



August 1989

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National Defense

Navy Contracting: Status of Cost Growth and Claims on Shipbuilding Contracts

GAO/NSIAD-89-189, August 4.

As of December 31, 1988, the Navy's 46 fixed-price incentive contracts with commercial shipyards had a total target cost of about \$25.9 billion, with a net projected cost overrun of \$3 billion. The government is potentially liable for about \$1.2 billion of that cost growth. Most of the overruns were in the attack submarine, amphibious assault ship, and aircraft carrier programs. The government also is potentially liable for about \$87 million in open requests for equitable adjustments and claims from shipbuilders. The attack submarine, guided missile destroyer, and guided missile cruiser programs accounted for almost all of the additional amounts sought by the shipbuilders.

Military Airlift: C-17 Faces Schedule, Cost, and Performance Challenges

GAO/NSIAD-89-195, August 18.

The C-17 is intended to provide additional long-range airlift capability, modernize the airlift fleet, and improve U.S. capability to rapidly project, reinforce, and sustain combat forces worldwide. As the C-17 moves from development to concurrent development and low-rate initial production, the program faces significant schedule, cost, and performance challenges. Because of delays in the avionics development and aircraft assembly schedules, it is unlikely that the C-17's first flight date of August 1990 will be met. This, in turn, will delay the start of the flight test program. Estimated program acquisition costs are increasing, but the extent of estimated cost growth will not be known until estimates can be made based on actual cost data from the manufacture of the development and first production aircraft. C-17 costs reported to the Congress do not include costs associated with defensive systems planned for the aircraft. In addition, Douglas Aircraft Company and the Air Force are working to control the C-17's weight growth before it degrades requirements for aircraft range and payload.

Bigeye Bomb: Evaluation of Operational Tests

GAO/PEMD-89-29, August 30.

The Bigeye bomb, intended to replace older unitary chemical weapons, is a 500-pound air-delivered binary chemical weapon that generates a persistent nerve agent from two nontoxic chemicals that mix together

inside the bomb following release from an aircraft. After monitoring operational tests of Bigeye carried out during 1987 and reviewing other relevant data, GAO agrees with the conclusion of the Navy test force that the weapon failed to meet both the test plan accuracy and reliability requirements and concurs with the test force recommendation that no further operational tests should be conducted until certain key developmental issues are resolved. However, GAO's estimate of Bigeye weapon reliability is considerably lower than DOD's because the DOD estimate does not take into account whether the nerve agent produced met the requirement for purity or equivalent biotoxicity specified by the test plan.

**Bigeye Bomb:
Unresolved Developmental
Issues**

GAO/PEMD-89-27, August 11.

Additional tests or information are required to answer basic developmental questions about the performance of the Bigeye bomb in areas critical to weapon performance: pressure buildup, purity, flashing, and persistency. Furthermore, estimates of overall weapon reliability must take into account both the lethality of the agent generated and the duration of that lethality. No further operational tests on the Bigeye should be carried out until a number of developmental issues are resolved.

**Countermeasures:
Survivability of U.S.
Radars Needs More
Emphasis**

GAO/NSLAD-89-120, July 19.

Anti-radiation missiles (ARM) are a serious threat to the survivability of air defense systems of all the military services. The military services, however, have made little progress in protecting radars, which are key to many weapon systems' performance, from the ARM threat. DOD has 15 radars, costing over \$10 billion, that are vulnerable to ARMs, yet only three have ARM countermeasures under development. Program managers responsible for weapon systems in development have not fully addressed the ARM threat primarily because, until recently, little attention had been given to ensuring that the characteristics of ARMs were well defined. The absence of definitive data on the threat has contributed to the lack of countermeasure development; in addition, the Office of the Secretary of Defense has not provided sufficient oversight to ensure the availability of sufficient threat data for use in developing an ARM countermeasure program.

**Plant Modernization:
DOD's Management of the
Asset Capitalization
Program Needs
Improvement**

GAO/NSIAD-89-147, August 4.

Industrial fund activities, such as aircraft maintenance depots, shipyards, and public works centers, perform functions of an industrial or commercial nature. In 1983 DOD established the Asset Capitalization Program to modernize plant and industrial equipment at the activities. Through fiscal year 1989, about \$5 billion has been approved for the program, under which the activities purchase equipment with industrial funds rather than direct appropriations; costs are recouped by including depreciation expense in the charge to customers for work performed. The program offers great potential as a technique for financing projects needed to modernize the activities' operations; however, many projects have not achieved expected benefits because of unclear program guidance, inadequate compliance with existing guidance, and inadequate implementation of elements of a sound capital investment management program.

**Army Procurement:
The Selection of a
Manufacturer for the
120-mm Mortar**

GAO/NSIAD-89-178, July 18.

When the Army decided in 1984 to replace its 4.2-inch heavy mortar with a 120-mm mortar system, it solicited proposals from private industry which were to be compared with the costs of producing the system at an Army arsenal. Three U.S.-based companies, all representing foreign manufacturers, submitted proposals; the Army ultimately selected the system proposed by Martin Marietta, which represented Soltam of Israel. Subsequently, Congress directed the Army to conduct a cost comparison of potential domestic sources for the manufacture of the mortar. After comparing out-of-pocket costs for Watervliet Arsenal and Martin Marietta's firm, fixed-price offer, the Army selected Watervliet to produce the mortar, citing savings of \$23.2 million. GAO found that the Watervliet cost estimate had been subjected to several levels of review by the Army, all of which concluded that the arsenal's cost estimate had been prepared in accordance with applicable laws and regulations.

**Navy Steaming Days:
Budget and Execution**

GAO/NSIAD-89-172, August 2.

The Navy's detailed budget justification documents do not identify what the Navy expects to accomplish in terms of training or mission operations with the days its ships sail. The results of the Navy's steaming operations are primarily measured in terms of days sailed and funds spent—measures of general activity rather than precise measures of

program effectiveness or achievement. Responding to congressional concerns that it tie mission goals to resources needed to accomplish them, the Navy has initiated several efforts to quantify relationships between days sailed and the attainment of skill proficiency and mission readiness.

**Communications:
Mobile Subscriber
Equipment Testing Issues
and Army Improvement
Plan**

GAO/NSIAD-89-165BR, July 6.

Mobile Subscriber Equipment, being developed by General Telephone and Electronics, is a tactical area communications system intended to provide voice, facsimile, and secure data communications for mobile and stationary users throughout the corps area. Based on an independent test by the Army's Operational Test and Evaluation Agency, the Army concluded that MSE was significantly better than the current system and identified five areas where performance improvements were needed. Working with the contractor, the Army has developed a corrective action plan to address the performance problems. Should MSE fail to meet all the performance requirements, the contract contains adequate provisions to protect the Army from paying the full contract price.

**Military Space Operations:
Operational Problems
Continue With the Satellite
Control Computer System**

GAO/IMTEC-89-56, August 8.

The Data System Modernization computer system is to replace an outdated system which provides command and control instructions to support the launch and maintain the operation and positions of on-orbit satellites that provide critical defense communication, navigation, surveillance, and weather services. Although progress has been made, critical operational and performance problems with the computer software and hardware continue to prevent DSM from assuming the full satellite control workload. As a result, the Air Force must rely on an outdated system to perform a portion of the satellite control workload. In 1985 the Air Force planned to have DSM fully operational by 1988; however, because of operational deficiencies that were due in part to new requirements, the transition of all operations to DSM is now planned for the end of 1993. The Air Force estimates the cost for the system to be at least \$557 million.

**Financial Disclosure:
Navy's Public Disclosure
System Generally Works
Well but Can Be Improved**

GAO/NSIAD-89-194, July 27.

Financial disclosure reporting provisions of the Ethics in Government Act are intended to discourage, identify, and remove conflicts of interest between officials' federal duties and responsibilities and their personal financial interests and activities. With minor exceptions the Navy and Marine Corps executive financial disclosure reporting program is working well. However, a GAO review of a sample of disclosure reports found that some potential conflicts were not being identified and evaluated because some disclosure report reviewers did not check on whether filers had a financial involvement with affiliates of DOD contractors. GAO estimates that this resulted in not identifying potential conflicts on about 11 percent of the reports filed for 1987; a further review determined that no real conflicts existed.

**Financial Management:
Air Force Records Contain
\$512 Million in Negative
Unliquidated Obligations**

GAO/AFMD-89-78, June 30.

The Air Force has control procedures to ensure that it does not obligate or spend more money than the Congress has appropriated. Key features of these procedures are that the Air Force incurs and records obligations for one or more appropriation accounts when it enters into a contract; these obligations are reduced or "liquidated" in the Air Force's accounting records as payments are made; and an unliquidated obligation (ULO) balance for an individual appropriation account or for a total contract indicates the amount remaining to be spent for that account or contract. Generally, since the amount paid should always be equal to or less than the amount obligated, ULO balances should not be negative. GAO's review at five air logistics centers found 6,257 individual negative ULO account balances totaling approximately \$512 million as of April 1988; more than \$132 million in ULOs were at least six months old. All negative ULOs will result in an adverse effect if prompt corrective action is not taken.

**Government Contractors:
Internal Controls and
Charging Practices at
TRW, Inc.**

GAO/AFMD-89-34, July 20.

GAO found no evidence of misclassification of defense contract costs, similar to those found at TRW's Military Electronics Division, at its Space Park facility. Examinations of TRW's defense sector by its external auditor, Ernst & Whinney, as well as by its internal auditors, included very little testing of controls in some areas of special interest to the government, such as charging practices and compliance with federal requirements. TRW has since hired additional internal auditors and

broadened its internal audit coverage of defense business, and has taken many actions in recent years to strengthen the company's internal controls and charging practices.

**Military Logistics:
Buying Army Spares Too
Soon Creates Excess
Stocks and Increases Costs**

GAO/NSIAD-89-196, August 28.

GAO's review of purchasing practices at the Army Tank-Automotive Command and the Army Missile Command found that the commands initiated item purchases earlier than they should have and also purchased quantities exceeding authorized requirements. Purchasing spares and repair parts prematurely or excess to requirements resulted in unnecessary inventory investment which, unless requirements increase, will cause higher inventory holding costs. These problems occurred, in part, because the two commands had misinterpreted Army guidance on obligating procurement funds.

**Navy Relocation:
Transfer of the Naval
Explosives Development
Engineering Department**

GAO/NSIAD-89-176BR, August 17.

The Navy claims that \$10.3 million can be saved over 30 years by transferring the Naval Explosives Development Engineering Division from the Naval Weapons Station, Yorktown, Virginia, to the Naval Ordnance Station Indian Head, Maryland. GAO identified a number of factors that raise concern over the reliability of the Navy's projected savings. Because of these concerns—the uncertainty surrounding military construction projects and the lack of reliable data on which to base operating cost projections—GAO believes the projected 30-year savings will be \$7.1 million.

International Affairs

**U.S.-Japan Burden
Sharing:
Japan Has Increased Its
Contributions but Could
Do More**

GAO/NSIAD-89-188, August 15.

Japan has made steady progress in strengthening its defense capabilities during the last 4 years, after significantly underfunding its defense program during 1980-85. According to U.S. military officials, the current Japanese defense program, if fully funded, will provide Japan with the minimum capacity necessary to meet most of its defense responsibilities by 1991, including sea lane protection. Although Japan has increased its

share of costs to station U.S. troops in Japan from 24 percent in 1981 to 31 percent in 1987, Japan's assumption of the remaining yen-based costs paid by the United States could result in a U.S. budgetary savings of at least \$600 million per year. Other areas where Japan could increase its support include provision of wartime host nation support, quality-of-life improvements for U.S. service members, increased development assistance, and contributions to United Nations' peacekeeping efforts.

**Security Assistance:
Foreign Military Sales
Debt Refinancing**

GAO/NSIAD-89-175, August 16.

Legislation enacted in 1986 allows countries to prepay Foreign Military Sales loans by refinancing them in the private sector at lower interest rates, thus reducing the countries' debt burdens. GAO estimates that, as of September 1988, \$14.8 billion in outstanding FMS loans and overdue payments was eligible for refinancing. As of May 18, 1989, Israel, Jordan, Pakistan, Spain, Tunisia, and Turkey had refinanced almost \$7.5 billion of this amount. Based on projections by the Defense Security Assistance Agency that 13 countries will prepay \$9.7 billion during fiscal years 1988-90, GAO estimates that the present value cost to the U.S. government will be \$1.8 billion. This cost, however, will be incurred over a long term. The U.S. government benefits from the receipts in the year of the prepayment, but the receipts are offset by the forgone future principal and interest payments.

**South Africa:
Enhancing Enforcement of
the Comprehensive Anti-
Apartheid Act**

GAO/NSIAD-89-184, July 12.

The Comprehensive Anti-Apartheid Act of 1986 banned imports of products produced, marketed, or exported by South African state-owned or controlled entities (parastatals), but the U.S. government does not have adequate tools to effectively enforce the provision. The State Department issued a list of South African government agencies and state-owned corporations subject to the act, but did not identify the products associated with them. Therefore, Customs does not know which South African products could have come from parastatals and so cannot devote special enforcement attention to them.

**U.S. Trust Territory:
Issues Associated With
Palau's Transition to Self-
Government**

GAO/NSIAD-89-182 and -182S, July 19.

The Republic of Palau, an archipelago of more than 200 islands in the Western Pacific Ocean, is the last remaining component of the Trust Territory of the Pacific Islands, administered by the United States since 1947. The 1986 Compact of Free Association, recognizing Palau as a self-governing entity, has not yet been implemented because of voter opposition to U.S. nuclear transit rights. The Department of the Interior has been responsible for oversight of Palau since 1951, but because of a 1979 policy decision to provide the government of Palau with greater autonomy, it did not closely monitor, advise, or prevent Palau from entering into some ill-advised contracts. Palau has not established sound procurement procedures requiring independent feasibility studies and competition; has not implemented its special prosecutor law; and has not established effective conflict-of-interest legislation. Palau's ability to successfully manage compact funds and achieve greater financial self-sufficiency is questionable unless, with increased U.S. advice and technical assistance, it acts to resolve these and other financial management problems.

**Central America:
Conditions of Guatemalan
Refugees and Displaced
Persons**

GAO/NSIAD-89-150, July 31, 1989

During the late 1970s and early 1980s, Guatemala experienced mass movements of persons fleeing civil strife. As of December 1988, about 43,000 Guatemalan refugees were living in the Central American region and registered with the United Nations High Commissioner for Refugees; about 42,000 were in Mexico. Current estimates of displaced persons in Guatemala range from 12,000 to 45,000. The Mexican government, with UNHCR support, provides basic necessities of food, shelter, education, and medical care to UN-registered refugees in Mexico. The Guatemalan government also provides support to displaced persons and refugees repatriating to Guatemala. Since 1985, UNHCR has assisted the voluntary repatriation of about 3,500 refugees to Guatemala. Resolving the Guatemala refugee situation will be a long-term effort, and will require regional cooperation. At the current pace of repatriation, most Guatemalan refugees will continue to live in exile well into the next decade. However, increased levels of refugee repatriation would present a major challenge to the Guatemalan government's ability to absorb them.

**El Salvador:
Transfers of Military
Assistance Fuels**

GAO/NSIAD-89-186, August 29.

During 1986 and 1988, the Salvadoran Air Force, without the approval or knowledge of any U.S. government personnel, transferred fuel purchased with military assistance funds to aircrews and pilots involved in the Contra supply operation and to other private and foreign government parties. These transfers violated sales agreements between the U.S. and Salvadoran governments and are required to be reported to Congress under the Arms Export Control Act.

**State Department:
Need to Reassess U.S.
Participation in the
International Joint
Commission**

GAO/NSIAD-89-164, June 29.

The mission of the International Joint Commission, a U.S.-Canadian bilateral organization, is to monitor and protect the water quality of the Great Lakes. The U.S. government has not fully implemented a number of IJC recommendations, nor has it advised the IJC on the actions being taken or planned on its recommendations. The scope of the IJC's mission has changed under the terms of successive water quality agreements reached since 1972. The environmental problems IJC addresses have become more complex and technical; however, U.S. agencies have not reviewed U.S. participation in the commission for 17 years. GAO recommends that such an assessment be made, with special attention paid to the size and composition of the IJC staff, qualifications of its commissioners, data collection methods, and extent and nature of public involvement.

**Voice of America:
Selected Personnel
Practices Warrant
Management Attention**

GAO/NSIAD-89-160, July 12.

GAO's review, prompted by numerous employees' allegations about the personnel management practices at VOA and Radio Marti, indicated a number of issues that warrant VOA management's continued attention: time and attendance reporting, administration of contracts for purchase order vendors, the grade structure of the foreign language services, the representation of women and minorities, and employment rights of noncitizens. GAO also noted that Radio Marti had hired individuals who did not meet the requisite criterion of having expertise in Cuban affairs, which was the justification for using excepted service hiring authority. Although VOA has initiated some corrective actions, it is too soon to evaluate their effectiveness.

**State Department:
Professional Development
of Foreign Service
Employees**

GAO/NSIAD-89-149, July 26.

In response to the 1980 Foreign Service Act, which highlighted the need for the training of Foreign Service personnel, the State Department developed new courses and updated others, prompting an overall increase in training. GAO found that training attendance has declined somewhat in recent years. Political training courses are less well attended than training for other Foreign Service functional areas. Factors contributing to the decline in participation in training courses include staff reluctance to attend training; funding and logistical problems, which restrict attendance; and operational pressures, which may prevent staff from leaving their jobs for lengthy training courses. Increased management attention to these factors could result in improved Foreign Service participation in training programs.

Energy

**Nuclear Regulation:
NRC's Decommissioning
Procedures and Criteria
Need to Be Strengthened**

GAO/RCED-89-119, May 26.

Today, 112 nuclear power plants, 22 facilities that support these plants, 54 reactors used in research, and approximately 23,000 organizations hold licenses from either the Nuclear Regulatory Commission or various states to use radioactive material; other facilities are operated by various government agencies. Eventually most of these facilities will be decommissioned, which involves removing the radioactive material and terminating the license. NRC needs to ensure that licensees appropriately decontaminate their facilities because, under current regulations, NRC cannot specifically require additional cleanup once it terminates a license. In two of eight cases GAO reviewed, NRC fully or partially released sites for unrestricted use where radioactive contamination was higher than its guidelines allowed; in the other cases, NRC's information was inadequate or incomplete. Further, NRC lacks information on the types and amounts of radioactive waste buried on-site. At five sites reviewed by GAO, groundwater has been found to be contaminated by radioactive waste.

**Nuclear Waste:
Quarterly Report As of
March 31, 1989**

GAO/RCED-89-178, August 14.

The Department of Energy plans to award a contract to Bechtel Systems Management, Inc. to manage and operate the federal government's nuclear waste repository. The proposed management and operating contract is likely to substantially affect program operations and costs. A major concern is the degree to which the selected contractor might replace, or possibly duplicate, the efforts now being carried out by DOE's current contractors. It is questionable whether the contract will result in a more efficient and effective program. DOE officials have had to divert their attention from program operations to develop the contract proposal and participate in legal proceedings related to a bid protest. GAO and the DOE inspector general have reported on problems and issues involving DOE's administration of management and operating contracts, including some companies which participate in the nuclear waste program. Many of the resulting recommendations have yet to be implemented. Implementation of these recommendations could help ensure that the nuclear waste program is operated in a more cost-effective manner.

**Energy Management:
DOE Has Not Shown
Systems Contracting to Be
in Government's Best
Interest**

GAO/RCED-89-118, June 20.

Systems contracting is a method of procuring a family of items—such as office, industrial, and laboratory supplies—from a vendor, who agrees to maintain an inventory of specified items and deliver them at a specified price as they are needed by the contractors operating Department of Energy nuclear research and production facilities. Although DOE has cited the experience of Sandia National Laboratories, which awarded the first systems contract in 1985, as a basis for encouraging other operating contractors to use systems contracting, DOE has not independently reviewed the costs and benefits of systems contracting or evaluated Sandia's studies. Further, DOE has not required Sandia to establish adequate internal controls over purchases under its office supplies systems contract.

Natural Resources and Environment

Air Pollution: EPA's Ambient Air Policy Results in Additional Pollution

GAO/RCED-89-144, July 26.

Air above company-controlled property is not considered ambient air and is exempted by EPA from meeting Clean Air Act requirements for six widespread pollutants. EPA adopted this policy to allow flexibility in implementing the act and to allow certain industries to continue operations. However, this policy has been stretched as some sources have been allowed to increase emissions by acquiring additional land where violations of ambient air quality standards had been recorded and restricting public access to it. EPA's guidelines on the use of air quality models need to be applied consistently to assure fair and uniform treatment of entities being regulated. Noncompliance with EPA's recommended modeling policies and procedures may have resulted in the approval of higher emission limits than would have otherwise been approved.

Hazardous Waste: EPA Cleanup Requirements—DOD Versus Private Entities

GAO/NSIAD-89-144, July 28.

Two laws—the Resource Conservation and Recovery Act (RCRA) and the Comprehensive Environmental Response, Compensation, and Liability Act (Superfund)—are applicable in cleaning up a hazardous waste site. RCRA and Superfund requirements can overlap when facilities have both active and inactive sites, a situation which occurs more frequently at Department of Defense installations than at private facilities. If inactive DOD sites are listed on Superfund's National Priorities List, DOD and the Environmental Protection Agency negotiate a cleanup plan incorporating the requirements of both RCRA and Superfund. Decisions on cleaning up sites not on the National Priorities List are based on site specific conditions. DOD is not held to higher standards when cleaning up its sites than private industry sites. EPA draft regulations will require EPA to consider the same factors, such as the types and amounts of contaminants, when prescribing cleanup requirements for DOD or private sector hazardous waste sites.

**Drinking Water:
Safeguards Are Not
Preventing Contamination
From Injected Oil and Gas
Wastes**

GAO/RCED-89-97, July 5.

Through underground injection, wastes and other fluids are deposited in porous rock formations below drinking water sources. Although the full extent is unknown, the Environmental Protection Agency is aware of 23 cases nationwide in which drinking water was contaminated by Class II wells, used to dispose of strongly saline water (brines) produced when oil and gas are extracted or in enhanced oil recovery processes. In many of these cases, improperly plugged oil and gas wells in the vicinity of injection wells served as the pathway for brines to reach drinking water. Although EPA requires operators of wells that began operating after the program went into effect to search for and plug any improperly plugged wells in the immediate vicinity of their injection wells, this requirement does not apply to those Class II wells that were operating before the program. Injection wells already operating before the program accounted for nearly all the cases in which contamination has occurred through migration into improperly plugged wells. GAO estimates that at least 70 percent of Class II wells in four states—Kansas, New Mexico, Oklahoma, and Texas—were already operating before the program and therefore have not been subject to the search-and-plug requirement.

**California Desert:
Planned Wildlife
Protection and
Enhancement Objectives
Not Achieved**

GAO/RCED-89-171, June 23.

The 25-million acre California Desert Conservation Area is within a half-day's drive of Southern California's 15 million people. The goal of maintaining the health of the desert and the hundreds of wildlife species that live in it conflicts with meeting the needs of off-highway vehicle users, miners, livestock grazers, and other desert users. Objectives of the Bureau of Land Management's wildlife management plan have not been achieved. More than eight years after the plan was issued, nearly one-half of the required wildlife management implementation plans have not been developed; progress in implementing completed plans has been limited. Progress in achieving wildlife management objectives in the California desert has been limited because of insufficient funding or staff and because BLM has allowed competing interests—such as recreation and commercial use—to take precedence over wildlife interests when conflicts have arisen.

Agriculture

Immigration Reform: Potential Impact on West Coast Farm Labor

GAO/HRD-89-89, August 17.

No farm labor shortage appears likely on the West Coast in 1989 because of the Immigration Reform and Control Act of 1986, even though the majority of West Coast growers reported that they used unauthorized aliens to work their crops during 1987. GAO found that the number of farm workers who have applied for legalization under the Special Agricultural Workers program is larger than anticipated and is expected to help maintain the supply of seasonal labor for West Coast growers. Even though GAO's survey took place before the surge in SAW applications, GAO found that few growers were planning changes in farming or labor practices to adapt to a reduced labor supply, suggesting that they did not expect a significant labor shortage. Experts believe that a farm labor shortage in 1989 is unlikely, citing continuing pressures for outmigration from Mexico and other countries. If a shortage does occur, growers likely would employ unauthorized aliens rather than accept crop losses.

Financial Audit: Commodity Credit Corporation's Financial Statements for 1988 and 1987

GAO/AFMD-89-83, August 4.

GAO's opinion on the Commodity Credit Corporation's 1988 financial statement is qualified because the corporation has not established an allowance for the uncollectible portion of outstanding loans to countries experiencing financial difficulties. GAO estimates that cumulative losses on such loans as of September 30, 1988, range from \$5.6 billion to \$8.8 billion on loans outstanding of \$16 billion. Additional cumulative losses of \$2.3 billion to \$3.5 billion are estimated on guarantees of outstanding loans to foreign countries amounting to \$6 billion. GAO continues to recommend that the Corporation include an allowance for these losses in its financial statements. GAO further qualified its opinion because the Corporation has improperly recognized as income \$573 million in accrued interest receivable on loans that were delinquent 90 days or more.

Transportation

Airline Competition: DOT's Implementation of Airline Regulatory Authority

GAO/RCED-89-93, June 28.

Fundamental marketing and operating changes occurred in the airline industry between 1979, when the Civil Aeronautics Board first formulated its assumptions about the contestability of the airline industry, and 1985, when DOT used these assumptions to approve mergers. To compete for business, airlines developed new strategies such as frequent flyer programs, travel agent commission overrides, and computerized reservation systems, each of which can make it more difficult for entrants to successfully challenge an incumbent. DOT did not study the combined effects of these strategies on competition in the airline industry, believing that airline merger analysis should measure the likelihood that merging firms would not charge airline consumers excessive fares by examining the role of potential competitors. Yet these new strategies, if successful, reduce the importance of potential competition because they make it more difficult for new entrants to compete directly with incumbents. DOT considered physical barriers, such as whether airports has the capacity to handle take-offs and landings, as the only meaningful measures of whether a merger would foreclose the market to competition. In the area of consumer protection, DOT has increased the speed at which it handles complaints, but missed opportunities to protect consumers because of inadequate coordination with the states.

Truck Safety: Information on Driver Training

GAO/RCED-89-163, August 3.

There are no federal or state requirements that tractor-trailer drivers receive formal training as a condition for licensing and no minimum federal standards governing any training that may be provided—even though driver error continues to be cited as the major cause of truck accidents. Although the Federal Highway Administration recognized the need to improve truck driver training programs in 1976 and in 1984 developed proposed minimum standards for training programs, it has no plans to complete the standards because many training schools voluntarily use FHWA's model curriculum and by April 1, 1992, all truck drivers will have to pass written and driving tests that meet minimum federal standards. In its review of driver training programs offered by 24 private training schools and 12 public education institutions, GAO found a wide variance in course curricula, hours of training, and costs.

Housing and Community Development

Housing Conference: National Housing Policy Issues

GAO/RCED-89-174, August 1989.

For many years, the federal government has played an important role in ensuring and providing an adequate and affordable supply of decent, safe, and sanitary housing for many citizens. However, since 1980, federal funding for housing programs has been reduced substantially for some programs and others have been targeted for further reduction or even elimination. The Congress and the administration have again begun to emphasize the need for immediate attention to programs that would provide an adequate and affordable supply of housing, including housing for the homeless. This staff study presents the proceedings of a September 1988 conference sponsored by GAO to help it plan its future work on the problems of availability and affordability of housing for low-income households, homeless individuals and families, and first-time home buyers. In view of the recently disclosed problems of mismanagement at the Department of Housing and Urban Development, GAO also plans to undertake studies of internal controls in various HUD programs.

Housing Programs: VA Can Reduce Its Guaranteed Home Loan Foreclosure Costs

GAO/RCED-89-58, July 12.

Foreclosure actions on Department of Veterans Affairs home loans increased from 13,729 in fiscal year 1981 to 43,316 in fiscal year 1987. Related losses to VA rose from about \$51 million to about \$615 million in the same period. As required by the Deficit Reduction Act, VA has limited its estimated loss on home loans to the amount of the loan guaranty. As a result, the percentage of cases in which VA pays the guaranty and leaves the property with the lender has substantially increased. However, losses can be further reduced if VA, in deciding how to satisfy the guaranty, considers the interest costs associated with holding properties in its inventory before selling them. This action would result in cost savings by leaving more properties with lenders. Additional opportunities exist for VA to sell more of its properties for cash and to improve property acquisition and disposal processes.

Social Services

Early Childhood Education: Information on Costs and Services at High-Quality Centers

GAO/HRD-89-130FS, July 21.

Preliminary results of a GAO survey of 265 high-quality early childhood education programs show that, on average, they spent \$4,070 per child in fiscal year 1988; after adjusting for in-kind donations, the cost per child is \$4,660. The average child-teacher ratio for 4-year-old children was about 9:1; at many of these centers, the ratios for infants and toddlers was closer to 4:1. More than three-fourths of center expenses were for salaries and benefits and rent or mortgage. Other costs were for additional operating expenses—such as educational materials and equipment, food, office supplies, repairs and maintenance, insurance, and utilities—and supplementary services, such as health screening and parent education.

Employment Service: Variations in Local Office Performance

GAO/HRD-89-116BR, August 3.

The Employment Service—a joint federal-state effort—provides a labor exchange for persons seeking work and employers with jobs to fill. Since the service was established in 1933, however, other employment training programs, such as the Job Training Partnership Act, have been enacted to assist the unemployed, raising the question of the proper role of the Employment Service in the U.S. employment training structure. GAO found that, even after adjusting for differences in economic and demographic conditions, local offices and states varied greatly in their ability to place applicants in jobs. Some local offices were clearly stronger performers than others, and tended to be concentrated in certain states, indicating that the policies and practices of individual states may contribute to the variations in performance. The Employment Service is providing less individualized assistance to applicants and less guidance to applicants in identifying career choices than in the past. State officials attributed this decline in services to cutbacks in federal resources.

Health

AIDS Education: Staffing and Funding Problems Impair Progress

GAO/HRD-89-124, July 28.

Without a vaccine or cure on the horizon, AIDS prevention programs are critical because they are the only public health tool available to reduce the potential medical and social costs of the HIV epidemic. In 1989, the Centers for Disease Control planned to provide about \$144 million in funding support to state and local health departments to operate HIV prevention programs, targeted at persons at increased risk of infection. CDC has been unable to meet the increased staffing needs of the Center for Prevention Services because of agencywide staffing constraints. Staffing shortages continue to hamper the Center's ability to accomplish its AIDS oversight and technical assistance responsibilities effectively. Many health departments have not gathered and used baseline data to manage their HIV education programs, including several states and territories with large numbers of AIDS cases. The patchwork of federal and state funding and the lengthy and cumbersome grant application procedure had prevented quick response to the epidemic in many instances. While the causes for some of the erratic flow of federal funds are beyond CDC's control, the irregular funding cycles also reflect CDC's response to rapidly changing knowledge about the HIV epidemic.

ADP Systems: Better Control Over States' Medicaid Systems Needed

GAO/IMTEC-89-19, August 2.

The Health Care Financing Administration and the states depend heavily on automated systems to manage and control the annual \$48 billion in Medicaid program costs. GAO reviewed 129 state requests for federal funds, submitted between November 1985 and July 1988, to either acquire or enhance automated Medicaid systems. GAO found that because HCFA has not issued guidelines concerning the requirement for states to prepare cost and benefit analyses, HCFA approved 116 of these requests—costing about \$119 million—without the means to determine if the projects would be worth their costs or whether the most cost-effective alternative was selected. In addition, GAO noted that HCFA funds 90 percent of the costs of approved state enhancements to automated Medicaid systems, rather than 75 percent, as specified in federal guidelines.

**Information Technology:
Health Care Financing
Administration's Budget
Process Needs
Improvement**

GAO/IMTEC-89-31, August 11.

The Health Care Financing Administration's Information Technology Systems budget request of \$73.6 million for fiscal year 1990 may not accurately and fully estimate ADP expenditures. HCFA's cost estimate of \$22 million for an ADP initiative to expand system capacity for the Catastrophic Coverage Act of 1988 was not supported by sufficient analysis because HCFA lacked time to make a more accurate estimate. Fiscal year 1991-92 costs of the PRISM system, intended to provide HCFA with additional ADP and telecommunications capacity to improve program operations and supply better data to assess the impact of new health care proposals, have been increased by about \$7.2 million. Further, HCFA has not included in its information technology systems budget request over \$947 million included in its programmatic budget for Medicaid state and Medicare contractor ADP costs, and for a major Medicare project. Although HCFA believes that contractors can contribute to Medicare ADP cost reduction by cutting the number of systems used and trimming maintenance costs through sharing arrangements or adopting a HCFA compatible system, HCFA believes that it does not have the legal authority to direct system standardization and consolidation.

**Alcohol Warning Labels:
Current Rules May Allow
Health Warnings to Go
Unnoticed**

GAO/HRD-89-118, June 14.

The Alcohol Beverage Labeling Act of 1988 requires a warning label to be located in a conspicuous and prominent place on alcoholic beverage containers. In February 1989, the Bureau of Alcohol, Tobacco, and Firearms issued temporary rules setting forth guidelines for the warning labels. The temporary rules provide alcohol beverage producers wide latitude on how the warning label is displayed. After reviewing 98 labels approved by BATF, GAO found that the warning statement on some labels was not readily noticeable or easy to read. GAO believes that BATF could do more to ensure that the warning statement is readily legible and conspicuously and prominently placed.

Veterans Benefits and Services

VA Benefits: Law Allows Compensation for Disabilities Unrelated to Military Service

GAO/HRD-89-60, July 31.

In fiscal year 1986, the Department of Veterans Affairs paid about \$8.4 billion in compensation benefits to 2.2 million veterans disabled by injuries or diseases that are incurred or aggravated during military service. On the basis of a random sample of 400 veterans receiving compensation, GAO estimated that about 19 percent of the compensated veterans had disabilities resulting from diseases that were probably neither caused nor aggravated by military service. Many of the diseases were related to heredity or life-style rather than to military service. Based on the sample, GAO estimates that benefits paid for these types of disabling diseases totaled about \$1.7 billion in 1986. Current law does not require VA to determine if military service was a contributing factor in the cause of a disease; Congress may wish to reconsider whether these diseases should be compensated as service-connected disabilities. Any such changes should be prospective in order not to affect veterans already receiving compensation benefits.

VA Health Care: Improvements Needed in Procedures to Assure Physicians Are Qualified

GAO/HRD-89-77, August 22.

Verifying physicians' credentials and examining their ability to perform specified procedures are important elements of an effective quality assurance program. In spite of legislation requiring VA to improve its credentialing and privileging processes, problems still exist, GAO found after reviewing eight medical centers during 1987-88. State licenses were not being consistently verified with state boards; residents' backgrounds were not being adequately checked; privileges were not reviewed in a timely manner; credentialing and privileging decisions were not documented; physicians found to be deficient did not have their privileges formally reduced; and the names of physicians found to be incompetent were either not submitted to state licensing boards and/or the federation or not submitted in a timely manner.

**VA Health Care:
Resource Allocation
Methodology Has Had
Little Impact on Medical
Centers' Budgets**

GAO/HRD-89-93, August 18.

VA's Resource Allocation Methodology is designed to link medical centers' budgets to actual workload and to provide a financial incentive for centers to improve their efficiency. Since 1985, VA has used RAM to transfer funds, through its budget formulation process, from less efficient medical centers to those centers judged to be more efficient. The RAM-related adjustments to medical centers' fiscal year 1989 budgets generally represented less than 2 percent of the total dollars budgeted. The budget adjustments were small in relation to the centers' budgets because VA established a maximum amount that a center's budget would be increased or reduced in order to cushion the RAM's financial impact. Also, as medical centers incur expenses during a year that cannot be financed through their existing budgets, the centers' directors can request additional funds from regional directors. The regional directors thus serve as safety nets to help centers cope with financial pressures caused by RAM-related budget adjustments or other factors.

**Financial Management:
Opportunities for
Improving VA's Internal
Accounting Controls and
Procedures**

GAO/AFMD-89-35, August 11.

VA has demonstrated a commitment to strengthen financial management and was one of the first federal agencies to prepare consolidated financial statements in accordance with generally accepted accounting principles for the federal government. VA has also implemented a project to develop a modern, automated, integrated agencywide financial management system by 1992 and is in the process of redesigning its automated payroll system. However, GAO's financial audit disclosed weaknesses in internal controls which show that not only will the planned improvements need to be completed, but other improvements should be implemented as well. VA needs to integrate the financial statement consolidation process with the underlying accounting systems; improve internal controls in the medical care, veterans benefits, and housing credit assistance programs; and strengthen controls to ensure that all VA employees are paid correctly and on time.

Income Security

Leveraged Buy-Out Funds: Investments by Selected Pension Plans

GAO/HRD-89-121, August 1.

GAO's review of the extent to which eight selected pension plan sponsors participated in limited partnerships, or LBO funds, that pool capital for leveraged buy-outs showed that they have invested a relatively small portion of their assets in LBO funds, and most have received higher returns than achieved on other plan investments. Further, the plans appear to be selective in choosing LBO funds in which to invest, and most had diversified their investments among different funds.

Administration of Justice

Department of Justice: Status of Implementing Private Attorney Debt Collection Pilot Program

GAO/GGD-89-90, August 15.

As of September 30, 1988, federal agencies had about \$32 billion in non-tax delinquent debts of which about \$7.6 billion involving over 84,000 accounts had been referred to Justice for legal action. However, higher priority work and inadequate resources hampered Justice's ability to handle the debt collection workload. Under a pilot project authorized by the Debt Collection Amendments Act of 1986, the Justice Department has contracted with private attorneys in five judicial districts to determine if they can reduce case backlogs and cost-effectively collect delinquent debts. GAO's review of the procedures followed in awarding the contracts found that Justice generally followed federal competition requirements and encouraged minority firms to compete, but identified shortcomings in Justice's evaluation of proposals that might have limited competition among some firms. Under present plans, Justice and Congress will be unable to determine whether U.S. attorneys are more efficient debt collectors than private attorneys because complete and comparable information is lacking on U.S. attorneys' debt collection costs.

General Government

Budget Issues: Restructuring the Federal Budget—The Capital Component

GAO/AFMD-89-52, August 24.

The current unified budget structure focuses attention exclusively on a single surplus or deficit total. The reported unified deficit number—\$155 billion for fiscal year 1988—is widely viewed as the key indicator of the federal government's fiscal policy. While it is important to have a single number for fiscal policy purposes, an exclusive focus on such a number is misleading and hampers budget decisionmaking especially concerning capital investments. GAO proposes restructuring the current unified budget to include a capital and operating budget within the unified budget. In addition to providing a clearer picture of the composition of federal expenditures, a capital budget would correct a budget bias against physical capital investments, more accurately report the costs of the federal government's credit programs, help focus public attention on the nation's physical infrastructure needs, and provide a direct link with agency and governmentwide financial statements.

Budget Issues: State Practices for Financing Capital Projects

GAO/AFMD-89-64, July 1989.

Adoption of a capital budget for the federal government is one strategy for improving the budget decisionmaking and control processes. As part of its continuing effort to examine the issues surrounding the development of capital budgeting concepts, GAO studied the practices used by nine state governments for budgeting and financing capital projects. The study discusses the criteria the states use to define capital assets, describes how the states budget for capital assets, and provides information about whether the states link borrowing maturities to asset life. Methods used to finance capital assets are also discussed.

Federal Financing Bank: The Government Incurred a Cost of \$2 Billion on Loan Prepayments

GAO/AFMD-89-59, August 22.

The Treasury's Federal Financing Bank makes loans to federal agencies, private sector organizations, and foreign governments to carry out federal programs. The bank has helped borrowers by offering low interest rates and by giving them the flexibility of prepaying their loans. The bank's prepayment policy protects the government from incurring costs by accepting prepayment of loans at their current Treasury market

value. However, because of legislation which directed the bank to accept prepayment from certain borrowers at less than the current Treasury market value, the bank experienced a \$2 billion cost on loan prepayments consummated through December 1988. The bank, which remains obligated to Treasury for the \$2 billion, can finance these costs either by using funds generated by the administrative fees it charges its borrowers (although this option is likely to require an increase in the fee), or by having the Congress provide appropriations to the programming agencies or to the bank for costs associated with each prepayment transaction when it authorizes prepayments at other than the current Treasury market value.

**Single Audit Act:
Single Audit Quality Has
Improved but Some
Implementation Problems
Remain**

GAO/AFMD-89-72, July 27.

In response to concerns that large amounts of federal financial assistance were not subject to audit and that agencies' oversight activities sometimes overlapped, Congress enacted the Single Audit Act of 1984, which requires state and local governments which receive at least \$100,000 in federal financial assistance to have a single audit conducted. The act's audit requirements can be satisfied through one financial and compliance audit of a state or local government's entire financial operations or a series of financial and compliance audits of individual departments, agencies, or other government component. Based on a review of 40 single audits, GAO concluded that CPAs complied with auditing standards in 35 of the audits. General oversight among federal inspectors general is not provided consistently and the degree of monitoring for audit quality varies. GAO identified a number of ways single audit reports can be made more useful to program managers for monitoring their programs.

**Tax Administration:
IRS Can Improve the
Process for Collecting 100-
Percent Penalties**

GAO/GGD-89-94, August 21.

Although businesses are required to pay employment taxes—income and social security taxes withheld from workers' paychecks—nonpayment is a major problem. If the Internal Revenue Service cannot collect the withheld taxes from a business, it may assess persons who failed to pay a penalty in the same amount as the withheld taxes—a 100-percent penalty. As of June 30, 1987, business delinquencies for these taxes were about \$15 billion and outstanding penalties totaled more than \$5 billion. IRS' collection efforts for 100-percent penalties are not benefiting from the efficiencies of automated procedures used for other tax

delinquencies. Using the automated system and its collection staff would not only prioritize 100-percent penalty and other cases in terms of collectibility but, according to IRS statistics, close cases at about one-fourth the cost otherwise incurred.

**Tax Administration:
Results of IRS' Mid-Fiscal
Year 1989 Financial
Review**

GAO/GGD-89-116, August 18.

Because cost-cutting measures taken earlier in fiscal year 1989 had proven insufficient to offset a \$360 million budget shortfall, IRS, in May 1989, imposed additional cuts that were expected to make up the difference. GAO found that those cuts have affected IRS' service to the public by making it more difficult for taxpayers to reach IRS over the telephone and by decreasing the manageability of certain service center correspondence inventories. Further, the cuts are expected to decrease the revenues derived from IRS' document-matching activities. Other effects may become apparent next year depending on the extent to which furloughed employees decide not to return to IRS (which could adversely affect the quality of IRS' returns processing activities) and/or IRS is unable to fund items, such as space alterations, that were deferred until next year.

**Puerto Rico:
Update of Selected
Information Contained in a
1981 GAO Report**

GAO/HRD-89-104FS, August 9.

Since Puerto Rico became a commonwealth in 1952, the issue of its political status—statehood, independence, or enhanced commonwealth—has remained at the forefront of its politics. To help Congress consider legislation which would lay the groundwork for referendums on Puerto Rico's political future, GAO updated information on Puerto Rico's government finances and its socioeconomic conditions, as well as the impact of selected federal legislation and recent court cases on Puerto Rico's legal status.

**Inspectors General:
Adequacy of TVA's Office
of Inspector General**

GAO/AFMD-89-68, July 3.

In a 1985 resolution, the Tennessee Valley Authority Board established an Office of the Inspector General that was patterned after the OIGs established by the Inspector General Act of 1978, except that the inspector general is appointed by the Board rather than by the President, and the appointment is to a term of not less than three years, rather than to an indefinite term. Legislation enacted in 1988 requires that the heads

of 33 designated entities, including TVA, establish an OIG and appoint an inspector general. The powers and duties of the inspector general provided by the 1988 legislation are similar to those that the 1985 TVA Board resolution provided. GAO does not believe any further legislative changes are need at this time. However, some audit functions now performed by TVA's chief financial officer would more appropriately fall under the control and direction of the OIG. The OIG's control of these functions would help ensure the independence of the audits and avoid the potential for overlap and duplication.

**Financial Management:
Improvements Needed in
OSMRE's Method of
Allocating Obligations**

GAO/AFMD-89-89, July 28.

While the accounting system used by the Office of Surface Mining Reclamation and Enforcement has the capability to properly account for and allocate the obligations incurred by its Regulation and Technology and its Abandoned Mine Reclamation Fund, OSMRE has instead used a methodology which allocates obligations for administrative activities based on its budget. Although the fund does not appear to have received an excessive portion of OSMRE's obligations during fiscal years 1987 and 1988, OSMRE needs to develop a supportable methodology for allocating obligations for administrative activities. Similarly, when OSMRE's management decides that a specific invoice, such as one for computer services, should be directly charged to both programs, the basis for that decision should be supported and clearly documented.

**Financial Management
Systems:
The U.S. Mint's
Accounting and Control
Problems Need
Management Attention**

GAO/AFMD-89-88, July 26.

The U.S. Mint produced over 14 billion coins in fiscal year 1988, including 53 million numismatic, or collectors', coins, which generated over \$400 million in gross revenue. A number of accounting and control problems require management attention. A small percentage of Statue of Liberty coins were shipped before checks were allowed to clear. In addition, controls over dies and coins were not sufficient to safeguard them. The Mint's manual, decentralized cost accounting system does not produce reliable cost information; and its funds control system has design and operational problems which prevent managers from ensuring that spending is maintained within approved funding levels. Although the Mint's numismatic programs are commercial in nature, the President's budget does not show them separately from Mint operations financed through revolving funds, unlike other businesslike operations of the government which are financed through revolving funds and which

must disclose the results of their operations in separate financial statements.

**Regulatory Review:
Information on OMB's
Review Process**

GAO/GGD-89-101FS, July 14.

Responsibility for reviewing regulations proposed by executive branch agencies is lodged in the Office of Management and Budget's Office of Information and Regulatory Affairs. Between January 1981 and May 1989, the office reviewed 19,984 draft rules. Sixty-seven percent of these rules were found to be consistent with OMB's guidelines; 16.4 percent were consistent after changes were made. Average review time for proposed major rules increased from 29 days in 1986 to 51 days in 1989. Similarly, the average review time for final major rules has increased from 30 days in 1986 to 60 days in 1989. The average review time for nonmajor rules—the majority of those reviewed—remained relatively stable at around 27 days.

**Telecommunications:
National Survey of Cable
Television Rates and
Services**

GAO/RCED-89-193, August 3.

Cable television rates, once subject to control at the local or state level for the lowest priced basic service, have been deregulated since December 29, 1986, in most communities, in accordance with the Cable Communications Policy Act of 1984. GAO's survey showed that, from December 1, 1986 through October 1988, monthly rates for the lowest priced basic service increased by 29 percent, from an average of \$11.23 to \$14.48 per subscriber. This rate increase was accompanied by an increase in the average number of basic channels offered from nearly 24 to about 30. By comparison, monthly rates for the most popular basic cable service increased by 26 percent, from an average per subscriber of \$11.70 to \$14.77. This increase was accompanied, on average, by an increase in the number of basic channels offered from nearly 27 to about 32. Overall monthly revenue to cable operators per subscriber—a key indicator of cable system revenue patterns—increased, on average, by 14 percent, from \$21.58 to \$24.68. Despite basic service rate increases for both lowest priced and most popular services, overall cable subscriptions increased by 15 percent, and cable system penetration (total subscribers divided by homes accessible to cable) increased from 55 to 57 percent. Premium service subscribers showed an increase of 14 percent, and the number of homes accessible to cable increased by 16 percent.

**Postal Service:
Preliminary Report on
Compliance With 1989
Budget Reduction Mandate**

GAO/GGD-89-119, August 30.

The U.S. Postal Service has developed a plan containing 12 cost-cutting initiatives designed to reduce its FY 1989 budget by \$288 million, \$18 million more than mandated by Congress. GAO found that the Postal Service has achieved savings in administrative and transportation costs; in elimination of Sunday collections; and in merit salary increases, which comprise \$232 million of the planned savings. Post-audit reviews will be required to determine whether the Postal Service has achieved the \$56 million in claimed savings from deployment and upgrading of mail processing equipment. It is possible that the Postal Service can meet its savings target without including any amounts associated with mail processing equipment since total savings from all the other initiatives are likely to exceed their planned levels.

**Federal Workforce:
Federal Suggestion
Programs Could Be
Enhanced**

GAO/GGD-89-71, August 23.

Various motivation studies show that money is one of the fundamental reasons why employees participate in suggestion programs. A major difference between private and federal programs is the more generous award formula prevalent in private sector programs. In GAO's opinion, private firms' greater awards account, at least in part, for the higher employee participation and savings in the private sector. To provide greater motivation for federal employees to participate in suggestion programs, GAO is recommending that a fixed-percentage formula for tangible benefit awards of not less than 10 percent, which is the typical industry practice, be established.

**Federal Compensation:
Premium Taxes Paid by
the Health Benefits
Program**

GAO/GGD-89-102, August 8.

State and other governmental entities impose premium taxes on insurance underwriters that service participating plans in the Federal Employees Health Benefits Program. In 1987, 22 of the 25 participating fee-for-service plans charged the health benefits program about \$44 million for premium taxes imposed by the 50 states and other entities, including the District of Columbia and the Republic of Panama. These taxes are included in the plans' premiums charged to enrollees and the federal government. In 1980, Congress exempted Federal Employees Group Life Insurance Program premiums from similar premium-based taxes because Congress considered the program to be self-insured and because states generally do not tax self-insured programs. Since the

health benefits program operates in a similar fashion, Congress may want to consider exempting the health insurance program from premium taxes as well.

**Federal Advertising:
Federal Use of Small
Disadvantaged
Subcontractors Is Minimal**

GAO/RCED-89-54, June 30.

GAO focused primarily on Department of Defense contracts in its review of the extent to which the federal government uses minority-owned media and advertising companies in developing its advertisements and conducting campaigns. DOD contracts accounting for about \$160 million of the \$166 million the government spent on advertising in FY 1986. DOD did not use small disadvantaged advertising firms as prime contractors and made only minimal use of small disadvantaged firms as subcontractors. GAO also found that DOD and its contractors often did not comply with mandatory provisions of federal law and regulations regarding contracting with small disadvantaged firms. A first step toward increasing business opportunities for small disadvantaged businesses is for DOD to comply with the Small Business Act and the federal acquisition regulations and to enforce these provisions with its contractors.

**Information
Dissemination:
Cost of Mailing
Environmental Impact
Statement for Super
Collider**

GAO/GGD-89-104, July 28.

As part of its process for selecting a site for the \$11-billion superconducting super collider, the Department of Energy sent about 17,000 copies of its four-volume, 8,000-page environmental impact statement to about 16,800 agencies, organizations, and individuals at the seven site alternatives. The cost for printing and distributing the document was about \$1.4 million. Although DOE's actions and decisions were within the discretion allowed by law and regulation, GAO believes that DOE could have met federal regulations with a shorter environmental impact statement and with a more limited distribution, thus reducing printing and mailing costs. DOE officials said their actions were based on the high visibility of the super collider project and potential controversy of the site selection decision, the desire to avoid allegations of suppressing information, the perceived need to avoid lawsuits or other objections that could delay the project, and the need to select a site by mid-January 1989.

**Information Management:
Issues Important to
Farmers Home
Administration Systems
Modernization**

GAO/IMTEC-89-64, August 21.

The Farmers Home Administration plans to spend at least \$100 million over the next 5-7 years to redesign, replace, or enhance its automated systems. Previous attempts to modernize FmHA's automated systems were unsuccessful, incurring costs of about \$26 million. To ensure the success of its current modernization effort, FmHA should be sure that the program addresses the information needs of all agency components; ensure that there are enough qualified managers and staff to support its continuing day-to-day operations and to implement the modernization program; develop and follow instructions for preparing complete economic analyses to help ensure cost-effective modernization decisions; and provide for a strong data-administration function to develop and ensure compliance with standards, so that individual systems can easily share information.

**Library of Congress:
Costs and Savings of
Converting to On-Line
Cataloging**

GAO/PEMD-89-24, August 14.

GAO's review of the methods used by the Library of Congress to analyze staff reductions, productivity increases, and other savings resulting from adding computer workstations for cataloging work identified several areas which should be addressed in future assessments. GAO agreed with the Library of Congress that it is too early to form any definitive conclusions about the effects of workstations because these facilities have not yet been installed. Estimates based on past experience must of necessity only be preliminary approximations.

**Financial Audit:
Statement of
Accountability of the
House Finance Office for
Fiscal Year 1988**

GAO/AFMD-89-93, August 15.

GAO audited the Statement of Accountability for Appropriations and Other Funds for the House of Representatives' Finance Office and reviewed its systems of internal accounting controls, including those over payroll, official mail costs, expenses of special and select committees, expenditures from allowances and expenses appropriations, and receipts.

Congressional Testimony by GAO Officials

Food Safety and Inspection Service's Performance-Based Inspection System, by John W. Harman, Resources, Community, and Economic Development Division, before the Human Resources and Intergovernmental Relations Subcommittee, House Committee on Government Operations. GAO/T-RCED-89-53, July 31.

Status Report on GAO's Review of the Export Enhancement Program, by Allan I. Mendelowitz, National Security and International Affairs Division, before the Subcommittee on Wheat, Soybeans, and Feed Grains, House Committee on Agriculture. GAO/T-NSIAD-89-45, July 31.

Drug Utilization Review Under Medicare, by Carl E. Wisler, Program Evaluation and Methodology Division, before the Subcommittee on Human Services, House Select Committee on Aging. GAO/T-PEMD-89-4, August 1.

The U.S. Mint's Accounting and Control Problems Need Management Attention, by Jeffrey C. Steinhoff, Accounting and Financial Management Division, before the Subcommittee on Consumer Affairs and Coinage, House Committee on Banking, Finance, and Urban Affairs. GAO/T-AFMD-89-12, August 1.

GAO Audits of Accounting and Financial Management Systems at the Federal Housing Administration, by Charles A. Bowsler, Comptroller General of the United States, before the Subcommittee on Housing and Urban Affairs, Senate Committee on Banking, Housing and Urban Affairs. GAO/T-AFMD-89-13, August 1.

Project Developer Cash Flows Under HUD's Section 8 Moderate Rehabilitation Program, by John M. Ols, Jr., Resources, Community, and Economic Development Division, before the Senate Committee on Banking, Housing, and Urban Affairs. GAO/T-RCED-89-58, August 2.

Investment in Foreign Aerospace Vehicle Research and Technological Development Efforts, by Harry R. Finley, National Security and International Affairs Division, before the Subcommittee on Transportation, Aviation and Materials, House Committee on Science, Space, and Technology; and the Subcommittee on Research and Development, House Committee on Armed Services. GAO/T-NSIAD-89-43, August 2.

Lease Refinancing: Observations on GSA's Proposed Master Leasing and Army's Lease Refinancing Programs, by Jeffrey C. Steinhoff, Accounting and Financial Management Division, before the House Committee on Government Operations. GAO/T-AFMD-89-9, August 2.

Preliminary Findings: A Survey of Methadone Maintenance Programs, by Janet L. Shikles, Human Resources Division, before the House Select Committee on Narcotics Abuse and Control. GAO/T-HRD-89-33, August 2.

Defense Management: Streamlining the Acquisition Process, by Frank C. Conahan, National Security and International Affairs Division, before the Congressional Military Reform Caucus. GAO/T-NSIAD-89-46, August 2.

National Survey of Cable Television Rates and Services, by John M. Ols, Jr., Resources, Community, and Economic Development Division, before the Subcommittee on Telecommunications and Finance, House Committee on Energy and Commerce. GAO/T-RCED-89-60, August 3.

NRC's Oversight of Licensees' Decommissioning Practices Can Be Improved, by Keith O. Fultz, Resources, Community, and Economic Development Division, before the Environment, Energy, and Natural Resources Subcommittee, House Committee on Government Operations. GAO/T-RCED-89-57, August 3.

Adequacy of Preparation and Response Related to Exxon Valdez Oil Spill, by Victor S. Rezendes, Resources, Community, and Economic Development Division, before the Subcommittee on Coast Guard and Navigation, House Committee on Merchant Marine and Fisheries. GAO/T-RCED-89-59, August 10.

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NATIONAL DEFENSE

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- Military Airlift:
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NSIAD-89-195, August 18.
- Bigeye Bomb:
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- Bigeye Bomb:
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NSIAD-89-172, August 2.
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NSIAD-89-165BR, July 6.
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- Financial Management:
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- Government Contractors:
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AFMD-89-34, July 20.
- Military Logistics:
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NSIAD-89-196, August 28.
- Navy Relocation:
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NSIAD-89-176BR, August 17.

INTERNATIONAL AFFAIRS

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- South Africa:
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- U.S. Trust Territory:
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GAO/NSIAD-89-182 and -182S,
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- Central America:
Conditions of Guatemalan Refu-
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GAO/NSIAD-89-150, July 31,
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- El Salvador:
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- Voice of America:
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- State Department:
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GAO/NSIAD-89-149, July 26.

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