: management information and screening allegations. GAO also identified some improvements which were needed to help ensure the quality and integrity of the OIG's inspection function. Indications are that the OIG is having a significant impact on HHS operations. However, it needs to improve the quality controls for compiling the semiannual report to ensure its accuracy and integrity. The report presentation of monetary accomplishments also needs improvement.

**Financial Management:
Continued Top
Management Support
Needed to Improve HHS'
Accounting Systems**

GAO/AFMD-88-37, Sept. 29.

Key accounting and related internal control systems currently operated by the Department of Health and Human Services have serious weaknesses which have adversely affected the Department's ability to effectively manage its multibillion-dollar programs and operations. Billions in appropriated funds and other financial resources are not adequately accounted for, and many of the Department's financial reports are unreliable and cannot be derived from the accounting systems. The Department has long recognized these problems, but past corrective actions have not been successful. HHS has shown a commitment to strengthen financial management and has developed a new plan aimed at improving its accounting systems and correcting its long-standing problems. GAO believes the plan is properly focused and is a good foundation for action. Top management's continued involvement and commitment are essential for the success of this plan and the improvement of the Department's financial system environment.

Income Security

Unemployment Insurance: Trust Fund Reserves Inadequate

Acc. No. 136900 (GAO/HRD-88-55), Sept. 26.

The Unemployment Insurance system has inadequate reserves, and many state trust funds will likely be unable to pay benefits in a future recession without multibillion borrowing. Economic projections suggest that Unemployment Insurance trust fund reserves will remain inadequate even under conditions of continued economic growth. The projections also show that if a recession were to occur in 1988, as many as 17 insolvent funds would have to borrow money to meet benefit commitments. Federal policies have contributed to the long-term downward trend in the percentage of the unemployed receiving benefits because, to improve solvency, many states cut benefit costs by reducing claimant eligibility. States may respond in a similar fashion in the future if the system is not changed.

Pension Plans: Effect of the 1987 Stock Market Decline on Selected Large Plans

Acc. No. 136903 (GAO/HRD-88-128BR), Sept. 26.

GAO reviewed 174 pension plans sponsored by 92 private employers and unions whose combined assets totaled about \$300 billion. These assets decreased substantially when the stock market crash occurred in October 1987. The decreases, however, were more than offset by gains during the first 9 months of the year, with most pension plans experiencing increases in asset values for the year. The extensive growth in the stock market from 1982 through 1986 resulted in gains that far exceeded the losses from the October 1987 market decline.

Social Security: Little Overall Change in Telephone Accessibility Between 1985 and 1988

GAO/HRD-88-129, Sept. 15.

Information in this report is based on test calls GAO made to Social Security Administration facilities in May 1988 to monitor SSA service to the public in light of continuing staff reductions. During the May 1988 test, GAO had easy access for 71 percent of the calls compared to 73 percent of calls during a May 1985 test. Overall, 15.2 percent of its initial test calls got busy signals, as did 6 of every 10 repeat calls. Also, as in the 1985 test, accessibility during the 1988 test varied widely among SSA phone facilities, between SSA regions, and according to when the call was made.

**Social Security:
Decision to Implement
Nationwide 800 Telephone
Service**

GAO/HRD-88-120, Sept. 21.

Implementation of the Social Security Administration's 800 service will cost \$34 million per year more than the current service but \$19 million less than improving the service in use now. The decision to implement the 800 number in October 1988 appears to be reasonable but poses some risk that service and efficiency might be less than planned, at least temporarily. Phone service demand may exceed phone answering capabilities, creating excessive busy signals. Also, demands that toll-free service places on SSA's computers could result in reduced operating efficiency and affect the timeliness of service. SSA is developing contingency plans for these events, which it believes will help mitigate these problems should they materialize.

**Information Systems:
SSA's Financial
Management of
Information Systems
Needs Improvement**

GAO/IMTEC-88-15, Aug. 9.

The Social Security Administration does not facilitate presentation of financial data to assist in making decisions about information systems projects or in determining if objectives are being achieved. Specifically, SSA has not provided complete and accurate information on all preparation and execution documents nor has it maintained an integrated system to budget and account for information system funds. These factors have contributed to SSA's accumulation of \$214 million in carryover funds while some major goals for which the funds were intended are not being met. In addition, procedures to be followed in carrying out improved oversight of information systems resources have not yet been defined or carried out.

**ADP Budget Analysis:
SSA's Information Systems
Funding for Fiscal Years
1988 and 1989**

GAO/IMTEC-88-49, Sept. 14.

The Social Security Administration significantly revised its FY 1988 information systems budget because of the agency refocusing its systems modernization effort and Congress reducing the original President's budget request. As a result, SSA's FY 1988 budget for information systems was decreased from \$282 million to \$221 million. In addition, SSA is currently trying to revise its FY 1989 information systems President's budget request of \$221 million. The agency has plans and requirements for other information systems projects not included in the FY 1989 President's budget request of \$221 million and plans to implement them in FY 1989 if projects from the original budget request are delayed

or canceled. As of July 1988, SSA was estimating that its FY 1988 carry-over would be \$7 million. It also identified \$23 million in funds from 6 projects that may not be awarded in FY 1988, resulting in a potential carryover of \$30 million.

Veterans Affairs

Veterans Administration: Moves of Central Office Staffs and Offices

GAO/HRD-88-101, Aug. 8.

Allegations were made that the Veterans Administration spent about \$2 million in 1987-88 to relocate and renovate offices that were 1 mile away from its original site. Concerns over the justification of the move and expenditures were expressed given the reductions in VA's budget. No formal plans, written justification, or cost-benefit analyses are required for VA moves and renovations, and VA did not prepare any. However, VA decided to purchase new furniture for which economic analyses are required. This report provides information on (1) the VA offices and number of people moved, (2) VA's purpose and justification for the moves, (3) the costs and benefits, and (4) the square feet of office space involved.

Administration of Justice

Drug Interdiction: Should the Customs' Command and Control Program Be Continued as Currently Evolving?

GAO/GGD-88-113, July 28.

For FY 1987, the Bureau of Customs budgeted about \$42 million to develop a command, control, communications, and intelligence center program to enhance the efficiency and effectiveness of federal drug interdiction efforts. The coordination activities, together with the developmental process, resulted in many changes to the program including (1) limiting the role of the command and control center to only commanding and controlling Customs' air interdiction resources, (2) scaling down the intelligence function of the centers, (3) sharing the command responsibilities with the Coast Guard, (4) excluding direct input of military detection capabilities, and (5) dropping plans for a center in Houston, Texas. In view of these changes and changes by Congress giving the

Department of Defense a greater role in drug interdiction, GAO believes that Congress should review the program's direction before additional upgrades are approved.

**Refugees:
Overseas Processing of
Admissions Applications**

GAO/NSIAD-88-221, Sept. 9.

GAO determined that while it is legally feasible, there is no reason to transfer the role of making refugee eligibility determinations from the Immigration and Naturalization Service to the Department of State even though State processes all other requests for permits to enter the United States. GAO could not determine the cost of INS refugee processing or whether State could perform this function more economically than INS because the cost and planning data needed were not available. However, it is unlikely that significant savings would accrue to the government unless such a transfer resulted in a closing of INS overseas offices. No clear indication was found that State consular officers are better suited than INS officers to make accurate, fair, and consistent refugee eligibility determinations.

**Customs Service:
Importing Community
Should Benefit From
PAIRED Program**

GAO/GGD-88-118BR, Aug. 31.

The Port of Arrival Immediate Release and Enforcement Determination program permits entry documentation to be filed at one port, usually an interior one, to obtain release of merchandise arriving at another U.S. port, usually a seaport. Customs established the PAIRED program to facilitate the earliest possible release of merchandise from Customs' custody. It appears to offer few risks or additional costs to Customs, and the benefits to the industry appear to offset most disadvantages. These disadvantages could be having to use in-bond shipment if a PAIRED entry is sought but denied, poor communications between Customs ports, or problems in coordinating transportation.

**FBI Voice Privacy:
Update on Program
Direction**

GAO/IMTEC-88-39, Aug. 30.

The Federal Bureau of Investigation initiated a nationwide program in 1982 to install new communications technology that would protect its radio messages from interception by criminal elements, the news media, and the general public. The program later was expanded by integrating into one voice privacy system being developed by the FBI, Drug Enforcement Administration, and United States Marshals Service. At present,

the program is conceived of as an interoperable system that allows FBI and DEA agents to communicate within field locations, but without nationwide coverage. This current approach satisfies their needs and reduces the estimated cost of the program from \$153.2 million to \$7.4 million. It is important, however, that any major changes in the future be supported by an appropriate requirements analysis that would ensure that the approach is sound.

**Federal Workforce:
Information on Leave-
Without-Pay at the
Department of Justice**

Acc. No. 136867 (GAO/GGD-88-129FS), Sept. 12.

This fact sheet determines the Department of Justice's policies governing the granting of leave-without-pay and assesses the consistency with which these policies were applied, with particular attention to LWOP requests for maternity, paternity, and health reasons. It reviews instances of extended LWOP (more than 30 consecutive calendar days) granted in Justice's headquarters components.

General Government

**Legislative Mandates:
State Experiences Offer
Insights for Federal Action**

Acc. No. 136907 (GAO/HRD-88-75), Sept. 27.

Since the 1960s, many federal statutes have been enacted mandating state and local actions that impose additional costs on those levels of government. Similarly, many states have enacted mandates that impose costs on their local governments. Requirements that state and/or local costs be estimated or that local costs be reimbursed have had only a limited impact on the burden of mandates. At the state level, cost estimation seems to have a greater impact when the estimates are prepared early in the legislative process or for important amendments to proposed legislation. Two key factors that seem to make mandate reimbursement work at the state level are public initiation of the requirement through a referendum or a constitutional amendment and the existence of a healthy fiscal climate. In the absence of one or both of these factors, the workability of a federal reimbursement policy at this time is questionable.

**Tax Administration:
Accuracy of Taxpayer
Identification Numbers on
Information Returns Can
Be Improved**

Acc. No. 136733 (GAO/GGD-88-110), Sept. 6.

GAO identified several steps the Internal Revenue Service could take to improve the accuracy of payor identification numbers and thus the usefulness of interest and dividend returns in IRS' matching program. Those steps involve (1) enforcing the 20 percent withholding requirement, (2) reducing the volume of incorrect identification numbers for which payors are asked to certify due diligence, (3) providing payors with more timely information on missing or incorrect identification numbers, and (4) doing additional research to resolve more incorrect numbers.

**Tax Administration:
Tax Law Compliance of
Churches and Tax-Exempt
Religious Organizations**

GAO/GGD-88-84, Aug. 11.

For tax purposes, the Internal Revenue Services distinguishes between churches and religious organizations that are not churches, such as evangelical associations or religious publishers, so that it can apply different laws, regulations, and rules. The distinction is necessary because churches, historically, have been exempt from many of the rules applicable to other charitable tax-exempt organizations. IRS monitors tax law compliance of tax-exempt organizations that are not churches in the same way it does for other charitable tax-exempt organizations. It also reviews churches' compliance with the tax laws much differently than it does for other tax-exempt religious organizations. IRS believes it has difficulty in ensuring that churches comply with the tax laws because of the (1) lack of information it receives on churches; (2) specialized audit procedures required by law; and (3) complexity of issues common to all tax-exempt organizations, which can also affect churches.

**Tax Policy:
Evaluation of IRS' Refund
Offset Study**

Acc. No. 136705 (GAO/GGD-88-117), Sept. 1.

The Omnibus Budget Reconciliation Act of 1981 authorized the Internal Revenue Service to use individual income tax refunds to offset delinquent child support payments owed by the taxpayer to the custodial parent. Individuals who owe \$150 or more in child support and are at least 3 months behind in payments are referred by state child support agencies to the Department of Health and Human Services, which in turn refers them to IRS for offset. IRS' methodology, which compared those offset with control groups not offset, was limited and had two unavoidable constraints. IRS should have divided the HHS referrals into two groups—one with refunds offset and the other with refunds not offset—and then analyze the effects on compliance. Second, due to the

limited number of post-offset years that had elapsed at the time of IRS' study, it is unknown whether the taxpayer compliance problems identified by IRS are temporary or permanent.

**Tax Policy:
Information on the Stock
and Mutual Segments of
the Life Insurance
Industry**

Acc. No. 136911 (GAO/GGD-88-88FS), Sept. 26.

This fact sheet provides numerical data on the taxes paid by, and business trends of, life insurance companies for the years 1984, 1985, and 1986. It contains nine tables that present this data on the stock and mutual segments of the insurance industry with regard to insurance in force, insurance, issued, investment yields, assets held, and taxes incurred.

**Single Audit Act:
First-Year Reporting Has
Been Extensive**

Acc. No. 136782 (GAO/AFMD-88-60), Sept. 7.

In response to concerns that large amounts of federal financial assistance were not subject to audit and that agencies sometimes overlapped on oversight activities, the Congress adopted the Single Audit Act of 1984. It stipulates that state and local governments which receive at least \$100,000 in federal financial assistance have a single audit conducted. GAO found wide compliance with reporting requirements for the first complete reporting cycle under the act—a 96-percent coverage rate.

**Computer Security:
Status of Compliance With
the Computer Security Act
of 1987**

Acc. No. 136901 (GAO/IMTEC-88-61BR), Sept. 22.

The Computer Security Act requires that all federal agencies identify their computer systems, whether operational or under development, that contain sensitive information, establish training programs to increase security awareness and knowledge of security practices, and establish a security plan for each computer system with sensitive information. This report provides the status of federal agencies' compliance with actions required of the first milestone of the act—July 1988. To obtain the status, GAO sent a questionnaire to 89 federal agencies not specifically exempted from compliance with the act.

**Federal Assets:
Information on Completed
and Proposed Sales**

Acc. No. 136857 (GAO/RCED-88-214FS), Sept. 21.

This fact sheet provides information on sales of federal assets that have been included in the President's budget proposals to the Congress since 1984. The information concerns primarily identification of the assets; identification of the agencies involved; legal authorization for the sale; reasons for the sale; method for determining the asking price and, if a contractor was used, the fee paid; extent of competition, if any; and the selling or asking price. Assets sold include Conrail, Dulles and National Airports, surplus national stockpile materials, and surplus real property. Assets proposed for sale include Amtrak, the Great Plains Coal Gasification Project, the Helium Program, Power Marketing Administrations, the Transportation Systems Center, and uranium enrichment facilities.

**Government Space
Leasing:
Commercial Lease of Space
at the John F. Kennedy
Federal Building in Boston**

GAO/GGD-88-134, Sept. 30.

Allegations were made that the General Services Administration was guilty of a lack of ethics, lack of competition, possible fraud, and inside influence shortly after it leased space in the John F. Kennedy Federal Building in Boston in November 1983. After intensive scrutiny on the matter, it was determined that there was no evidence of wrongdoing and that the leasing of the space was done in accordance with established regulations and procedures.

**Federal Information:
Agency Needs and
Practices**

GAO/GGD-88-115FS, Sept. 20.

Through a questionnaire sent to all federal departments and 57 agencies in June 1987, GAO assessed the implications of evolving public printing, publishing, and information dissemination technology on the future of the Government Printing Office and public information functions of the federal government. This fact sheet summarizes the responses by three groups: Cabinet-level civilian department subdivisions, Department of Defense, and agencies. It also lists departments and agencies represented by the respondents.

**Government Loans:
Loan Restructuring for the
Wolf Trap Foundation for
the Performing Arts**

GAO/AFMD-88-54FS, Sept. 19.

Due to marginal financial conditions, the Wolf Trap Foundation for the Performing Arts was believed to be unable to repay its outstanding government loans and accrued interest totaling \$13.1 million when due in November 1988. GAO suggested alternatives for restructuring the Foundation's debt. These are (1) restructuring the entire debt over an extended period; (2) forgiving a portion of the debt, particularly the accrued interest, and restructuring the remaining amount; (3) reducing the debt by an amount equal to half of the cost overrun and restructuring the remaining balance; and (4) accepting Foundation-owned real property in lieu of repayment. Foundation officials suggested a fifth alternative: the Foundation could transfer the Filene Center, at a reconstructed cost of \$28.1 million and an estimated replacement value of \$36.3 million, to the federal government in full satisfaction of its debt.

**Financial Audit:
Senate Building Beauty
Shop Statements for the
Year Ended 12-31-87**

GAO/AFMD-88-73, Sept. 30.

Because of the Senate Building Beauty Shop converting from a partnership to a sole proprietorship in July 1986, and the 1986 fiscal year being shortened to a 10-month period, a comparison of the 1987 operating results with those recorded for FY 1986 would not be meaningful. Net income for the year ended December 1987 was \$12,813.

**Financial Audit:
House Beauty Shop
Revolving Fund Financial
Statements for 1987 and
1986**

Acc. No. 136707 (GAO/AFMD-88-59), Sept. 7.

The Legislative Branch Appropriation Act of 1970 requires that the net profit of the House Beauty Shop established by GAO's audit, after restoring any impairment of capital and providing for replacement of equipment, shall be transferred to the general fund of the U.S. Treasury. Because net losses of \$1,746 for calendar year 1987 and \$1,043 for calendar year 1986 were incurred, no transfers were required. A total of \$122,085 in prior years' income has been transferred to the Treasury from the House Beauty Shop Revolving Fund.

Congressional Testimony by GAO Officials

GAO Contract Pricing Audits, by Paul F. Math, National Security and International Affairs Division, before the Subcommittee on Legislation and National Security, House Committee on Government Operations, Sept. 7. GAO/T-NSIAD-88-45. Acc. No. 136859.

The Federal Savings and Loan Insurance Corporation's Use of Notes and Assistance Guarantees, by Frederick D. Wolf, Accounting and Financial Management Division, before the House Committee on Banking, Finance and Urban Affairs, Sept. 8. GAO/T-AFMD-88-17. Acc. No. 136736.

Safeguards that Need to Accompany Changes to Glass-Steagall Laws, by Richard L. Fogel, General Government Division, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce, Sept. 13. GAO/T-GGD-88-51. Acc. No. 136758.

Status of the Department of Energy's Waste Isolation Pilot Plant, by Keith O. Fultz, Resources, Community, and Economic Development Division, before the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations, Sept. 13. GAO/T-RCED-88-63. Acc. No. 136759.

Computer Procurement: Decision Needed on Navy's Standard Automated Financial System, by Charles A. Bowsher, Comptroller General of the United States, before the Subcommittee on Legislation and National Security, House Committee on Government Operations, Sept. 13. GAO/T-IMTEC-88-7. Acc. No. 136868

Competition in the Airline Computerized Reservation System Industry, by Victor S. Rezendes, Resources, Community, and Economic Development Division, before the Subcommittee on Aviation, House Committee on Public Works and Transportation, Sept. 14. GAO/T-RCED-88-62. Acc. No. 136786.

Administration and Enforcement of the Section 404 Program, by Neal P. Curtin, Resources, Community, and Economic Development Division, before the Subcommittee on Oversight and Investigations, House Committee on Public Works and Transportation, Sept. 14. GAO/T-RCED-88-54. Acc. No. 136785.

Weapons Testing: Quality of DOD Operational Testing and Reporting, by Eleanor Chelimsky, Program Evaluation and Methodology Division, before the Acquisition Policy Panel, House Committee on Armed Services, Sept. 14. Acc. No. 136784.

Quality and Safety Problems With the Beretta M9 Handgun, by Milton J. Socolar, Special Assistant to the Comptroller General of the United States, before the Subcommittee on Legislation and National Security, House Committee on Government Operations, Sept. 15. GAO/T-NSIAD-88-46. Acc. No. 136787.

Future Security of Retirees Health Benefits in Question, by Lawrence H. Thompson, Human Resources Division, before the Subcommittee on Oversight, House Committee on Ways and Means, Sept. 15. GAO/T-HRD-88-30. Acc. No. 136835.

Degradable Plastics: Standards, Research and Development, by Flora H. Milans, Resources, Community, and Economic Development Division, before the Senate Committee on Governmental Affairs, Sept. 20. GAO/T-RCED-88-64. Acc. No. 136832.

Federal Financial Management Reform, by Charles A. Bowsler, Comptroller General of the United States, before the Subcommittee on Legislation and National Security, House Committee on Government Operations, Sept. 22. GAO/T-AFMD-88-18. Acc. No. 136887.

Foreign Direct Investment in the U.S. Automobile Industry, by Allan I. Mendelowitz, National Security and International Affairs Division, before the Subcommittee on International Economic Policy and Trade, House Committee on Foreign Affairs, Sept. 22. GAO/T-NSIAD-88-47. Acc. No. 136856.

Reorganization of the Military Departments' Acquisition Management Structures, by Bill W. Thurman, National Security and International Affairs Division, before the Subcommittee on Investigations, House Committee on Armed Services, Sept. 22. GAO/T-NSIAD-88-48. Acc. No. 136861.

Factors Affecting Concentration in the Airline Industry, by Kenneth M. Mead, Resources, Community, and Economic Development Division, before the Senate Committee on Commerce, Science, and Transportation, Sept. 22. GAO/T-RCED-88-65. Acc. No. 136869.

Status of Compliance With the Computer Security Act of 1987, by Howard G. Rhile, Information Management and Technology Division, before the Subcommittee on Transportation, Aviation, and Materials, House Committee on Space, Science and Technology, Sept. 22. GAO/T-IMTEC-88-8. Acc. No. 136863.

EPA Oversight of DOD Installation Restoration Program Activities, by Paul L. Jones, National Security and International Affairs Division, before the Subcommittee on Environmental Restoration Panel, House Committee on Armed Services, Sept. 27. GAO/T-NSIAD-88-50. Acc. No. 136885.

Status of the 1990 Decennial Census, by Gene L. Dodaro, General Government Division, before the Subcommittee on Census and Population, House Committee on Post Office and Civil Service, Sept. 27. GAO/T-GGD-88-53. Acc. No. 136874.

Observations on U.S.-Japan Trade and Financial Relations, by Allan I. Mendelowitz, National Security and International Affairs Division, before the Subcommittees on International Economic Policy and Trade and Asian and Pacific Affairs, House Committee on Foreign Affairs, Sept. 27. GAO/T-NSIAD-88-51. Acc. No. 136872.

Country of Origin Labeling Requirements for Imported Meat and Other Food Products, by John W. Harman, Resources, Community, and Economic Development Division, before the Subcommittee on Trade, House Committee on Ways and Means, Sept. 27. GAO/RCED-88-67. Acc. No. 136905.

States' Programs for Pump Labeling of Gasoline Ingredients, by Keith Fultz, Resources, Community, and Economic Division, before the Subcommittee on Energy And Power, House Committee on Energy and Commerce, Sept. 27. GAO/T-RCED-88-60. Acc. No. 136898.

Taxes Incurred by, and Business Trends of, the Life Insurance Industry, by Jennie S. Stathis, General Government Division, before the Subcommittee on Select Revenue Measures, House Committee on Ways and Means, Sept. 27. GAO/T-GGD-88-54.

Comprehensive Review of Civil Penalties Needed, by Jennie S. Stathis, General Government Division, before the Subcommittee on Private Retirement Plans and Oversight of the Internal Revenue Service, Senate Committee on Finance, Sept. 28. GAO/T-GGD-88-55.

Costs of Care at Selected Uniformed Services Treatment Facilities, by David P. Baine, Human Resources Division, before the Subcommittee on Military Personnel and Compensation, House Committee on Armed Services, Sept. 28. GAO/T-HRD-88-22.

Use of Civilian Agencies' Aircraft for Passenger Transportation, by L. Nye Stevens, General Government Division, before the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations, Sept. 28. GAO/T-GGD-88-52.

Weapons Testing: Quality of DOD Operational Testing and Reporting (Aegis), by Eleanor Chelimsky, Program Evaluation and Methodology Division, before the Subcommittee on Seapower and Strategic and Critical Materials, House Committee on Armed Services, Sept. 29. GAO/T-PEMD-88-11.

Job Training Partnership Act: Participants, Services, and Outcomes, by Lawrence H. Thompson, Human Resources Division, before the House Committee on Education and Labor, Sept. 29. GAO/T-HRD-88-31.

Ineffective Management and Oversight of DOE's P-reactor at Savannah River, S.C. Raises Safety Concern, by J. Dexter Peach, Resources, Community, and Economic Division, before the Senate Committee on Governmental Affairs, and the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations, Sept. 30. GAO/T-RCED-88-68.

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NATIONAL SECURITY

Industrial Base:
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Defense Inventory:
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Army Budget:
Potential Reductions to the
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Army Budget:
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Army Budget:
Potential Reductions to the
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Acc. No. 136735 (GAO/
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Procurement:
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Air Force Procurement:
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Military Airlift:
Operational Support Airlift Pro-
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Aircraft Basing:
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Acc. No. 136833 (GAO/
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Weapon Systems:
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Foreign Military Sales:
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Inventory Management:
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Computer Procurement:
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Software Development:
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ADP Planning:
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portation Command
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Military Manpower:
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Military Personnel:
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DOD Health Care:
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DOD Health Care:
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NSIAD-88-238), Sept. 8.

Foreign Aid:
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Acc. No. 136912 (GAO/
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South Africa:
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ing, Investment, and Strategic
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Acc. No. 136825 (GAO/
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Financial Audit:
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SCIENCE, SPACE, AND TECHNOLOGY

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National Science Foundation:
Allegations of Waste Within the
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ENERGY

Nuclear Science:
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Nuclear Science:
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GAO/RCED-88-222, Sept. 21.

Nuclear Waste:
Fourth Annual Report on DOE's
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GAO/RCED-88-131, Sept. 28.

Nuclear Waste:
Problems Associated With DOE's
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Nuclear Waste:
Supplementary Information on
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Acc. No. 136771 (GAO/
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Nuclear Regulation:
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Naval Petroleum Reserve No. 1:
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Water Resources:
An In-Depth Look at Overflow
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Air Pollution:
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Housing Finance:
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Postal Service:
Preliminary Report on Compliance
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Acc. No. 136706 (GAO/
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Postal Service:
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Financial Analysis:
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Airline Competition:
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FAA Staffing:
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Health Insurance:
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Homeless Mentally Ill:
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Social Security:
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 - Foreign Direct Investment in the U.S. Automobile Industry, Sept. 22. GAO/T-NSIAD-88-47. Acc. No. 136856.
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 - EPA Oversight of DOD Installation Restoration Program Activities, Sept. 27. GAO/T-NSIAD-88-50. Acc. No. 136885.
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 - Job Training Partnership Act: Participants, Services, and Outcomes, Sept. 29. GAO/T-HRD-88-31.
 - Ineffective Management and Oversight of DOE's P-reactor at Savannah River, S.C. Raises Safety Concern, Sept. 30. GAO/T-RCED-88-68.

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