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National Defense

Military Draft: Potential Impacts and Other Issues

Acc. No. 135266 (GAO/NSIAD-88-102), Mar. 10.

Experts believe that an analysis of budgetary impacts cannot provide a definitive basis for choosing between a draft or volunteer force as a means of raising U.S. armed forces. They offer many arguments on the purported advantages and disadvantages of a force comprised of volunteers only, as opposed to a mixed force of draftees and volunteers. The arguments must be carefully weighed before making such a critically important national policy choice. If pay for new enlisted personnel was significantly reduced and the force size remained constant, the draft could result in considerable budgetary savings, but the savings would not be realized for many years. Moreover, they would be achieved at the price of reduced active-duty force effectiveness and uncertain social consequences. Measures to offset the loss of active-duty force effectiveness could make a draft more costly than the current volunteer force.

INF Treaty: Cost of Weapon Systems to Be Destroyed and Possible Savings

GAO/NSIAD-88-141FS, Mar. 24.

The Intermediate-Range Nuclear Forces Treaty, if ratified, would require that the United States destroy a total of 867 missiles, their launchers, and specified support facilities, and training equipment. Total program costs through FY 1987 for the Pershing II and Ground Launched Cruise Missiles are \$2.60 billion and \$3.45 billion respectively. The Department of Defense has estimated that, as a result of the treaty, costs of \$219 million in FY 1988 and \$240 million in FY 1989 could be avoided for the Pershing II and GLCM programs. Further, the Army estimates that \$1.223 million in costs for the Pershing program through FY 1995 could be avoided.

Inventory Management: Supply Problems at the 90th Army Reserve Command

GAO/NSIAD-88-86BR, Feb. 5.

The Army Audit Agency has reported that controls over property at the 90th Army Reserve Command headquartered in San Antonio, Texas, were inadequate; that significant inventory losses had occurred; and that the 90th ARCOM and the Fifth Army Headquarters had begun actions to correct long-standing deficiencies. Although improvements have begun, problems persist. The problems result, in part, from having

only part-time administrative support or inadequately trained supply management staff, which is inherent in reserve components.

**Competition:
Issues on Establishing and
Using Federally Funded
Research and Development
Centers**

Acc. No. 135228 (GAO/NSIAD-88-22), Mar. 7.

Federally Funded Research and Development Centers are privately operated, but publicly funded under a long-term contract with a federal sponsoring agency. The Congress is concerned that FFRDC may be doing defense related work that could be done by industry. Industry representatives claim that work placed non-competitively with FFRDCs unfairly denies industry opportunities to compete for federal research and development funds while the government is denied assurance that it is receiving the best possible research at competitive prices. GAO believes that the special relationship that FFRDCs have with their sponsors means they do not have to compete for the work they conduct. This lack of competition limits the government's ability to know whether a non-FFRDC could do the work better or at less cost.

**Contract Pricing:
Overpricing of
Peacekeeper Missile
Subcontracts**

GAO/NSIAD-88-127, Mar. 28.

Target prices of major subcontracts awarded to Hercules, Inc., in Utah, for Peacekeeper Missile Stage III motors were overstated by \$995,353 and \$176,308, including overhead and profit, because Hercules did not ensure that proposed prices for thrust vector actuators were based on accurate, complete, and current cost or pricing data. Overstatements in material cost estimates, escalation factors, and direct labor and indirect expense rates were also found. GAO believes that the information in this report provides a basis for the Norton Air Force Base in California to initiate action to recover the overstated prices from Hercules.

**Army Procurement:
Contracting for
Management and
Operation of Government-
Owned Ammunition Plants**

GAO/NSIAD-88-72, Mar. 8.

Concern was expressed over the Army's process for selecting the Louisiana Army Ammunition Plant's operating contract for competition in FY 1987. GAO found no indication that Army's selection process was biased but concluded that the selection process itself was inappropriate. Army developed the selection process to decide which operating contracts to open to competition. However, the Competition in Contracting Act of 1984 mandates competition for all procurements exceeding \$25,000 unless one of the seven specific statutory exceptions is met. Army

should comply with the act by opening each AAP operating contract to competition when it expires or justify, on a case-by-case basis, why this should not be done.

**Army Procurement:
Unnecessary Restriction
on Competition for New
Chemical Protective Masks**

GAO/NSIAD-88-66, Mar. 2.

The Army limited competition for an initial production of a new chemical and biological field protective mask, which is designed to protect the user's face, eyes, and respiratory system. GAO believes that Army has not adequately supported its position that full and open competition could not be used and recommended that Army terminate the contract and procure its requirements on a competitive basis.

**Modification Programs:
Proposed Changes to the
Army's Approval Process**

Acc. No. 135346 (GAO/NSIAD-88-126BR), Mar. 23.

There is some concern that proposed changes in the way the Army approves equipment modifications would decentralize the management of such modifications with the result that (1) project managers could approve equipment modifications without review by higher level Army management and (2) Army's Materiel Change Branch would become inoperable. In assessing the concern, GAO feels that the greater portion of equipment modifications, in terms of cost, would still come under the review of the Office of the Secretary of the Army. The Material Change Branch would continue to operate, with slightly reduced responsibilities, but would maintain records for the more significant modifications.

**Internal Controls:
Controls Over Expedited
Payments to Defense
Suppliers Need
Improvement**

GAO/NSIAD-88-113, Feb. 29.

Under fast pay procedures, agencies pay vendors based on a shipping invoice without verification of receipt and acceptance of the items ordered. This procedure was developed to expedite payments to contractors for small purchases. However, audits have disclosed serious internal control weaknesses in the use of fast pay procedures by the Defense Logistics Agency. In FY 1985, 1986, and 1987, DLA spent an estimated total of about \$4.7 billion under the procedure. DLA has not implemented revised fast pay requirements and, consequently, was continuing to routinely use, rather than curtail, fast pay procedures in inappropriate circumstances. Internal controls established by two DLA purchasing offices that GAO reviewed were not adequate. As a result, the government paid for some items it did not receive. In other cases, contractors received

and used government funds for a number of months before the overpayments were discovered and refunded.

**Management Review:
Follow-Up on the
Management Review of the
Defense Logistics Agency**

GAO/NSIAD-88-107, Mar. 28.

The Defense Logistics Agency manages about 2.5 million supply items and maintains inventories valued at about \$11.5 billion. In a 1986 report, GAO examined DLA management in the areas of planning, program controls, organization, and operations, and made several recommendations where DLA's planning processes could be improved. The Department of Defense has completed or has underway actions in response to each of the recommendations. However, GAO found that additional management action is needed in strategic and mobilization planning management controls over activities, such as contract administration and inventory receipt and storage.

**Computer Procurement:
Issues Concerning
Technical Specification for
Navy's CAD/CAM
Acquisition**

Acc. No. 135175 (GAO/IMTEC-88-16BR), Mar. 3.

Navy's Computer Aided Design/Computer Aided Manufacturing equipment is a tool for automating the engineering functions used in designing, manufacturing, and maintaining various types of plant and equipment for modernizing ships, submarines, aircraft, and shore-based support facilities. Contracts for Navy's acquisition of CAD/CAM are estimated to be from \$125 million to \$5 billion. This report raises important issues about whether (1) certain hardware requirements are essential, (2) Navy's treatment of two key standards will produce Navy-unique versions of each, (3) the system integration requirements will produce Navy-unique systems, and (4) the distinctions between mandatory and negotiable requirements are clear.

**Test and Evaluation:
An Assessment of Navy's
Long-Term Underwater
Test Resources Plan**

GAO/NSIAD-88-80, Mar. 28.

Navy has developed a test resource plan that includes not only underwater range facilities, but also targets and simulation requirements. To meet test requirements in the most cost-effective manner and to ensure support for the most critical programs, overall priorities need to be set; all options need to be analyzed; and a comprehensive strategy, with necessary organizational support, needs to be developed. Differences of

opinion exist over the technical feasibility and cost-effectiveness of recommendations contained in the Department of Defense's Inspector General's report on acoustic measurement facilities. Because of the significance of the potential savings associated with the recommendations and technical issues that have remained unsolved, it is important that an appropriate and early resolution be reached that will allow the Navy to meet its acoustic requirements in the most cost-effective manner.

**Household Goods:
Implications of Increasing
Moving Companies'
Liability for DOD
Shipments**

Acc. No. 135359 (GAO NSIAD-88-103), Mar. 24.

Through the Department of Defense, the Military Traffic Management Command proposed changes that would increase carrier liability for domestic household goods shipments. The changes also established a rate to compensate household goods carriers for their increased liability. GAO could not determine a fair and adequate level of compensation because (1) it is too early to determine the impact of increased liability on carrier performance and (2) determining a fair and adequate compensation level requires a policy judgment about the appropriate performance level to be expected from carriers. A primary objective of the increased liability program is to increase the incentive for carriers to reduce the level of loss and damage to household goods shipments. GAO therefore believes that the current rate of compensation under MTMC's increased liability program should remain unchanged until carrier performance data or addition cost information indicates that changes are needed.

**Prompt Payment Act:
Military Exchanges Had
Problems in Paying on
Time**

GAO AFMD-88-17, Feb. 9.

Navy exchanges and the joint Army/Air Force exchanges are experiencing difficulties in paying their bills when due. About 24 percent of a GAO sample of invoice payments were paid late, and another 11 percent were paid too early. Appropriate interest penalties generally had not been paid, and in some cases discounts were taken after allowable periods expired and had not been refunded. Several exchange managers acknowledged that their payment practices, systems, and internal controls were not adequate to ensure compliance with prompt payment objectives.

**Software Development:
Update on Department of
Defense Central Design
Activities**

Acc. No. 135265 (GAO/IMTEC-88-20FS), Mar. 11.

A previous GAO report identified inconsistencies between (1) the number and estimated cost of the Department of Defense's Central Design Activities reported in the special budget exhibit submitted to the Congress by Defense and (2) the number and cost of CDAs identified by GAO. As a result, Congress was concerned that Defense had not provided it with reliable information on CDAs. This report reviews Defense's efforts to reconcile the CDA cost data reported in the special budget exhibits; identifies studies planned, in progress, or completed by the Department of Defense that address CDA consolidation issues; and evaluates CDA effectiveness in managing large automated systems development projects.

International Affairs

**International Finance:
Market Access Concerns of
U.S. Financial Institutions
in Japan**

Acc. No. 135134 (GAO/NSIAD-88-108BR), Mar 1.

Officials from U.S. financial institutions are still finding barriers to competition in the Japanese financial markets and have been frustrated by their lack of access to the Tokyo Stock Exchange, by the small role that U.S. firms maintain in the Japanese government bond market, by the difficulties in introducing futures and options in Japan, and by the competitive advantage that Japanese banks have in loan pricing. The Japanese have recently taken steps to address some of these concerns by expanding the membership of the Tokyo Stock Exchange, increasing foreign firms' share of 10-year government bond issues, and introducing higher capital requirements for Japanese banks. The expansion of membership in the TSE appears to have addressed a major concern. However, other actions the Japanese have taken have had little effect and some problems still remain.

**Foreign Investment:
Growing Japanese
Presence in the U.S. Auto
Industry**

GAO/NSIAD-88-11, Mar. 7.

Japanese automakers have invested more than \$5 billion in U.S. based assembly facilities. Seven Japanese-affiliated auto manufacturers and more than 100 Japanese-affiliated auto parts suppliers are operating or constructing facilities in the United States, a situation which could result in job losses because of displacements. Japanese-affiliated automakers are importing higher percentages of auto parts than U.S.

automakers. Their sourcing decisions appear to be strongly influenced by price, quality, and timely delivery. Some U.S. suppliers have succeeded in selling to Japanese-affiliated automakers, meeting their rigorous expectations of suppliers. The future competitiveness of many U.S. parts suppliers may be contingent on their willingness and ability to adapt to this expanded role. The number of Japanese-affiliated parts suppliers competing for business in the United States has rapidly increased since early 1984, and this trend is likely to continue.

**International Energy
Agency:
Plan to Provide Legal
Defenses to Participating
U.S. Oil Companies**

GAO/NSIAD-88-89BR, Feb. 8.

The International Energy Agency's emergency oil sharing system is designed to enable member nations to share oil supplies during an oil supply disruption equal to or exceeding 7 percent or more of members' oil supplies. However, participation could have anticompetitive consequences and under U.S. antitrust laws could result in suits against U.S. companies. To ensure participation of major U.S. oil companies, legislation provides a statutory defense against any civil or criminal suit brought under federal or state antitrust laws for some actions. This report describes efforts to expand the antitrust and breach of contract defenses for oil company supply transactions during an oil emergency and to resolve the problem of foreign blockage of information critical to U.S. antitrust review of oil transactions involving foreign affiliates of U.S. companies.

**Nuclear Materials:
Section 604, Omnibus
Diplomatic Security and
Antiterrorism Act of 1986**

GAO/NSIAD-88-119FS, Feb. 29.

According to Section 604 of the Omnibus Diplomatic Security and Antiterrorism Act of 1986, certain agencies are required to review and report on the adequacy of physical security standards for the shipment and storage of amounts of plutonium and enriched uranium outside the United States. The reports were to be provided to the Congress within 6 months of the act's becoming law. Four out of five reports were submitted late because of disagreements between the Department of Defense and the other reporting agencies. Also, the respective reports represented each agency's views and no agency was forced to make unacceptable substantive changes. Lack of documentation prevented GAO from determining the nature and source of changes made to each agency's draft report.

**U.S.-Japan Trade:
Trade Data and Industry
Views on MOSS
Agreements**

GAO/NSIAD-88-120FS, Feb. 23.

U.S.-Japan Market-Oriented Sector-Selective talks were initiated to open Japanese markets, specifically by reducing or removing barriers to free trade, thereby increasing the potential for U.S. exports to Japan. The talks covered five industrial sectors: telecommunications, medical equipment/pharmaceuticals, electronics, forestry products, and transportation machinery. This fact sheet summarizes U.S. exports to Japan negotiated in the MOSS initiatives for the 5-year period 1983-87. It attempts to place U.S.-Japan bilateral trade in context by comparing it with U.S. exports worldwide and to the European Community. And it presents bilateral auto parts trade data pertaining to the Transportation Machinery MOSS talks.

**Food Assistance:
Practices of the European
Community and Selected
Member Nations**

Acc. No. 135290 (GAO/RCED-88-102), Mar. 15.

During the past 16 years, the European Community has operated 10 food assistance programs. Six of the programs currently underway cost the EC about \$227 million annually and are intended to supplement each member's national welfare program. The national welfare programs in France, Great Britain, Ireland, and West Germany focus primarily on the overall well-being of the needy rather than on their specific food needs. For this reason, the countries have few national food assistance programs. Instead, they provide cash benefits, redistributing income primarily through social assistance programs. The nations expect a portion of the cash benefits for social assistance recipients to be spent on food. They do not, however, set benefit levels by earmarking a specific amount or percentage of the benefits for food.

**Embassy Contracting:
State Department Efforts
to Terminate Employee
Association Contracts**

GAO/NSIAD-88-85, Feb. 16.

The Department of State has terminated most of the contracts between employee associations and embassies, and efforts are underway to terminate the remaining few. Since the contracts were terminated, associations have been required to pay severance benefits for contract employees who lost their jobs. However, many employees transferred directly to U.S. embassy personal service contracts without a change in employment status and were not due any severance payment. Therefore, there is no basis for the associations to keep the funds appropriated to cover such severance benefits. GAO believes that the

appropriated funds the associations received for this purpose should be returned to the Treasury.

Science, Space, and Technology

R&D Funding: Foreign Sponsorship of U.S. University Research

GAO/RCED-88-89BR, Mar. 4.

Research and development sponsored by foreign sources accounted for only 1 percent of all university R&D expenditures, and of all industry-sponsored university R&D expenditures, foreign sources accounted for only 5 percent. Although over 100 universities reported foreign funds, 5 account for about half of those funds. These five universities—Texas A&M, Harvard, Massachusetts Institute of Technology, Oregon State, and Wisconsin—received funds in diverse areas and from an array of foreign countries. Across all universities, foreign support is broadly distributed across research fields and comes from diverse sources. GAO found that universities generally make few distinctions between U.S. and foreign companies in accepting or administering R&D funds and that they reported few differences in the ways U.S. or foreign companies sponsor or use research.

Space Operations: Testing of NASA's Technical and Management Information System

GAO/IMTEC-88-28, Mar. 8.

In June 1987, the National Aeronautics and Space Administration awarded a \$333.7 million contract for the development of a technical and management information system intended to support the design, development, and operation of the planned space station. The hardware and software for the first increment should have been designed, tested, and made fully operational at all 10 NASA user installations by February 1988. However, the TMIS project manager estimates NASA will have spent the initially allocated \$36.2 million by the end of March 1988; NASA had received only partial and incomplete test reports which identified system problems that still need to be corrected; and all the capabilities of the first increment will not be fully tested and operational at all 10 NASA user locations until June 1988.

**Technology Transfer:
Constraints Perceived by
Federal Laboratory and
Agency Officials**

GAO/RCED-88-116BR, Mar. 4.

Federal laboratory and agency officials support legislation and executive actions to improve the link between the federal laboratories' technology base and U.S. businesses. These laws authorize the laboratories to patent and exclusively license inventions and collaborate with businesses on research and development. However, four major constraints affect laboratory technology transfer efforts. These are (1) publicly disseminated federal computer software which limits businesses' incentive to fully develop and market it; (2) limited proprietary research by federal laboratories resulting in less inclination for businesses to enter into collaborative research efforts; (3) the requirement that Department of Energy laboratories must request a waiver of its title rights to inventions that they make; and (4) burdensome and time-consuming procedures that inhibit industry participation.

Energy

**Energy Management:
Actions to Improve
Timeliness of FERC
Responses to Investigative
Reports**

GAO/RCED-88-92, Feb. 19.

In investigating allegations of improprieties involving high-level employees made at the Federal Energy Regulatory Commission, GAO found that the Office of Inspector General followed up on each of the allegations raised; however FERC could have responded to the reports in a more timely manner. None of the responses were prepared within the 30 days requested and responses to three of the reports took over 250 days and two others over 150 days. FERC lacks directives which cover its responses to OIG investigative reports and assign responsibility for them.

**Energy Regulation:
Opportunities for
Strengthening
Hydropower Cumulative
Impact Assessments**

GAO/RCED-88-82, Mar. 10.

This report focuses on (1) the Federal Energy Regulatory Commission's plans for using an alternative to the Cluster Impact Assessment Procedure—the River Basin Environmental Impact Statement procedure—to assess the cumulative impact of hydroelectric projects and (2) deficiencies cited on how FERC carries out cumulative impact assessments and whether the development of comprehensive river basin plans can help address these deficiencies. GAO found that before authorizing the use of

CIAP in 1985, FERC formally announced its plans for using the procedure. FERC has since used the River Basin EIS procedure in lieu of CIAP and apparently plans to use it to carry out future assessments. However, FERC has yet to publicly announce this plan and to request public comment. Preparation of comprehensive river basin plans can help resolve disagreements between FERC and other federal and state agencies about the way in which FERC carries out cumulative impact assessments.

Natural Resources and Environment

Superfund: Cost Growth on Remedial Construction Activities

GAO/RCED-88-69, Feb. 24.

Excessive cost growth for Superfund-financed cleanups currently underway could reduce the funds available for future cleanups. Alleviating the dangers of hazardous waste through construction is the most expensive portion of the Superfund program. Overall cost growth using this remedy averaged about 12 percent for 30 construction activities exceeding \$1 million. Routine construction averaged about 5 percent cost growth, while nonroutine construction averaged about 19 percent cost growth. The more uncertainties surrounding the tasks to be performed during construction, the greater the potential for cost growth. The Environmental Protection Agency may need to analyze the reasons for such cost growth to determine whether any actions are needed to control it.

Superfund: Overview of EPA's Contract Laboratory Program

GAO/RCED-88-109FS, Mar. 30.

The Environmental Protection Agency's Contract Laboratory Program provides for analysis of soil, water, and other substances taken from Superfund sites to determine what toxic substances are present and in what concentration. This fact sheet provides information on the types of services the program provides and how they are provided, how laboratories are selected for the program, how laboratory analytical results are reviewed, and how EPA assesses laboratory performance and the tools that are available to EPA to deal with poor performance.

**Groundwater Standards:
States Need More
Information From EPA**

Acc. No. 135289 (GAO/PEMD-88-6), Mar. 16.

Presently, there is no federal program for establishing standards for groundwater contaminants; many states have developed their own standards. But while these states have taken the initiative, they report that the information about contaminants that was accessible to them for the standard-setting process was often less than they needed. In addition, some states report much duplicative effort in developing their standards. Other states have been deterred from implementing standards programs by the lack of information. This report develops four evaluation questions: (1) What types of information do the states need to set groundwater standards? (2) To what extent is the information needed currently available in Environmental Protection Agency documents? (3) Since the states readily adopt drinking water standards as groundwater standards, what drinking water standards have been set and what standards are planned? (4) Is there a need for more information on groundwater contaminants and, if so, how can the need be satisfied?

**Hazardous Waste:
Groundwater Conditions
at Many Land Disposal
Facilities Remain
Uncertain**

GAO/RCED-88-29, Feb. 18.

Groundwater monitoring data being submitted to the Environmental Protection Agency and state regulatory officials has varied considerably in terms of completeness and quality and generally has been less than adequate for regulatory decisionmaking. EPA has not established a system of internal controls to ensure that owner/operator-provided data is of known and acceptable quality and is adequate for the decisions at hand. Because of the delays in obtaining better information, permits have been finalized on only about 34 percent of the 324 operating land disposal facilities nationwide. In the meantime, groundwater conditions at many land disposal facilities remain uncertain, and there is little assurance they are being operated in an environmentally safe manner.

**Parks and Recreation:
Park Service Managers
Report Shortfalls in
Maintenance Funding**

Acc. No. 135349 (GAO/RCED-88-91BR), Mar. 21.

The National Park Service has developed conflicting information as to the level of funding needed to maintain park assets. Managers in 267 parks that GAO surveyed reported shortfalls totaling \$1.9 billion in FY 1985 and a similar deficiency in what was needed and what was funded. These shortfalls have resulted in inadequate maintenance staff levels and park deterioration. NPS has begun developing the Maintenance Management System to provide a systematic, servicewide approach for

planning, organizing, directing, and reviewing its maintenance activities. However, it is too early to tell how much the system will improve the parks' ability to address the needs.

**Air Pollution:
EPA's Efforts to Develop a
New Model for Regulating
Utility Emissions**

GAO/RCED-88-57, Jan. 22.

After 4 years of development and expenditures of \$3 million, under a cooperative agreement with the Universities Research Group on Energy, the Environmental Protection Agency received an Advanced Utility Simulation Model for testing air quality that could not be used as an analytical tool because of major technical problems in several key components. EPA subsequently awarded a contract to Science Applications International Corporation to complete and test the AUSM. EPA estimates that development of the AUSM will be completed by the end of FY 1989 and that its total costs will be about \$5.2 million.

**Water Resources:
Evaluation of Erosion
Problems on Upper
Missouri River**

GAO/RCED-88-711BR, Mar. 7.

The Corps of Engineers built and operates six dams and lakes on the upper Missouri River in Montana, North Dakota, South Dakota, and Nebraska for the purposes of flood control, hydropower, irrigation, and navigation. The Corps did not evaluate streambank erosion problems when the dams were planned because it was not required to study, before construction, such problems that the projects might create. Corps studies show that bank erosion between Garrison Dam and Lake Oahe is less now than before the dam was built but since construction of the dam there now is a continuous net loss of lands. Among other streambank erosion problems, GAO noted that the river banks will continue to erode, but at a lesser rate than in the past, between Garrison Dam and Lake Oahe. The Corps has authority to provide erosion protection structures but these have to be economically justified and environmentally acceptable.

**Surface Mining:
Interior and State
Management of Regulatory
Grants**

GAO/RCED-88-68, Feb. 3.

The Office of Surface Mining Reclamation and Enforcement has established a review process for ensuring that state regulatory grant requests are appropriate and although the states are generally conducting required audits of their program activities, some are not being completed in a timely manner. Completed state grant audit reports have

demonstrated numerous deficiencies in the states' internal control systems. Further, in several states independent auditors have questioned or disallowed the costs charged by the states against the grants. For those deficiencies and costs within the Department of the Interior's jurisdiction, the agency has resolved or is in the process of resolving all of them.

Agriculture

Agricultural Marketing: Farmers' Marketing Practices and Programs to Teach Alternative Practices

Acc. No. 135397 (GAO RCED-88-78BR), Mar. 25.

This report specifically discusses (1) farmers' use of three advanced marketing techniques—cash forward contracting, hedging in the futures market, and trading in agricultural options—as disclosed in nine studies of farmers' marketing practices made from 1976 through 1986. It also discusses educational programs in advanced marketing techniques provided by land-grant universities, commodity exchanges, and producer organizations primarily during the 12 months ended April 1987. The report shows that producers can use advanced marketing techniques to ensure a certain price for their commodities at a future date but risks are involved and that advanced marketing techniques may not be appropriate for all producers or for all commodities in all parts of the country.

Milk Marketing Orders: Options for Change

Acc. No. 135347 (GAO RCED-88-9), Mar. 21.

Milk marketing orders, applying only to grade A milk, set forth marketing practices, terms and conditions of sale, minimum prices that must be paid by handlers, and distribution of returns among producers. GAO believes that the order system should be changed because its provisions have contributed to excess production and treat some producers unfavorably compared with others. The premises for milk pricing under federal orders are outdated. A need no longer exists to encourage and maintain a locally produced supply of milk. Milk is produced in all regions of the country and technologies are available to transfer it, either as fluid or in a form to be later reconstituted as fluid, should local shortages develop. Two strategies can change the milk marketing order system—adopting production controls or lessening government influence on milk prices. GAO prefers the latter.

**Animal Welfare Program:
Federal Regulation
Relating to the
Transportation of Dogs**

GAO/RCED-88-100, Mar. 21.

The Department of Agriculture's Animal and Plant Health Inspection Service regulations include transportation of standards and minimum age and health certification requirements for dogs in transit. It inspects registered carriers' and intermediate handlers' vehicles and records for compliance with these regulations. APHIS is tentatively planning to pursue the extent of its authority to require dealers transporting dogs in their own vehicles to comply with the minimum age and health certification requirements. It believes that industry self-regulation probably offers the greatest potential for improving the transportation of dogs.

**Internal Controls:
Food and Nutrition Service
Lacks Effective Controls**

GAO/AFMD-88-16, Mar. 18.

GAO identified several serious, fundamental internal and accounting control weaknesses in the Department of Agriculture's Food and Nutrition Service covering a wide range of its accounting operations. Those weaknesses adversely affect the Service's ability to (1) manage its funds and assets, (2) ensure that payments are proper and correct, and (3) render a proper accounting in its external reports. Further, the weaknesses were not disclosed nor were corrective actions indicated. It will take a strong commitment by Agriculture to install a disciplined internal control and accounting system.

**Commerce and
Housing Credit**

**Financial Markets:
Issuers, Purchasers, and
Purposes of High Yield,
Non-Investment Grade
Bonds**

Acc. No. 135242 (GAO/GGD 88 55PS), Feb. 29.

Between 1982 and 1987, 920 publicly traded, non-convertible, corporate high yield bond issues were offered and rated as non-investment grade or which had characteristics similar to rated non-investment grade bonds, but were not rated. The face value of these bonds was \$108.2 billion. In addition, 586 convertible high yield, non-investment grade bond issues were offered in 1982 through 1987, with a face value of \$28.1 billion. As the high-yield bond market grew, the overall credit quality of new issues declined. This report responds to congressional concern about (1) the extent to which high yield, non-investment grade

bonds, known as junk bonds, may be fostering corporate takeovers and (2) the risks to federal insurance funds represented by federally insured institutions which invest in high yield bonds.

**Banking:
Off-Balance-Sheet
Activities**

GAO/IGD-88-35BR, Mar. 17

Off-balance-sheet activities, which essentially represent large contingent liabilities that are not recorded on bank balance sheets, exceeded \$3.1 trillion as reported to regulators in June 1987. Most of this amount could be attributed to banks with assets of at least \$10 billion. The exact amount of commercial bank OBS activity today is unknown because current accounting conventions do not require banks to include all these activities in their published financial statements. Federal bank regulators agree that the dollar volume alone is not a good indicator of banks' risk exposure and that, in principle, the risks associated with OBS activities are not different from those associated with on-balance-sheet activities. Determining risk exposure is difficult, however, because OBS activities are complex, new, and evolving, and because reporting is incomplete. The recent growth of OBS activities has increased concerns among regulators and they have issued proposals to factor the risks into minimal capital requirements for banks.

**Thrift Industry:
Federal Home Loan Bank
Board Advances Program**

Acc. No. 135233 (GAO/IGD-88-46BR), Mar. 9.

Total outstanding Federal Home Loan Bank System advances (loans) have increased fivefold over the last 10 years from \$20.2 billion to \$108.6 billion. The range of lending activity varies by districts with outstanding advances comprising 90.1 percent of total assets at the San Francisco FHLBank and 58.2 percent of assets at the Chicago FHLBank. The level of thrift borrowing also varies by district, with thrifts in the Seattle FHLBank district holding advances amounting to 15.2 percent of total thrift assets while thrifts in the Chicago FHLBank district holds advances equal to 4.0 percent of assets. A larger percentage of low net worth and insolvent thrifts hold advances than do more healthy thrifts. The portfolio of nonholders of advances contains more liquid assets and mortgage-backed securities, while holders have more construction loans, acquisition and development loans, commercial and consumer loans, direct investments, and mortgages on five or more dwelling units.

Home Ownership:
Mortgage Bonds Are
Costly and Provide Little
Assistance to Those in
Need

GAO/RCED-88-111, Mar. 28.

Over \$50 billion in tax-exempt qualified mortgage bonds were issued by state and local housing agencies between 1982 and 1986, allowing several hundred thousand first-time home buyers to receive below-market interest rates on their mortgages. Authority for this use of tax-exempt financing is due to expire in December 1988. Supporters argue that bond-assisted mortgages help those who could not otherwise afford to purchase. Opponents contend that bond-assisted buyers could have purchased homes without the assistance and that the financing mechanism is inefficient. Qualified mortgage bonds, according to GAO, are inefficient. It costs the government about \$150 million in lost revenue for every \$1 billion in bonds issued over their life. However, home buyers receive only 12 cents to 45 cents in benefits for every dollar in tax revenue foregone. Given the above, GAO questions whether the authority to issue these bonds should be extended.

Postal Service:
Labor-Management
Relations and Customer
Services at the Simi Valley,
California, Post Office

Acc. No. 135174 (GAO/GGD-88-44), Mar. 3.

Both employees and customers of the Simi Valley Post Office in California have expressed dissatisfaction with management complaining specifically of excessive stress on the job with resulting inability to work productively and to deliver good service. These problems have existed at the facility since before November 1986. Employee grievances were often not promptly or directly resolved and required formal labor-management meetings, designed to improve interaction and communication, were not being held. A change in Simi Valley Post Office management has shown a marked improvement in labor-management relationships and the quality of services provided the public. GAO believes these improvements result from actions taken by Simi Valley's acting Postmaster.

Denver Post Office:
Estimate of Fair Market
Value

GAO/GGD-88-51, Mar. 11.

The main post office in Denver, Colorado, will be transferred from the United States Postal Service to the General Services Administration for use as a courthouse, with some space to be leased by USPS. GSA estimated the fair market value of the property to be \$9.7 million, while USPS estimated it to be \$26.5 million. GAO estimates that the fair market value of the land and improvements associated with the main post office in Denver is \$11,300,000 and concluded that the highest and best use for

which the property is clearly adapted, and which is reasonably likely in the near future, is primarily as a courthouse with related office space.

**Telecommunications:
Management and
Operation of FCC's Public
Reference Rooms**

GAO/RCED-88-83, Mar. 4.

Federal Communications Commission reference rooms are difficult to use and its guides and manuals do not provide specific, up-to-date information to assist users. FCC relies primarily on an honor system and operates the reference rooms with limited safeguards for documents. Since most of the documents available for public inspection are originals, safeguarding the records is especially critical. Its document-handling procedures contribute to the problems of missing or "unable to locate" documents and its inability to deal with periodic, large inflows of documents creates backlogs of unrecorded matter. GAO makes several recommendations to improve use of the reference rooms.

Transportation

**Aviation Safety:
Measuring How Safely
Individual Airlines
Operate**

Acc. No. 135348 (GAO/RCED-88-61), Mar. 18.

GAO did not find any performance indicators that are currently usable to compare objectively the safety levels of individual airlines. Experts believe that pilot competence, maintenance quality, financial stability, and management attitude are areas important to the safety of an airline's operation. Three potential sources of information for comparable and objective measurement in these areas are Federal Aviation Administration inspection results, FAA data bases on unsafe incidents, and a Department of Transportation data base on airline financial conditions. But data limitations currently restrict the usefulness of all three sources in measuring individual airline safety.

**Aviation Services:
Automation and
Consolidation of Flight
Service Stations**

GAO/RCED-88-77, Feb. 8.

Under the flight service station modernization program, the Federal Aviation Administration is (1) consolidating the 317 local FSSS into 61 locations and (2) automating the 61 by replacing the leased systems used by the FSSS with a new automated system. GAO believes that as a result, employee productivity will increase and maintenance, rent, and

utility costs will be reduced. The most pressing problem at the moment, however, is staffing. Specialists have not been matched by a comparable gain in productivity because of consolidation and automation delays. How many staff FAA actually needs will not be known until FAA has developed performance and staffing standards.

**Highway Safety:
Monitoring Practices to
Show Compliance With
Speed Limits Should Be
Reexamined**

GAO/RCED-88-93BR, Mar. 31.

States are in compliance with the law if at least 50 percent of motorists on public highways posted at 55 mph are recorded as traveling at or below that speed limit after adjusting the data for speedometer and sampling errors. GAO reviewed the speed monitoring programs of Arizona, Idaho, Maine, Maryland, New York, and Vermont and found that the six states were generally in compliance with applicable regulations. However, several monitoring sites were inappropriately located. GAO also found that the states differ in the amount of effort spent in enforcing the 55 mph speed limit. More important, though, GAO found that the speed monitoring aspect of the program does not correspond well with the primary objective of the 55 mph speed limit which is to improve highway safety.

**Federal Motor Vehicles:
Agencies' Progress in
Meeting Expenditure
Control Requirements**

Acc. No. 135173 (GAO/GGD-88-40), Mar. 2.

The Consolidated Omnibus Budget Reconciliation Act of 1985 contains provisions to improve the management of federal motor vehicles, to control vehicle costs, and reduce federal agency budget outlays for motor vehicles. All 20 agencies affected by the act have made some progress toward meeting its requirements; however, some significant requirements have not yet been implemented. The General Services Administration, which has various responsibilities under the act, is in the process of updating the guidance agencies need to develop data collection. The law does not specify a method for compiling cost data or conducting the cost comparison studies. Although a few of the executive agencies have started their cost comparison studies, most have not. GSA is also acting to improve the efficiency of the motor vehicle disposal process.

Housing and Community Development

Disaster Assistance: Response to West Virginia's November 1985 Flood Shows Need for Improvements

GAO/RCED-88-5, Feb. 4.

In November 1985, record flooding in West Virginia killed 47 people; damaged or destroyed about 9,000 homes; extensively damaged forest, farm, and park lands; and destroyed businesses and public facilities. Many of the state's counties' disaster plans did not meet the Federal Emergency Management Agency's emergency preparedness criteria. Warning systems did not always advise residents of impending emergencies in time to allow them to take adequate safety precautions. Federal agencies took an average of about 6 weeks to complete the application process for the initial public assistance applications; much of the time was spent in processing approvals and some approved amounts were understated. In addition, FEMA spent funds on mobile home facilities that were never used.

Social Services

Welfare Reform: Bibliographies of Case Management and Agency/ Client Contracting

GAO/HRD-88-61FS, Mar. 11.

This fact sheet consisting of bibliographies identifies 109 literature citations for case management as applied in the social services field and 9 citations for agency/client contracting as applied to the delivery and receipt of such services. It contains abstracts for most citations and a subject index for the bibliographies referenced to the citations.

Welfare: Expert Panels' Insights on Major Reform Proposals

GAO/HRD 88 59, Feb. 3.

Two panels of experts—the National Academy of Public Administration and the Federation for Community Planning in Cleveland—presented their insights on four welfare reform issues: (1) case management, (2) contracts between welfare recipients and agencies, (3) coordination of services, and (4) target populations. Both panels supported the case

management concept and the related use of a single case manager. Neither panel supported binding agreements between agency and recipient, and related sanctions. Both also saw a need for better coordination and integration of available services. They supported greater targeting of services to specific populations and tailoring certain benefits and services for such groups. This report summarizes the views of both panels on each of the four issues and discusses other fundamental aspects of welfare reform.

**Food Stamp Program:
Participation by AFDC
Households**

GAO/RCED-88-85BR, Feb. 11.

GAO found that 83.4 percent of all Aid to Families with Dependent Children households in the United States participated in the Food Stamp Program in FY 1986. Participation rates for individual states ranged from 93.3 percent (Michigan) to 58.9 percent (Virginia). Participation rates for the Food Stamp Program are in part tied to household composition. Almost all households composed solely of AFDC recipients meet program eligibility requirements. Households that contain AFDC recipients as well as persons not receiving AFDC benefits may not be eligible for food stamp benefits. On a state-by-state basis, participation rates were similarly related to household composition.

**Fair Labor Standards Act:
Selected Administrative
Issues**

GAO/HRD-88-48PS, Feb. 25.

The Fair Labor Standards Act establishes minimum wage, overtime pay, employer recordkeeping, and child labor requirements affecting more than 73 million private and public sector employees. The Wage and Hour Division, within the Department of Labor, is tasked with enforcing FLSA through its compliance officers. This fact sheet reviews (1) the amount and type of training given to Wage and Hour compliance officers and the policy for reviewing their performance after training, (2) Wage and Hour's full-time equivalent staff-year ceiling and staffing levels for FY 1981-87, and (3) the amount of back wage money deposited into the U.S. Treasury by Wage and Hour.

Health

Medicare:

Potential Effects of Shifting the Home Health Benefit From Part A to Part B

GAO/HRD-88-79, Mar. 25.

Shifting home health care payments from Medicare's Hospital Insurance Program (part A) to its Supplementary Medical Insurance Program (part B) should not directly affect coverage of services under the home health benefit, the amount of Medicare expenditures for these services, or the way in which the benefit is administered. It would, however, change the financing source for the benefit from Social Security payroll taxes, which fund part A, to beneficiary premiums and general revenues, which fund part B.

Medical ADP Systems: Composite Health Care System Acquisition—Fair, Reasonable, Supported

Acc. No. 135243 (GAO/IMTEC-88-26), Mar. 4.

The Department of Defense's Composite Health Care System is a state-of-the-art medical information system being acquired for use in military hospitals, medical centers, and clinics worldwide. Defense chose only one of three competing vendors for the operational test and evaluation phase believing that any benefit from retaining two vendors is minimal and would not justify the additional cost. GAO believes Defense's selection process and decision was fair, reasonable, and supported.

VA/DOD Health Care: Further Opportunities to Increase the Sharing of Medical Resources

Acc. No. 135160 (GAO/HRD-88-51), Mar. 1.

The Veterans Administration and Department of Defense Health Resources Sharing and Emergency Operations Act was enacted to promote greater sharing of health care resources between the two agencies. As a result of 240 agreements between VA and DOD, federal health care costs have been and are expected to continue to be reduced and local federal hospital officials cited better patient access to care. However, obstacles still impede optimum sharing of medical resources. Among these are the lack of understanding among local VA and DOD hospital officials that reimbursement rates can be set at less than total costs to encourage medical resource sharing and the provision that restricts treatment of DOD dependents in VA facilities.

**Tinnitus:
Federal Agencies'
Research and Treatment
Activities**

GAO/HRD-88-50FS, Mar. 3.

This fact sheet focuses on three agencies' research and treatment of tinnitus, a ringing in the ears—the National Institutes of Health, the Department of Education, and the Veterans Administration. Tinnitus is not considered a high priority relative to other hearing disorders and diseases within the NIH but since FY 1981 it has funded six grants. No new grants were funded in FY 1987. Since FY 1981, VA has funded eight projects for the research and is the only federal agency to maintain data on the number treated for the disease. DOE funded a 5-year grant to the Oregon Health Sciences University with much of the planned study being devoted to tinnitus.

Income Security

**Social Security:
The Notch Issue**

GAO/HRD-88-62, Mar. 24.

Social security retirees born just before 1917 generally receive higher benefits than those born in 1917 and after—a disparity commonly referred to as the notch. The higher compensation occurred because of the way increased inflation affected the benefit formula. Continued use of this formula would have jeopardized the solvency of the Social Security Trust Funds and required large future increases in payroll taxes to pay for growing benefits. In 1977, Congress amended the formula but in the process, many retirees born in 1917 and thereafter received smaller benefit amounts than those born just before them. Legislative proposals to lessen the benefit disparities could jeopardize the financial condition of the Social Security Trust Fund and its ability to finance the coming retirements of the "Baby Boom" generation. Other options would require reducing the growth of benefits to those already retired. This report offers guidelines for any further congressional considerations.

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

GAO/GGD-88-60, Mar. 30.

The District of Columbia Retirement Reform Act provides for annual federal payments to the DC Police Officers and Fire Fighters' Retirement Fund. The payments, however, are to be reduced when the disability retirement rate exceeds an established limit. An enrolled actuary determined the disability retirement rate to be 0.752 percent. Since this rate

is less than eight-tenths of 1 percentage point, no reduction is required in the FY 1989 payment to the fund.

Veterans Affairs

Veterans' Pensions: Verifying Income With Tax Data Can Identify Significant Payment Problems

GAO/HRD-88-24, Mar. 16.

Nearly \$1 billion more in beneficiaries income was recorded in tax data files for 1984 than was reported to the Veterans Administration that year. By not including this income in its pension calculations, VA made potential overpayments of \$182.5 million to nearly 149,000 beneficiaries. VA could not have identified most of these potential overpayments because it lacks access to tax data. Allowing VA access to third-party-reported tax data is the most efficient, economical, and minimally intrusive way to obtain reliable, independently reported information to verify income data beneficiaries report to VA. Use of the tax data would (1) increase VA pension program efficiency and effectiveness, (2) potentially save millions, and (3) likely increase beneficiary compliance with VA's income-reporting requirements.

VA Health Care: Delays in Awarding Major Construction Contracts

Acc. No. 135396 (GAO/HRD-88-74), Mar. 11.

Legislation gives the Veterans Administration funding for 13 major construction projects, costing \$2 million or more for each, and requires that (1) contracts for working drawings be awarded by September 1987 and (2) construction be awarded by September 1988. The act also requires VA to report to the Congress the projects that did not meet the September 1987 time limit. Projects missing the September 1988 time limit are to be reported in FY 1989. VA's report failed to include all major construction projects for which contracts were delayed. Omitting projects because they either were included in budget requests or had contracts awarded for a minor portion of the amount appropriated circumvents the purpose of the statutory requirement.

Administration of Justice

Immigration Control: A New Role for the Social Security Card

Acc. No. 135304 (GAO/HRD-88-4), Mar. 16.

The Immigration Reform and Control Act of 1986 requires the nation's 7 million employers to examine certain documentation of all prospective employees to verify their identity and eligibility to work in this country. The social security card is expected to be used to prove employment eligibility. But the social security number application process is vulnerable to fraud and support documents can be obtained fraudulently or are easily altered. The same problems apply to employer verification of employment eligibility under IRCA, but more so; employers are largely untrained in document verification. The social security card can be counterfeited more easily now with high quality color copiers. Cards issued in the future should be modified to make copies easier to detect.

Illegal Aliens: Influence of Illegal Workers on Wages and Working Conditions of Legal Workers

Acc. No. 135244 (GAO/PEMD-88-13BR), Mar. 10.

This report examines whether (1) illegal alien workers depress wages and worsen working conditions for native and legal workers and (2) the presence of illegal alien workers in an industry is associated with a declining business environment. The answer to the first question is a qualified "yes." Support for this finding was found with illegal alien workers in competition for the same jobs with legal or native workers and where employers began to hire a higher percentage of illegal workers. The answer to the second question is a qualified "no." Evidence from case studies revealed that illegal aliens were found in expanding and in stable industries as well as in declining or contracting industries. The stable industries included food processing, building maintenance, restaurants, and agriculture. The declining industries were auto parts, garments, and shoes.

INS Delivery Bonds: Stronger Internal Controls Needed

GAO/GGD-88-36, Mar. 7.

Delivery bonds, the contracts between the Immigration and Naturalization Service and aliens or persons acting on their behalf, are used to ensure aliens' appearances at deportation hearings. INS procedures for

setting bond amounts have resulted in immigration judges reducing the amounts on appeal by aliens. Lowered bond amounts reduce the aliens' appearance rates. INS has not been providing timely notices to obligors of aliens' scheduled hearings. As a result, the obligors are not financially liable should the aliens not appear when they are supposed to and INS cannot collect the bond value. INS does not bill promptly when surety bonds are breached and therefore delays in collection of money owed the government occur. INS has recognized problems associated with its bond system and is considering changing to a cash-only system.

Drug Control:
U.S. International
Narcotics Control
Activities

Acc. No. 135305 (GAO/NSIAD-88-114), Mar. 1.

Despite increased U.S. assistance to cooperating countries' crop control and law enforcement efforts and increased eradication, narcotics production remains at high levels and supplies available to the United States remain plentiful. GAO reviewed six drug producing countries—Bolivia, Colombia, Mexico, Burma, Pakistan, and Thailand—and found that the effectiveness of bilateral efforts to curtail drug cultivation and production was constrained by economic, political, or cultural conditions well beyond the control of program managers. However, GAO believes that some U.S.-assisted crop control and eradication programs in cooperating countries could be improved by establishing plans containing clear goals as well as systematic methods to evaluate performance and by introducing better estimating methods and aerial survey techniques.

National Drug Policy
Board:
Leadership Evolving,
Greater Role in Developing
Budgets Possible

GAO/GGD-88-24, Feb. 12.

The National Drug Policy Board brings together drug law enforcement officials at several levels—cabinet members, agency heads, and program managers—enabling them to discuss, plan, and coordinate operations and programs and provides a forum to discuss and resolve interagency disputes. It has issued two policy directives and made policy decisions to facilitate special drug enforcement operations. It has been hindered in developing budgetary priorities because of the lack of information on resources devoted to drug control programs and the results of these programs. A consolidated drug control budget has been developed and implementation plans for each component including measurable objectives have been prepared.

**FBI Voice Privacy:
Cost, Status, and Future
Direction**

GAO/IMTEC-87-4S, Mar. 8.

A previous GAO report on the cost and status of the Federal Bureau of Investigation's voice privacy program found the program had experienced substantial increases in estimated and actual costs and was significantly behind its original completion schedule. GAO raised questions for the Congress to consider in deciding whether to further authorize the FBI-led, integrated voice privacy system intended to meet the combined radio communications needs of the FBI, Drug Enforcement Administration, and the U.S. Marshals Service. This supplemental report summarizes GAO's evaluation of the FBI's response.

**DC Government:
Alternate Sites for
Federally Funded DC
Correctional Facility**

13GAO/GGD-88-50BR, Mar. 1.

The Federal Bureau of Prisons reviewed four sites in the District of Columbia for a proposed federally funded Correctional Treatment Facility. A site on the D.C. General Hospital grounds was originally chosen but continued neighborhood opposition led to consideration of alternate sites—Brickyard, South Capital Street, Anacostia Park/Fort Lincoln, and Fort Lincoln. The District estimates that if an alternate site is selected, cost increases ranging from \$5.2 million to \$10.2 million over current contract costs can be expected, depending on the site selected.

**Seized Conveyances:
Justice and Customs
Correction of Previous
Conveyance Management
Problems**

GAO/GGD-88-30, Feb. 3.

Customs has made more progress in correcting its information deficiencies and physically consolidating its fragmented seized conveyance custodial functions than has the Marshals Service. This is because the Marshals Service performed little advance planning, handled a more complex inventory of properties, faced more difficult internal coordination problems, and had to coordinate with three separate seizing agencies within Justice. Both agencies together made over 66,000 seizures with an appraised value of about \$892 million in FY 1986. Conveyances—vehicles, vessels, and aircraft—represented about 42 percent of all seizures that year and about 23 percent (\$200 million) of the total value. Customs seized about 10,000 conveyances valued at about \$106 million, and Justice seized about 17,000 valued at about \$94 million.

**Ethics Enforcement:
Results of Conflict of
Interest Investigations**

GAO/GGD-88-34, Feb. 19.

Agencies must refer ethical misconduct of federal employees to the Department of Justice for prosecutive determination when their Offices of Inspectors General find that violations of criminal statutes may have occurred. GAO reviewed 10 agency OIGs and found that they referred 124 allegations to Justice for prosecutive determination. Of these, 112 were found by the OIGs to involve a possible criminal violation of the conflict of interest laws. Justice prosecuted 2 of the 124 allegations, declined to prosecute 107 of the referrals and had not decided whether to prosecute 13. Agencies took administrative action on 22 allegations, including 16 of the 112 that were found to involve a possible criminal violation and were referred to the Department of Justice.

General Government

**Status of Open
Recommendations:
Improving Operations of
Federal Departments and
Agencies**

Acc. No. 135229 (GAO/OP-88-1), Feb. 26.

This annual report summarizes the findings and 1,298 open recommendations resulting from GAO's audits and other review work in the federal departments and agencies on which satisfactory legislative or administrative actions have not yet been completed. The report summaries are arranged by the budget function categories by which federal funds are appropriated and identified in the President's budget.

**Financial Management:
Examples of Weaknesses**

GAO/AFMD-88-35BR, Feb. 25.

Weaknesses in the federal financial management system continue to be disclosed by GAO audits, agency inspectors general initiatives, and agency self-evaluations conducted under the Federal Managers' Financial Integrity Act. Some examples of the problems are lack of centralized and agency financial management leadership and long-range planning, inadequate financial management systems, weaknesses in internal control, lack of periodic preparation and audit of agency-level financial statements, inadequate funds control, and inconsistent accounting practices. These examples, with their supporting documents, are compiled from previous GAO reports and testimonies and included in this report.

**Tax Administration:
IRS' Tax Gap Studies**

GAO/GGD-88-66BR, Mar. 25.

The tax gap is the difference between the amount of income taxes voluntarily paid by individuals and businesses and the amount of income taxes that are owed. This report provides a series of charts and accompanying narrative to describe IRS' 1979, 1983, and 1988 studies in which it estimated the size of the tax gap; changes in the methodology and assumptions that IRS used in the 1988 tax gap study; components of the tax gap and dollar estimates for each component in the 1988 tax gap study; and trends in the size of the tax gap.

**Tax Policy:
Information on Interest
Deducted for Financing
Mergers Is Not Available**

GAO/GGD-88-58, Mar. 29.

GAO was asked to identify the amount of interest deducted on 1981 through 1986 tax returns by corporations that borrowed funds to finance mergers which required Federal Trade Commission notification under the Clayton Act. This requires that the FTC be notified and make an antitrust review when firms meeting specific size criteria plan to merge. GAO found that this information was not readily available. The Internal Revenue Service, FTC, and the Securities and Exchange Commission have no current need to assemble this data on a systematic basis.

**Tax Policy:
Federal Estate Tax on
Historic Properties**

GAO/GGD-88-56, Mar. 31.

Historic preservationists believe the current federal estate tax provisions have an adverse effect on historic properties. They argue that federal estate tax obligations are forcing the breakup and sale of historic properties for uses that remove them from the National Register of Historic Places. GAO could not identify any historic properties lost to preservation since 1976 because of the federal estate tax. However, it would be misleading to conclude that federal estate taxes never caused the loss of historic properties because agencies are not required to keep records that document why historic properties were sold. Estate tax laws have undergone certain changes that have provided indirect benefits to historic preservation. A proposal to reduce the estate tax burden addresses two concerns—high valuation and the short time frame before the tax is due. But the proposal does not contain a provision to recapture tax benefits if the properties are not preserved, nor does it obligate the heirs to maintain the property in its historic state.

**Federal Personnel:
Views From Two Agencies
on Why More Employees
Did Not Join the New
Retirement System**

GAO/GGD-88-52FS, Mar. 11.

Fewer federal employees than anticipated elected to join the new Federal Employees Retirement System. Some of the reasons cited were (1) greater benefits with the Civil Service Retirement System than with FERS; (2) lack of trust in some aspect of the design or stability of FERS; (3) employees' inability to contribute to the thrift plan component of FERS; (4) possibility of congressional action changing FERS provisions relating to "windfall" social security benefits and spousal and survivor benefits; and (5) difficulty of understanding FERS.

**Federal Employees:
Appointees Converted to
Career Positions, October
Through December 1987**

GAO/GGD-88-67FS, Mar. 25.

From October through December 1987, 44 agencies reported that they had not appointed any noncareer employees to career positions. The remaining 16 agencies reported 46 conversions with the Department of the Treasury reporting 10, the largest number of conversions. Thirty-four of the 46 conversions were competitive appointments and 12 were noncompetitive.

**Federal Personnel:
Garnishment of Wages for
Commercial and Domestic
Debts**

GAO/GGD-88-49FS, Feb. 17.

Federal civilian employees and members of the Armed Forces are generally protected from garnishment of their wages for commercial debt because of the common-law rule that the sovereign (federal government) may be sued only if it consents. A governmentwide waiver of sovereign immunity has been granted for enforcing child support or alimony obligations, i.e., domestic debts. The waiver provided that the federal government is to be treated for this purpose as if it were a private person. Federal employees in 18 of 21 departments and agencies GAO contacted have their wages protected from garnishment for commercial debt based on this doctrine of sovereign immunity. Personnel at each of the 21 departments and agencies said their organizations honor court orders for domestic debt garnishments.

**Personnel Practices:
Federal Employees
Detailed From DOD to the
White House**

GAO/GGD-88-33, Mar. 14.

The law requires that the President report to Congress the number of employees detailed to five White House offices for more than 30 days in a fiscal year. The law also requires the White House to reimburse detailing agencies for employees performing White House functions for more than 180 days in a fiscal year. The White House underreported the number of employees detailed from the Department of Defense. In addition, DOD did not bill the White House for employees detailed more than 180 days in a fiscal year, nor did the White House reimburse DOD for such employees. Further, DOD hired Schedule C employees for details to the White House, an inappropriate use of the appointment authority.

**Former Presidents:
Support Costs and Other
Information**

Acc. No. 135345 (GAO/GGD-88-57FS), Mar. 3.

This fact sheet identifies the costs associated with the benefits and services provided to former presidents and their dependents during FY 1977 through 1987. It also discusses the residence located at 716 Jackson Place, N.W., Washington, D.C., which is available for use by former presidents. In addition, it gives the number of sites associated with former presidents that are controlled by the National Park Service.

**Financial Audit:
House Office Equipment
Service Schedules for
Fiscal Year 1987**

Acc. No. 135395 (GAO/AFMD-88-29), Mar. 28.

The House Finance Office maintains House Office Equipment Service records on a cash basis. In 1986 it assumed responsibility for administering the Members' district office furnishings and equipment inventory accounts from the General Services Administration. For FY 1987, the full cost of acquired equipment was \$9,426,093. However, trade-in allowances, purchase discounts, and vendor credits totaling \$126,769 resulted in a net equipment cost of \$9,299,324.

**Impoundment of Funds:
President's Third
Impoundment Message for
FY 1988**

GAO/OGC-88-3, Mar. 28.

The President's third special impoundment message for FY 1988 reports three new deferrals and revises the amounts of ten deferrals previously reported concerning the Departments of Defense, Agriculture, Energy, Health and Human Services, and Transportation.

Congressional Testimony by GAO Officials

Civilian Agencies' Management and Use of Aircraft, by Richard L. Fogel, General Government Division, before the Subcommittee on Environment, Energy, and Natural Resources, House Committee on Government Operations, Feb. 29. GAO/T-GGD-88-15. Acc. No. 135135.

Medicare: Hospital Payment Rates Should Be Revised to Assure Reasonableness and Equity, by Michael Zimmerman, Human Resources Division, before the Subcommittee on Health, House Committee on Ways and Means, Mar. 1. GAO/T-HRD-88-9. Acc. No. 135218.

Establishment of an Inspector General at the Central Intelligence Agency, by Charles A. Bowsler, Comptroller General of the United States, before the Senate Select Committee on Intelligence, Mar. 1. GAO/T-AFMD-88-6. Acc. No. 135176.

Restoring Degraded Riparian Areas on Western Rangelands, by James Duffus III, Resources, Community, and Economic Development Division, before the Subcommittee on National Parks and Public Lands, House Committee on Interior and Insular Affairs, Mar. 1. GAO/T-RCED-88-20. Acc. No. 135137.

Flexible Benefit Plans for Federal Employees, by Bernard L. Ungar, General Government Division, before the Subcommittee on Employment and Housing, House Committee on Government Operations, Mar. 1. GAO/T-GGD-88-12. Acc. No. 135136.

The Nuclear Regulatory Commission's Proposed Withdrawal From Participation in the Small Business Innovation Research Program, by Flora H. Milans, Resources, Community, and Economic Development Division, before the House Committee on Small Business, Mar. 1. GAO/T-RCED-88-21. Acc. No. 135163.

Role of Tax Policy in Preserving the Stock of Low-Income Rental Housing, by John H. Luke, Resources, Community, and Economic Development Division, before the Subcommittee on Select Revenue Measures, House Committee on Ways and Means, Mar. 3. Acc. No. 135177. GAO/T-RCED-88-22.

Proposed Reforms to Laws Related to Former Presidents, by Johnny C. Finch, General Government Division, before the Subcommittee on Federal Spending, Budget, and Accounting, Senate Committee on Governmental Affairs, Mar. 3. GAO/T-GGD-88-17. Acc. No. 135219.

Asset Forfeiture Programs: Corrective Actions Underway But Additional Improvements Needed, by Gene L. Dodaro, General Government Division, before the House Subcommittee on Crime, Mar. 4. GAO/T-GGD-88-16. Acc. No. 135192.

Army's Ability to Support Initial Combat Operations in Europe, by Richard A. Davis, National Security and International Affairs Division, before the Subcommittee on Readiness, House Committee on Armed Services, Mar. 9. GAO/T-NSIAD-88-11A.

Hazardous Waste Management at Federal Facilities, by J. Dexter Peach, Resources, Community, and Economic Development Division, before the Subcommittee on Transportation, Tourism and Hazardous Materials, House Committee on Energy and Commerce, Mar. 10. GAO/T-RCED-88-24. Acc. No. 135246.

Medicare: Management of the Risk-Based HMO Program, by Michael Zimmerman, Human Resources Division, before the Subcommittee on Health, House Committee on Ways and Means, Mar. 10. GAO/T-HRD-88-10. Acc. No. 135245.

Skill Qualifications of National Guard and Reserve Members, by Richard A. Davis, National Security and International Affairs Division, before the Subcommittee on Military Personnel and Compensation, House Committee on Armed Services, Mar. 10. GAO/T-NSIAD-88-15. Acc. No. 135251.

Defense Budget and Program Issues—Fiscal Year 1989 Budget, by Charles A. Bowsher, Comptroller General of the United States, before the Senate Committee on Armed Services, Mar. 14. Acc. No. 135328.

Department of Defense Inventory Growth and Management Problems Continue, by Martin M. Ferber, National Security and International Division, before the Subcommittee on Readiness, House Committee on Armed Services, Mar. 15. GAO/T-NSIAD-88-14. Acc. No. 135276.

Establishment of the Veterans Administration as a Cabinet Department, by Richard L. Fogel, General Government Division, before the Senate Committee on Governmental Affairs, Mar. 15. GAO/T-HRD-88-11, Mar. 15. Acc. No. 135275.

Taxation of Single Premium Life Insurance, by Jennie S. Stathis, General Government Division, before the Subcommittee on Select Revenue Measures, House Committee on Ways and Means, Mar. 15. GAO/T-GGD-88-20. Acc. No. 135291.

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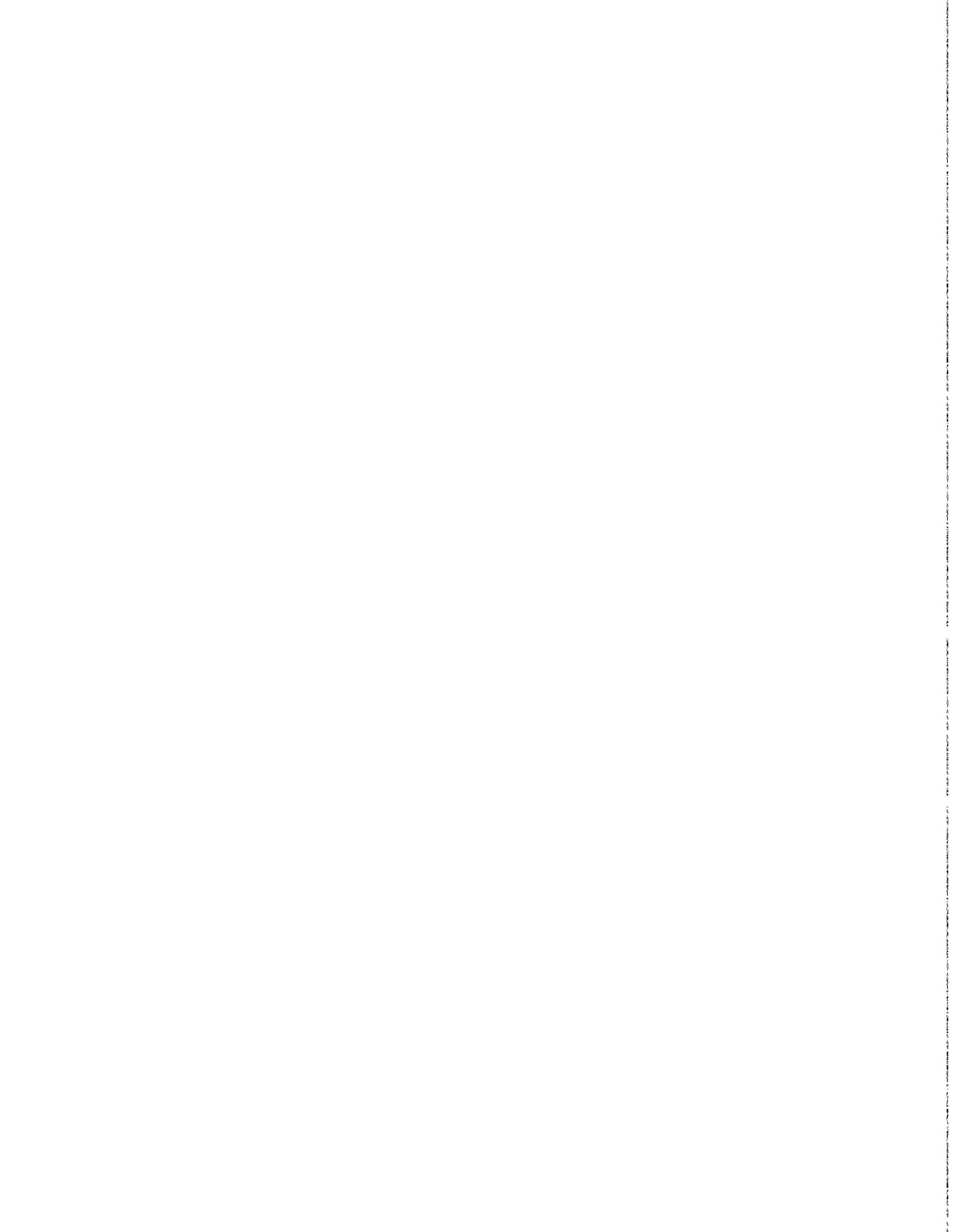
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