

140841

**GAO**

Annual Report to the Chairmen, House  
and Senate Committees on  
Appropriations

February 1990

**STATUS OF OPEN  
RECOMMENDATIONS**

**Improving Operations of  
Federal Departments  
and Agencies**



140841

93

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United States  
General Accounting Office  
Washington, D.C. 20548

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Comptroller General  
of the United States

B-205879

February 26, 1990

The Honorable Jamie L. Whitten  
Chairman, Committee on Appropriations  
House of Representatives

The Honorable Robert C. Byrd  
Chairman, Committee on Appropriations  
United States Senate

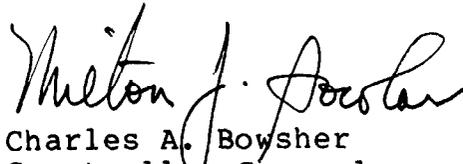
This is our annual report summarizing the findings and open recommendations resulting from GAO's audits and other review work in the federal departments and agencies on which satisfactory legislative or administrative actions have not yet been completed. To encourage prompt, responsive actions on its recommendations, GAO systematically follows up on them. This report contains information on a total of 1,595 GAO recommendations which were open as of November 30, 1989.

The report summaries are arranged by the budget function categories by which federal funds are appropriated and identified in the President's budget. Two indexes are included. The Committees of Jurisdiction index can be used to identify GAO findings and recommendations made to agencies for which committees have appropriation and oversight responsibility. GAO report titles are also listed. The Recommendation Addressee Index can be used to identify the same information by agencies to whom recommendations are addressed.

Details on these findings and recommendations can be found in the individual GAO reports cited. Although copies of those reports were previously provided to both the Congress and the agencies involved, this summary information should be useful to your committees in reviewing agencies' budget requests and operations. Please contact our Office of Congressional Relations if you wish us to suggest specific questions to be asked in appropriations hearings on the items summarized or if you need additional information.

B-205879

We are sending copies of this report to the Office of Management and Budget and the federal departments and agencies so they may be in a position to answer any inquiries made on these issues during the appropriations/oversight hearings. Copies are also being provided to other interested congressional committees.

*for*   
Charles A. Bowsher  
Comptroller General  
of the United States

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# Example

Sample Entry

Budget Function	Administration of Justice
Budget Subfunction	Federal Correctional Activities
Title	Presentence Evaluation Responsive to the Need
Report Number/Document Date	GGD-85-14, 04/09/85
Background	<b>Background</b> In order to report on how presentence psychiatric evaluations can be improved, GAO reviewed 157 cases where offenders were committed to the Federal Prison System for observation and study and 83 local studies ordered during fiscal year (FY) 1981.
Findings	<b>Findings</b> GAO found that the observation and study process has not been as useful as it could be because the Judicial Conference of the United States and the Federal Prison System have not: (1) established criteria for the selection of appropriate cases for observation and study; (2) developed and disseminated guidance on the types of questions that experts can be expected to answer; and (3) established a system to evaluate whether studies have met the needs of the district courts. GAO found that judges did not provide study objectives and referral questions in 76 of the 157 cases it examined. In addition, GAO found that about 78 percent of all studies ordered in FY 1981 were performed by the Federal Prison System. GAO also
Recommendations to Agencies	<b>Open Recommendations to Agencies</b> <b>Recommendation:</b> The Judicial Conference, through the Administrative Office of the U.S. Courts and the Federal Judicial Center, and the Attorney General, through the Federal Prison System, should form a partnership to develop criteria for the selection of cases appropriate for observation and study.
Recommendation Addressee (when more than one Addressee)	<b>Addressee:</b> Department of Justice
Recommendation Status	<b>Status:</b> Action not yet initiated. On April 13, 1987, the Sentencing Commission transmitted to Congress draft sentencing guidelines. Justice should be acting on this recommendation, since the sentencing guidelines became effective on November 1, 1987.
Status Comments	<b>Addressee:</b> Judicial Conference of the United States <b>Status:</b> Action not yet initiated. On April 13, 1987, the Sentencing Commission transmitted to Congress draft sentencing guidelines. The Judicial Conference should act on this recommendation, since the sentencing guidelines became effective on November 1, 1987.

# Administration of Justice

## Immigration Control: A New Role for the Social Security Card

HRD-88-4, 03/16/88

### Background

Pursuant to a legislative requirement, GAO: (1) explored ways to reduce the potential for fraud in obtaining and using social security number (SSN) cards; and (2) identified technological alternatives for making the card more resistant to counterfeiting.

### Findings

GAO found that: (1) the SSN application process was vulnerable to fraud, since there were thousands of different documents applicants could use to support their applications; (2) support documents, such as birth certificates, were easy to obtain, counterfeit, or alter, with no practical way for the Social Security Administration (SSA) to verify them; and (3) employers were untrained in document verification. GAO also found that: (1) designating the SSN card as the only acceptable document aliens could use for employment eligibility verification under the Immigration Reform and Control Act (IRCA) would simplify employment eligibility; (2) Immigration and Naturalization Service (INS) certification of alien employment eligibility could improve SSA procedures; (3) although magnetic strips, integrated circuitry, and lasers would make SSN cards more resistant to counterfeiting, they would not preclude persons from using fraudulent documents to obtain valid cards; (4) the introduction of color copiers has posed a significant threat to SSN card integrity; and (5) although IRCA provided that general revenues finance changes to the

SSN card, the Social Security Trust Funds paid for the replacement of 1.6 million cards at a cost of \$11.6 million.

### Open Recommendations to Congress

**Recommendation:** Congress may wish to consider whether the cost of replacing SSN cards as a result of IRCA should be paid from either appropriated funds or fees charged to those requesting the cards, rather than from the Social Security Trust Funds.

**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** The Attorney General should consider reducing the number of employment eligibility documents and specifically consider making the SSN card the only authorized employment eligibility document.

**Status:** Action in process. Justice has started to implement a plan to reduce the number of employment eligibility documents.

**Recommendation:** The Secretary of Health and Human Services and the Attorney General should develop a plan for the enumeration of aliens that would provide that INS certify the employment eligibility of aliens applying for an SSN card, or establish an alternative method of employment eligibility verification that would be as effective.

**Addressee:** Department of Justice

**Status:** Action not yet initiated. This recommendation is under study.

**Addressee:** Department of Health and Human Services

**Status:** Action not yet initiated. This recommendation is under study.

**Recommendation:** The Secretary of Health and Human Services and the Attorney General should develop a plan for annotating SSN cards for aliens who are authorized to work in this country on a temporary basis.

**Addressee:** Department of Justice

**Status:** Action in process. On April 4, 1989, SSA notified INS of a proposed legend to place on the SSN card. SSA plans to include the new legend on the SSN card beginning in the summer of 1990.

**Addressee:** Department of Health and Human Services

**Status:** Action in process. On April 4, 1989, SSA notified INS of a proposed legend to place on the SSN card. SSA plans to include the new legend on the SSN card beginning in the summer of 1990.

**Recommendation:** The Attorney General and the Secretary of Health and Human Services should study the cards confiscated from illegal aliens to identify the extent and methods employed to obtain and use SSN cards.

**Addressee:** Department of Justice

**Status:** Action in process. This recommendation is under study.

**Addressee:** Department of Health and Human Services

**Status:** Action in process. This recommendation is under study.

**Recommendation:** If the Attorney General concludes that the number of employment eligibility documents under IRCA should be reduced, he and the Secretary of Health and Human Services should study the potential impact of

such a change on requests for replacement SSN cards.

**Addressee:** Department of Justice

**Status:** Action not yet initiated. Justice has decided to reduce the number of employment eligibility documents; however, the recommended study has not been started.

**Addressee:** Department of Health and Human Services

**Status:** Action not yet initiated. The Department of Health and Human Services decided to reduce the number of employment eligibility documents; however, the recommended study has not been started.

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## Domestic Terrorism: Prevention Efforts in Selected Federal Courts and Mass Transit Systems

PEMD-88-22, 06/23/88

### Background

In response to a congressional request, GAO provided information on current efforts to protect against domestic terrorism in federal court buildings and mass transit systems.

### Findings

GAO found that: (1) the U.S. Marshals Service protects federal court facilities and personnel against terrorist actions; (2) the seven court districts it reviewed implemented and enhanced most of the Service's standard security measures against terrorism; (3) although the courts established emergency response procedures, they emphasized prevention; and (4) the courts generally selected risk-reduction strategies that would not negatively affect the court's openness or the general public's civil liberties. GAO also found that: (1) the Urban Mass Transportation Administration failed to address civil liberty issues in its technical assistance project on terrorism prevention and response strategies; (2)

local transit officials regarded their systems as only secondary targets for terrorist attack and considered accident and common crime prevention more important than terrorism prevention; and (3) transit officials had generally not tested the performance effectiveness or intrusiveness of their security systems. In addition, GAO found that: (1) no one specific agency was responsible for providing federal agencies with technical information and expertise regarding the planning, coordination, and evaluation of domestic antiterrorism strategies; and (2) there was a lack of uniform, systematic, and comprehensive planning efforts to evaluate the effectiveness of current antiterrorism measures.

### Open Recommendations to Congress

**Recommendation:** Congressional committees that are concerned about the threat of domestic terrorism and the preservation of civil liberties may wish to request that agencies provide

information on the strategies they have developed to prevent and respond to terrorist acts. Of special interest would be the extent to which agencies have evaluated the effectiveness and intrusiveness of existing preventive measures. Consideration should be given to how protective strategies can be effective and flexible in addressing different terrorist threats, while adhering to a consistent standard of minimal intrusiveness on the civil liberties of the public and employees. Congressional committees might also want to ensure that the antiterrorism programs are compatible with the mission and operations of their institutions or facilities, are integrated with related functions such as safety and emergency preparedness, and are coordinated with appropriate law enforcement agencies.

**Status:** Action not yet initiated.

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

GGD-89-90, 08/15/89

### Background

Pursuant to a legislative requirement, GAO evaluated the Department of Justice's pilot program for contracting with private attorneys for debt collection to determine: (1) Justice's compliance with federal competition requirements; (2) whether Justice obtained reasonable prices; (3) the extent to which Justice encouraged minority competition; and (4) program results.

### Findings

GAO found that Justice: (1) generally followed federal competition requirements for identifying potential contractors in its first set of 5 pilot districts, with over 1,100 law firms expressing interest in obtaining contracts and 83 submitting proposals; (2) awarded 3 of its first 18 contracts to minority firms and was considering more awards to minority firms under its second set of 5 pilot districts; (3) generally followed federal contractor selection requirements, although it

erroneously eliminated two potentially qualified firms from competition and provided only limited guidance for technical proposal evaluation; (4) did not adequately document its contracting process; (5) obtained reasonable prices for the legal services; (6) could not assess the cost-effectiveness of its contracting efforts, since it collected data on costs of private attorney debt collection efforts, but did not collect comparable cost information for participating U.S. attorney's offices; and (7) misreported cost information comparing private and U.S. attorneys' collection efforts.

### Open Recommendations to Agencies

**Recommendation:** To ensure that the Department of Justice complies with the Federal Acquisition Regulation, the Attorney General should direct the head of the procurement services staff to fully: (1) evaluate all proposals before eliminating them from competition; and (2) document the contracting process.

**Status:** Action not yet initiated.

**Recommendation:** The Attorney General should direct the U.S. attorney's offices participating in the pilot program to modify their reporting system to separately estimate the number of personnel that work on the same types of debt cases that the private attorneys will be handling.

**Status:** Action not yet initiated.

**Recommendation:** The Attorney General should direct the Executive Office for U.S. Attorneys to use the refined information to estimate the U.S. attorney's offices indirect debt collection costs.

**Status:** Action not yet initiated.

**Recommendation:** The Attorney General should direct the program manager to revise program results reports to show results on cases that are comparable.

**Status:** Action not yet initiated.

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**Criminal Justice Assistance**
**Cuban Refugee Resettlement: Federal Administration of VisionQuest Projects Inadequate**

HRD-89-16, 12/30/88

**Background**

Pursuant to a congressional request, GAO provided information on a firm's Cuban entrant program, focusing on: (1) the amount and sources of federal funds it received; (2) how it spent the federal funds; (3) the propriety of its paying for leases with federal funds; and (4) how the National Institute of Mental Health (NIMH) carried out its administrative responsibilities.

**Findings**

GAO found that the firm: (1) received about \$1.7 million from the Social Security Administration's Office of Refugee Resettlement, \$16.5 million from the NIMH Refugee Mental Health Program, and \$585,000 from the Department of Justice's Community Relations Service; (2) provided community-based mental health services to 245 Cuban youth resettling in the United States; (3) did not comply with its proposed 18-month maximum participation limit until NIMH issued a policy guideline limiting participation to 6 to 9 months; (4) could not evaluate its program's effectiveness, since it did not follow up on participants after discharge; and (5) spent \$196,150 more than it was authorized to during three award

periods. GAO also found that NIMH did not: (1) adjust program funding to reflect the varied number of participants during different award periods; (2) adequately document or maintain program-related proposals, budget requests and cooperative agreements, program expenditures, or monitoring reports; (3) develop an indirect cost rate and allowed the firm to charge the government \$2.4 million in indirect costs it categorized as burden allocation; (4) take any enforcement action for the firm's failure to timely submit acceptable financial status reports; or (5) maintain adequate documentation to support the propriety of the firm's charging the government for the costs of its leasing arrangements.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Health and Human Services should direct Public Health Service (PHS) grants management and program officials to: (1) evaluate NIMH procedures, activities, and records relating to VisionQuest's cooperative agreements; and (2) obtain and develop needed documentation to bring NIMH official files into compliance with PHS policies.

**Status:** Action in process. Estimated completion date: 01/90. PHS started a review of selected NIMH grant files in April 1989. Based on the preliminary results of this review, a comprehensive review of the NIMH grants management office will be done to ensure that all NIMH programs are managed in line with Department of Health and Human Services policy.

**Recommendation:** The Secretary of Health and Human Services should direct PHS grants management and program officials to review NIMH administration of all cooperative agreements for community-based treatment of Cuban entrants to determine whether NIMH carried out its responsibilities in compliance with PHS policies.

**Status:** Action in process. Estimated completion date: 01/90. PHS reviewed NIMH active and closed community-based treatment projects for Cuban entrants and found deficiencies similar to those GAO found at VisionQuest. The reviewers examined other selected assistance activities and also found problems. In July 1989, the Deputy Assistant Secretary for Health Operations asked that a comprehensive review of the NIMH grants management office be undertaken.

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**Federal Law Enforcement Activities**

**Immigration Reform: Systematic Alien Verification System Could Be Improved**

IMTEC-87-45BR, 09/30/87

**Background**

Pursuant to a legislative requirement, GAO examined the effectiveness of the Immigration and Naturalization Service's (INS) Systematic Alien Verification for Entitlements (SAVE) system, particularly its implementation nationwide.

**Findings**

GAO found that: (1) the SAVE system provides quick and positive verification of an alien's immigration status; (2) during a 6-month period, INS detected 734 illegal aliens out of about 13,426 applicants for unemployment compensation benefits; and (3) of the 13,426 cases it examined, approximately 4,100 aliens required secondary verification of their legal status and of those, about 96 percent were legal. GAO

also found that: (1) although INS intends to improve its data to ensure accurate, positive primary verifications, such improvement will not occur before the middle of 1988; (2) INS plans to correct the deficiencies in its central system on a case-by-case basis during secondary verification until it implements a nationwide verification system; and (3) since the system is still in the developmental stage, INS has not determined its overall cost.

**Open Recommendations to Agencies**

**Recommendation:** To ensure that the nationwide SAVE system meets the needs of state and local officials, the Commissioner, INS, should develop: (1) a formal corrective action plan that clearly identifies both short-term and

long-term corrective actions INS plans to take to improve the quality and completeness of the data base accessed by the SAVE system; and (2) statistical and trend data on the magnitude of primary verifications, together with magnitude, turnaround time, and records corrected during secondary verification.

**Status:** Action taken not fully responsive. A plan was completed on March 18, 1988. Many actions called for in this plan have been implemented by INS, resulting in significant improvements in the quality and completeness of SAVE data. Actions relating to the second part of the recommendation are still in process. INS began collecting data on secondary verifications in December 1988, but results at this time are incomplete.

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**Federal Law Enforcement Activities**

**Immigration Service: INS' Technology Selection Process Is Weak, Informal, and Inconsistently Applied**

PEMD-88-16, 04/22/88

**Background**

In response to a congressional request, GAO examined the methodologies and practices that the Immigration and Naturalization Service (INS) used to select technologies for the enforcement of immigration law.

**Findings**

GAO found that INS: (1) lacked systematic procedures for selecting new technologies; (2) lacked policies regarding the procedures for the identification of needs or problems, as well as the identification of solutions; (3)

lacked policies regarding the types of items that it should test or the scope and methods for the testing process; (4) lacked policies regarding the use of the research and development office or the interaction between it and program offices and users; (5) did not consistently select or adequately review or test

technology; (6) did not have a current or complete inventory of items used in the field; (7) improperly allowed its regional and field offices to determine how they distributed resources and spent funds; (8) did not gather or maintain information on the effectiveness of items used or have a clearinghouse to provide the information to prospective purchasers or users; (9) lacked long-term planning for and control over expenditures for electronic and communication equipment; (10) did not sufficiently plan its technology acquisitions to eliminate

additional purchases and show potential savings; and (11) experienced difficulties in applying the GAO-developed framework to specific cases, due to differences in the current INS process.

**Open Recommendations to Agencies**

**Recommendation:** The Attorney General should direct the Commissioner, INS, to not purchase an additional, larger aircraft at this time. Unless load factors for the Convair 580 increase over

the 1987 through 1988 period, a larger aircraft does not appear to be justified. **Status:** Action in process. INS has delayed or eliminated the purchase of additional aircraft. INS stated that it will use the GAO framework in any future purchase decision. GAO should continue to follow up on this to see if INS does follow the framework in this case.

**Federal Law Enforcement Activities**

**Equal Employment Opportunity: EEOC and State Agencies Did Not Fully Investigate Discrimination Charges**

HRD-89-11, 10/11/88

**Background**

In response to a congressional request, GAO: (1) reviewed six Equal Employment Opportunity Commission (EEOC) districts' and five states' fair employment practices agencies' (FEPA) efforts to fully investigate discrimination charges; and (2) assessed how well EEOC monitored state investigative work.

**Findings**

GAO found that, of the charges that EEOC and FEPA closed with no-cause determinations from January through March 1987, the agencies did not: (1) verify critical evidence in 49 to 87 percent of the cases; (2) interview relevant witnesses in at least 20 percent of the investigations in 7 of the 11 offices; or (3) compare charging parties with similarly situated employees in at least 20 percent of the investigations in 5 of the 11 offices. GAO also found that: (1) the percentage of cases with serious

deficiencies ranged from 40 percent in one state to 87 percent in another; (2) EEOC did not have enough staff to effectively monitor FEPA; (3) although EEOC and FEPA did not fully investigate filed charges, the size of the backlog almost doubled between 1983 and 1987, leaving more than 118,000 charges awaiting investigation at the end of 1987; (4) EEOC tried various approaches, but could not successfully balance the timely resolution of a large volume of charges with the performance of high-quality investigations; (5) former EEOC officials could not agree on the best strategy for effectively and efficiently dealing with the volume of charges EEOC received; and (6) although the current EEOC Chairman believed that EEOC could fully investigate charges and properly monitor FEPA investigative work with the \$20-million increase in EEOC funding, there was no reliable work-load information to support his views.

**Open Recommendations to Congress**

**Recommendation:** The Chairmen of the House Committee on Education and Labor and Senate Committee on Labor and Human Resources, and the chairmen of other appropriate congressional committees having responsibility for EEOC, should jointly establish a panel of experts to consider the strategy being used to enforce employment discrimination laws. In considering options, the panel should determine the: (1) appropriate roles for EEOC and FEPA in investigating charges; and (2) resources needed to carry out the roles assigned to each entity.

**Addressee:** House Committee on Education and Labor

**Status:** Action not yet initiated.

**Addressee:** Senate Committee on Labor and Human Resources

**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** The Chairman, EEOC, should emphasize the need to obtain all relevant documentary and testimonial evidence and to verify such evidence before reaching a decision on the merits of a charge. When such evidence is not obtained, the charge file should clearly contain reasons for the omissions.

**Status:** Action in process. The EEOC Chairman has noted that in addition to regular memoranda from headquarters to field staff on evidence-gathering, EEOC: (1) added comprehensive training in case development for all field supervisors and managers; and (2) continues to monitor the quality of investigations via charging parties' requests for reviews of their investigations.

**Recommendation:** The Chairman, EEOC, should conduct a study to

determine the: (1) charge case load an individual investigator should be expected to carry annually and fully investigate; and (2) resources EEOC would need to fully investigate charges filed.

**Status:** Action not yet initiated. The Chairman, EEOC, has only indicated that such a study is difficult to conduct and that case-load decisions are left to local managers. The Chairman has stated that EEOC determined these resources by using FY 1988 work-load statistics. No special study was conducted. The agency contact is following up.

**Recommendation:** The Chairman, EEOC, should direct EEOC district offices to monitor the investigations performed by FEPA more closely and not accept FEPA determinations that are based on less than full investigations.

**Status:** Recommendation valid/action not intended. The EEOC response to this

recommendation simply reiterated its present procedures for reviewing FEPA investigations. Further monitoring would require additional unavailable resources.

**Recommendation:** The Chairman, EEOC, should establish an independent group to periodically conduct investigations of a sample of charges filed with EEOC district offices and FEPA and subject them to full investigations. The results of this work should be compared with the overall administrative closure, settlement, cause, and no-cause rates obtained from investigations done by the district offices and FEPA.

**Status:** Recommendation valid/action not intended. In the EEOC response to the requirements of 31 U.S.C. 720, the Chairman stated that the Determination Review Program eliminated any need for an independent study, as recommended.

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## Federal Law Enforcement Activities

### Immigration Reform: Status of Implementing Employer Sanctions After Second Year

GGD-89-16, 11/15/88

#### Background

In response to a legislative requirement, GAO surveyed implementation and enforcement of the Immigration Reform and Control Act's (IRCA) employer sanction provisions to determine whether the: (1) Immigration and Naturalization Service (INS) and other federal agencies satisfactorily carried out IRCA; and (2) provisions caused a widespread pattern of discrimination against U.S. citizens or others or created

an unnecessary regulatory burden on employers.

#### Findings

GAO found that: (1) although INS continued to educate employers while increasing enforcement, 22 percent of the employers GAO surveyed were not aware of IRCA, and 20 percent did not clearly understand major IRCA provisions; (2) as of September 1988, INS had recorded 452 violations for

employing unauthorized aliens and about 4,700 violations for not completing required forms; and (3) about half of the 1.9 million employers who were aware of the law hired at least one employee who had not completed the required form. GAO also found that: (1) INS did not systematically analyze data on unauthorized aliens' use of counterfeit documents; (2) INS did not distinguish between employers who voluntarily complied with the act before receiving a notice of inspection and those that it

brought into compliance through inspection; and (3) INS and the Department of Labor (DOL) did not consistently review employers' payroll records to verify that there were no other employees hired who had not completed the required form. In addition, GAO found that: (1) the number of discrimination charges filed with the Office of Special Counsel (OSC) and the Equal Employment Opportunity Commission (EEOC), and data on IRCA-related discrimination did not establish a pattern of discrimination; and (2) there was insufficient information to determine whether the employer sanction provisions caused an unnecessary regulatory burden.

**Open Recommendations to Agencies**

**Recommendation:** The Attorney General should direct the Commissioner, INS, to revise the guidance to INS

investigators to require them to follow reasonable steps, such as requesting employer payroll records, to determine if all required I-9 forms have been prepared.

**Status:** Action not yet initiated. INS plans to revise its field manual to incorporate the recommendation. However, due to budget constraints, the revisions have not been issued.

**Recommendation:** The Attorney General should direct the Commissioner, INS, to modify the General Administrative Plan to measure compliance at the beginning of the inspection.

**Status:** Action not yet initiated. A feasibility test was conducted in August 1989. The agency is compiling the results of the test and plans to have data by December. However, the information system needed to fully carry out this recommendation has not been implemented.

**Recommendation:** The Attorney General should direct the Commissioner, INS, to begin systematically evaluating data on the extent to which unauthorized aliens are using counterfeit or fraudulent documents to complete the I-9 form, including the types of documents used.

**Status:** Action in process. A joint INS/GAO project to gather data was initiated on May 1, 1989. An apprehended alien interview was pretested on May 30, 1989 and implemented during August and September. The GAO Atlanta office is compiling the preliminary results. The data will be provided to INS by December 1989. However, due to budget constraints, INS has not implemented the information system needed to gather the data.

**Federal Law Enforcement Activities**

**Internal Affairs Investigations: Customs Service Needs to Better Manage the Investigation Process**

GGD-89-43, 02/28/89

**Background**

In response to a congressional request, GAO reviewed the Customs Service Office of Internal Affairs' policies and procedures for handling allegations of employee impropriety and employee background investigations.

**Findings**

GAO found that: (1) the Department of the Treasury's Office of Inspector General (OIG) was responsible for

ensuring that Internal Affairs complied with established policies and procedures; (2) although procedures required documentation for each allegation Internal Affairs received, it did not document an allegation if the investigator determined that the allegation was nonspecific, incomplete, or frivolous; (3) lack of documentation precluded any assessment of the extent to which allegations went undocumented, the seriousness of the allegations, or the extent to which

Internal Affairs notified OIG of direct allegations from individuals; (4) some documentation indicated that Internal Affairs failed to notify OIG of allegations involving senior officials; and (5) 27 of 41 cases completed prior to 1987 procedural changes were missing required documentation, while only 6 of 20 1988 cases were missing required documentation. GAO also found that: (1) Internal Affairs did 6,421 background investigations in 1987 and 5,690 in 1988, compared to 2,534 in 1986; (2) although a

backlog of new employee investigations developed in 1987, Internal Affairs eliminated it by using overtime, modified procedures, and additional staffing; and (3) in 1988, Internal Affairs continued to have a backlog of between 3,500 and 5,500 employee reinvestigations, resulting from its practice of only completing reinvestigations on promoted or reassigned employees. In addition, GAO found that: (1) OIG had not done a complete quality assurance review of Internal Affairs since 1980; and (2) OIG relied on periodic meetings and case reviews to ensure the quality of Internal Affairs investigations.

**Open Recommendations to Agencies**

**Recommendation:** The Department of the Treasury's Inspector General should better ensure that Internal Affairs

prepares and maintains required documentation in case files.  
**Status:** Action in process. Customs' Assistant Commissioner for Internal Affairs issued instructions requiring such documentation. Treasury's OIG plans to monitor Customs' activities once its Office of Quality Assurance is fully operational. OIG does not plan to follow up until December 1990. GAO plans to follow up in 1991.

**Recommendation:** The Department of the Treasury's Inspector General should better ensure that Internal Affairs refers immediately all allegations of impropriety concerning senior-level officials to Treasury's OIG.  
**Status:** Action in process. Customs' Assistant Commissioner for Internal Affairs reiterated existing instructions. Treasury's OIG plans to monitor Customs' actions once its Office of Quality Assurance is fully operational.

OIG does not plan to follow up until December 1990. GAO plans to follow up in 1991.

**Recommendation:** The Department of the Treasury's Inspector General should better ensure that Internal Affairs makes background investigations as required by the Office of Personnel Management.  
**Status:** Action taken not fully responsive. The Commissioner of Customs allocated additional positions to reduce the backlog of background investigations. Treasury's OIG will monitor Customs actions once its Office of Quality Assurance is operational, but not before December 1990. GAO also plans to follow up, but probably before December 1990.

**Federal Law Enforcement Activities**

**Asset Forfeiture: An Update**

T-GGD-89-17, 04/24/89

**Background**

GAO discussed how the Customs Service and the Department of Justice (DOJ) could more quickly process seized assets. GAO noted that: (1) such seized assets as cash and real estate have increased by 3,200 percent since 1979, now totalling \$1.1 billion; (2) both Customs and DOJ used their asset forfeiture funds to finance program expenses, share with state and local law enforcement agencies, and fund drug enforcement activities; (3) judicial forfeiture, required for seized cash amounts over \$100,000, took longer than administrative forfeiture; (4) no one contested 89

percent of judicially forfeited cash, resulting in default judgments; (5) neither DOJ nor Customs had policies on how long transfer of seized assets to forfeiture funds should take, and frequently took more than 30 days to accomplish transfer; and (6) property equity, value, and title problems made disposal of forfeited real estate time-consuming and unprofitable.

**Open Recommendations to Congress**

**Recommendation:** Congress should revise existing law to allow Customs and DOJ to administratively forfeit

uncontested cash seizures. Specific language needed for: (1) Customs' revision of 19 U.S.C. 1607(a) by adding "such seized merchandise as monetary instruments"; and (2) DOJ revision of 28 U.S.C. 524(c) by adding similar language.  
**Status:** Action in process.

**Recommendation:** To ensure that large uncontested cash seizures are processed in a timely manner and adequately monitored, Congress should amend Public Law 100-690, Sections 6072 and 7364, to require that annual forfeiture fund reports to Congress include data on uncontested cash seizures over \$100,000 which are not transferred to the

forfeiture fund within 120 days of seizure.

**Status:** Action in process.

**Recommendation:** Congress should enact legislation to amend civil forfeiture law stating that the U.S. government guarantees clear title upon completion of the civil forfeiture process.

**Status:** Action in process.

### Open Recommendations to Agencies

**Recommendation:** The Attorney General and the Secretary of the Treasury should: (1) ensure that, upon enactment of appropriate legislation, cash cases over \$100,000 which have not had complaints for forfeiture filed with the court are reviewed for conversion to administrative forfeiture; and (2) establish priority processing of uncontested administrative cash seizures over \$100,000.

**Addressee:** Department of Justice

**Status:** Action in process. Justice has formally agreed to implement this recommendation as soon as the

legislative recommendation is adopted by Congress.

**Addressee:** Department of the Treasury  
**Status:** Action in process. Treasury has formally agreed to implement this recommendation as soon as the legislative recommendation is adopted by Congress.

**Recommendation:** To ensure that cash is transferred timely and large cash forfeitures receive priority, the Attorney General and the Secretary of the Treasury should transfer: (1) forfeited cash of \$100,000 or more from the holding account to asset forfeiture funds within 7 days of forfeiture; and (2) all other forfeited cash from the holding account to asset forfeiture funds within 30 days of forfeiture.

**Addressee:** Department of Justice  
**Status:** Action in process. Justice began review to identify and set in motion steps to resolve any seized cash management delays.

**Recommendation:** The Attorney General should: (1) ensure that professional appraisals and title searches

be normally obtained before a complaint for forfeiture is filed, and in those situations where a thorough analysis of defendant equity/forfeitable interest before seizure would jeopardize an investigation, professional appraisals and title searches should be done within 60 days of seizure; (2) consider including the estimated forfeitable interest in civil complaints for forfeiture so that the financial merits of the case will be known before the judicial proceedings begin; (3) establish a quick release policy whereby heavily encumbered properties (low or non-existent forfeitable interest) could be timely released to innocent co-owners or lienholders so those parties can pursue recovery of their vested interests; and (4) ensure that specific language regarding clear title is provided to key congressional committees.

**Status:** Action in process. Justice has agreed to make some changes in this area, but is not yet sure what those changes will be.

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## Federal Litigative and Judicial Activities

# Defense Procurement Fraud: Justice's Overall Management Can Be Enhanced

GGD-88-96, 06/29/88

### Background

Pursuant to a congressional request, GAO examined the Department of Justice's (DOJ) overall management of its defense procurement fraud investigations.

### Findings

GAO found that DOJ: (1) lacked complete and timely information about case referrals and case status, since investigating agencies and DOJ attorneys frequently failed to report such data to its Fraud and Corruption Tracking (FACT) System; (2) did not gather information about the number of attorneys involved in defense

procurement fraud investigations and prosecutions; (3) stated that it needed more staff for such investigations and prosecutions, but lacked a case-weighting system that could help it assess and justify additional resource requirements; and (4) lacked written management plans outlining its current and future efforts in this area. GAO also found that: (1) turnover among attorneys and

support staff had an adverse impact on investigations; (2) DOJ provided adequate, timely guidance to investigating attorneys on an as-needed basis; (3) DOJ case monitoring procedures varied according to each case's importance and sensitivity; (4) DOJ did not maintain written records of staff assignments or time commitments to specific cases; and (5) attorneys did not develop general or specific written investigation plans.

### Open Recommendations to Agencies

**Recommendation:** The Attorney General should reassess the operation of the FACT system with regard to defense procurement fraud to determine what needs to be done to ensure that an interagency tracking system is in place

that will provide complete, accurate, and timely information on fraud referrals and cases.

**Status:** Action in process. Estimated completion date: 04/90. The General Services Administration (GSA) approved the system needs assessment for the FACT system on September 30, 1989. Justice's Criminal Division has initiated program changes and expects to complete them by April 1990.

**Recommendation:** The Attorney General should develop a means for determining the amount of attorney resources being spent on defense procurement fraud and pursue the development of a case-weighting system.  
**Status:** Action not yet initiated. Officials at the Executive Office for U.S. Attorneys (EOUSA) were contacted several times; however, they have yet to

provide updated information on the status of the service contract for the design of a case-weighting scheme.

**Recommendation:** The Attorney General should select those U.S. attorney offices that investigate a large number of defense procurement fraud referrals and then direct these offices and the Criminal Division to prepare written management plans and update them periodically to assess progress.  
**Status:** Action not yet initiated. Officials at EOUSA were contacted several times; however, they have yet to provide updated information on the inclusion of specific reporting on defense procurement fraud activity within each U.S. attorney office's existing law enforcement plan.

## Farmers Home Administration: Farm Loan Programs Have Become a Continuous Source of Subsidized Credit

RCED-89-3, 11/22/88

### Background

Pursuant to a congressional request, GAO reviewed the Farmers Home Administration's (FmHA) farm loan graduation policies and procedures to determine: (1) whether FmHA followed legislative mandates to graduate successful borrowers; (2) the extent to which FmHA was a long-term source of credit; and (3) the amount of government interest rate subsidy and financial advantage FmHA borrowers received.

### Findings

GAO found that: (1) many FmHA borrowers did not graduate to other credit sources because they lacked financial capability and few lenders expressed interest in refinancing their debts; (2) some FmHA county offices did not comply with all aspects of the graduation review process; (3) FmHA lacked a clear operational definition of graduation, preventing consistent policy and practice application; (4) FmHA could not monitor or judge the success of its graduated borrowers, since it did not maintain reliable information on the results of its graduation efforts; (5) many FmHA borrowers have remained in the loan programs for extended periods due

to the depressed agricultural market and the lack of definition of the FmHA role as a temporary credit source; and (6) FmHA borrowers received loans that no other lender would provide and significant interest-rate subsidies at government expense.

### Open Recommendations to Agencies

**Recommendation:** To help ensure that FmHA borrowers with potential for graduation to non-FmHA financing are identified and graduated when their economic conditions permit, the Secretary of Agriculture should direct the Administrator, FmHA, to develop and convey to all FmHA units a precise operational definition of graduation and emphasize the importance of uniform application of that definition.

**Status:** Action in process. FmHA has begun coordination to redefine 'graduation' in FmHA Instruction 1951-F, section 1951.252(b). This definition, when used consistently, will improve the graduation process and subsequent reporting accuracy.

**Recommendation:** To help ensure that FmHA borrowers with potential for

graduation to non-FmHA financing are identified and graduated when their economic conditions permit, the Secretary of Agriculture should direct the Administrator, FmHA, to monitor county office compliance with graduation requirements.

**Status:** Action in process. FmHA is developing a more effective monitoring system which is expected to be in place by December 1989.

**Recommendation:** To help ensure that FmHA borrowers with potential for graduation to non-FmHA financing are identified and graduated when their economic conditions permit, the Secretary of Agriculture should direct the Administrator, FmHA, to collect and summarize accurate data on results of the borrower graduation process and distribute such results to all appropriate management levels so that FmHA is kept informed of the progress made in graduating borrowers to non-FmHA sources of credit.

**Status:** Action in process. The problem has been due to different interpretations of the term 'graduation' by county offices. A more precise definition of the term should help resolve this problem.

# Farmers Home Administration: Sounder Loans Would Require Revised Loan-Making Criteria

RCED-89-9, 02/14/89

## Background

In response to a congressional request, GAO examined the Farmers Home Administration's (FmHA) loan policies and practices to determine: (1) whether FmHA used adequate criteria to make and service loans; (2) how FmHA loan policies affected borrower equity; (3) whether security for FmHA loans was adequate; and (4) the potential impact of FmHA-proposed loan criteria on existing borrowers.

## Findings

GAO found that: (1) FmHA analyses of its cash flow were overly optimistic, since it did not allow for unexpected expenses or equipment replacement and often overstated borrowers' repayment ability; (2) FmHA used extensive loan-servicing techniques, such as reducing interest rates and increasing repayment periods, to keep borrowers current on their loans; (3) loan servicing usually increased the outstanding loan principal by adding unpaid interest to the principal, and created long-term debts; (4) increased debt and the declining value of collateral assets decreased borrowers' equity; (5) although FmHA required adequate security to ensure repayment for new loans, it did not have similar security requirements for serviced loans; (6) FmHA proposed stricter eligibility and loan criteria in 1987 to speed loan processing and improve loan portfolio financial management; (7) although the proposed criteria would have denied assistance to a large percentage of existing borrowers,

FmHA attempted to define those farmers whom it could help or not help with its loans and identified borrowers' degree of risk; (8) FmHA withdrew the proposal due to congressional and public concern over inadequate information on the proposal's impact and the denial of further assistance; and (9) Congress directed FmHA to reinstate the continuation policy that allowed existing borrowers to obtain additional loans without showing their ability to repay prior loans, but enacted new legislation that directed FmHA to consider reducing delinquent borrowers' debt if it was financially better for the government than liquidation.

## Open Recommendations to Congress

**Recommendation:** Congress may wish to reconsider whether the continuation and debt-restricting policies are the best means of assisting already heavily indebted farmers.

**Status:** Action not yet initiated.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Agriculture should direct the Administrator, FmHA, to develop regulations, in consultation with appropriate congressional committees, that improve the cash-flow analysis used in loan-making decisions by incorporating an allowance to cover contingencies and equipment replacement.

**Status:** Action in process. Estimated completion date: 03/90. FmHA is developing a study of the use of ratios as guides for sounder credit decisions. FmHA expects the study to be completed in early 1990 and then to present the results to Congress.

**Recommendation:** The Secretary of Agriculture should direct the Administrator, FmHA, to develop regulations, in consultation with appropriate congressional committees, that protect the government's financial interests by requiring that, when servicing loans, county supervisors obtain security of equal or greater value than the serviced loan's outstanding principal or the best security interest available on all of the borrower's assets.

**Status:** Action in process. FmHA will continue to emphasize the taking of additional collateral, when available, or the best lien obtainable, to secure the unpaid balance of unsecured delinquent loans. In addition, regulations will be reviewed to determine how they may be strengthened to better protect the government's interest in servicing farmer program loans.

**Recommendation:** The Secretary of Agriculture should direct the Administrator, FmHA, to provide adequate credit analysis training to county supervisors. The training should stress the importance of preparing required year-end analyses of farm operations for all borrowers, including actual performance data, and the

development of realistic farm operating budgets for nondelinquent borrowers.

**Status:** Action in process. After completion of the evaluation of training needs and effectiveness of the pilot project self-study course, FmHA will either reemphasize a training program in line with the existing method, or initiate a program based on the reevaluation. FmHA will continue to emphasize the importance of completing an annual analysis of borrower farm operations and the development of realistic farm budgets.

**Recommendation:** The Secretary of Agriculture should direct the

Administrator, FmHA, to pursue the development of more comprehensive loan-making criteria that assess an applicant's financial solvency, profitability, liquidity, and repayment ability prior to making new loans. After FmHA develops new criteria and studies the effects on borrowers, as required by the Agricultural Credit Act, FmHA should, in consultation with appropriate congressional committees, determine where to draw the line between those financially troubled farmers who could be helped and those who could not be helped with FmHA financial assistance. This will improve the financial condition of the FmHA loan portfolio and assist

borrowers by providing them with a more realistic assessment of their financial condition before they accept additional credit.

**Status:** Action in process. Estimated completion date: 03/90. FmHA has made efforts in the past to incorporate many of GAO recommendations into its regulations; however, due to public comment and concern of Congress, FmHA has been unable to put in place a number of sound credit standards. FmHA is developing a study of the use of ratios as guides for sounder credit decisions. When the study is completed, it will be presented to Congress for consideration.

## Farmers Home Administration: Implementation Issues Concerning Four Sections of the Food Security Act

RCED-89-71, 06/19/89

### Background

Pursuant to a congressional request, GAO reviewed the Farmers Home Administration's (FmHA) lack of progress in applying the homestead protection, lease/buy-back, conservation easement, and softwood timber provisions of the Food Security Act of 1985.

### Findings

GAO found that: (1) because of inadequate FmHA records, it could not fully determine why some of the provisions were not more widely used and could not offer suggestions for increasing activity; (2) distressed FmHA farm program borrowers have not used the four provisions extensively; (3) FmHA allows borrowers to receive benefits for the same land under more

than one Department of Agriculture program; (4) as of June 1988, FmHA approved five borrowers for the softwood timber program; and (5) FmHA charged interest rates on softwood timber loans that were generally below the maximum rate permitted by legislation and used simple interest in its calculations.

### Open Recommendations to Congress

**Recommendation:** The law is silent on whether Congress intended to provide benefits for the same land under the: (1) softwood timber provision and the conservation reserve program; and (2) conservation easement provision and the conservation reserve program. Congress may wish to consider whether both benefits for the same land should be allowed under these programs.

**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Agriculture should require the Administrator, FmHA, to: (1) approve future softwood timber loans at an interest rate that equals the average yield on marketable U.S. obligations with periods to maturity comparable to the average maturities of the softwood timber loans; and (2) modify previous FmHA instructions governing the softwood timber program to require that interest on future softwood timber loans be computed on a compound, rather than simple, interest basis.

**Status:** Action taken not fully responsive. Agriculture views that the Secretary has latitude in how the program could be implemented and was given discretion to determine the interest rates up to a specified maximum.

# Food Safety and Inspection Service's Performance-Based Inspection System

T-RCED-89-53, 07/31/89

## Background

GAO discussed the Food Safety and Inspection Service's (FSIS) Performance-Based Inspection System (PBIS), its interim automated system for managing meat and poultry processing plant inspections, involving individual plant information profiles and monitoring plans, inspection scheduling, and an inspection findings data base. GAO noted that FSIS: (1) lacked formal mechanisms for tracking system progress and costs; (2) could not implement an inspection coverage component that could have reduced inspection frequency; (3) did not systematically evaluate PBIS-generated inspection schedules to determine their reasonableness and adequacy; (4) lacked a formal testing plan with measurable objectives, criteria, and required performance data to evaluate PBIS; (5) did not use formal, quantitative risk assessments in developing PBIS; and (6) did not apply any of the Department of Agriculture's (USDA) established management controls for the development of automated systems in

developing PBIS. GAO also noted that FSIS initiatives to address PBIS equipment, software, and system limitations included: (1) developing a more flexible system for inspectors to exercise their independent judgment; (2) reporting positive as well as negative inspection findings; (3) reexamining inspection level rules; and (4) exploring methods to speed up system processing.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Agriculture should direct the Administrator, FSIS, to operate PBIS as is and suspend additional investment in equipment and non-maintenance-type software for PBIS until a plan is developed to apply system development life-cycle principles and other management controls to the current and any future system.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of Agriculture should direct the Administrator, FSIS, to document the

basis, including the rationale and scientific support, for the risk factors and frequencies used by PBIS to schedule inspection tasks.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of Agriculture should direct the Administrator, FSIS, to periodically evaluate the reasonableness and adequacy of PBIS-generated inspection tasks to ensure that they protect public health.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of Agriculture should direct the Administrator, FSIS, to issue a directive to inspection staff clarifying use of schedules, including the degree of discretion available to inspectors to use their experience and judgment in deciding on the inspection tasks to perform.

**Status:** Action not yet initiated. The agency task force has recommended changes to PBIS consistent with the GAO recommendation, but the agency has not yet initiated action.

# Farmers Home Administration: Implications of the Shift From Direct to Guaranteed Farm Loans

RCED-89-86, 09/11/89

## Background

Pursuant to a congressional request, GAO reviewed the Farmers Home Administration's (FmHA) progress in implementing its congressionally authorized shift from direct to guaranteed farm loans and the overall impact on farm credit availability, focusing on: (1) the impact of the shift on borrowers, private lenders, and the government; (2) borrowers' financial conditions; and (3) whether program problems contributed to losses on guaranteed loans.

## Findings

GAO found that: (1) the total annual authorization for guaranteed farm loans increased from \$175 million to \$3.3 billion, while total obligations for the loans grew from about \$71 million in 1983 to about \$1.3 billion in 1988; (2) the increase in guaranteed lending resulted from private lenders obtaining guarantees for their financially distressed customers; (3) only 2 percent of FmHA direct-loan borrowers obtained guaranteed loans, because their poor financial conditions made private lenders reluctant to give them even guaranteed loans; (4) the decrease in direct FmHA loans resulted from such factors as increased use of government farm program payments instead of credit to finance farm operations, fewer borrowers, and reduced FmHA authorization for farm ownership loans; (5) although guaranteed loans help high-risk borrowers obtain private credit, they pay higher interest rates and loan

fees and face a greater chance of liquidation if they default on their loans; (6) because recent congressional actions extended direct-loan eligibility, few of the borrowers will obtain guaranteed loans, direct-loan requests may not decline, and additional funding decreases may restrict credit availability for borrowers; (7) guaranteed loans help lenders finance borrowers who are poor credit risks, protect lenders against potential losses, and help the government keep some farm lending in the private sector and reduce outlays for new direct loans; (8) the government's financial exposure increased recently because the outstanding principal of guaranteed loans outpaced the decrease in that of direct loans; (9) losses on guaranteed loans have grown faster than guaranteed loan activities since 1984 and could exceed \$115 million in 1989; and (10) although adverse weather caused some losses, inadequate assessment of borrowers' financial conditions prior to loan approval and insufficient oversight of loan guarantees were major contributors to losses.

## Open Recommendations to Agencies

**Recommendation:** To help control losses and improve management of the guaranteed farm loan program, the Secretary of Agriculture should direct the Administrator, FmHA, to develop, in consultation with Congress, and implement more comprehensive guaranteed-loan-approval criteria that assess an applicant's financial solvency,

profitability, liquidity, and repayment ability prior to approving loan guarantees.

**Status:** Action not yet initiated.

**Recommendation:** To help control losses and improve management of the guaranteed farm loan program, the Secretary of Agriculture should direct the Administrator, FmHA, to establish in regulations the type and amount of security required for a guarantee and, if crops are accepted as the only security, require that crop insurance be obtained.

**Status:** Action not yet initiated.

**Recommendation:** To help control losses and improve management of the guaranteed farm loan program, the Secretary of Agriculture should direct the Administrator, FmHA, to establish a range of loan guarantee percentages based on loan risk, with the higher guarantee percentages going to lower-risk loans.

**Status:** Action not yet initiated.

**Recommendation:** To help control losses and improve management of the guaranteed farm loan program, the Secretary of Agriculture should direct the Administrator, FmHA, to enforce FmHA requirements for lender servicing of guaranteed loans and place greater emphasis on establishing the extent to which lenders' negligent servicing caused loan losses before determining the amounts to be paid as loss claims.

**Status:** Action not yet initiated.

**Recommendation:** To help control losses, and improve management of the guaranteed farm loan program, the Secretary of Agriculture should direct the Administrator, FmHA, to establish in regulations procedures for recovering from defaulted borrowers amounts the government paid to lenders for guaranteed loan losses.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of Agriculture should direct the Administrator, FmHA, to provide: (1) county supervisors with training in credit analysis to better acquaint them with what constitutes adequate financial data on which to base a guaranteed loan-

approval decision; and (2) guidance and training to state, district, and county officials that would enhance the monitoring of lenders' guaranteed loan-servicing activities, especially guaranteed loan liquidations.

**Status:** Action not yet initiated.

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## Agricultural Research and Services

# Improved Management of Import Meat Inspection Program Needed

RCED-88-81, 06/15/83

### Background

GAO reviewed the Department of Agriculture's administration of its import Meat and Poultry Inspection Program.

### Findings

GAO found that, at the 10 highest-volume ports, where variances in the quantities of meat rejected ranged from 0.1 to 1.5 percent, procedures for controlling, sampling, and inspecting meat products differed because of: (1) regulations and instructions which were generally outdated, unclear, and inconsistent; (2) a lack of adequate supervision and training of inspection personnel; and (3) work-load imbalance. The Automated Import Information System compiles inspection-result histories for countries and foreign

plants. These histories are the basis for assigning the scope and extent of inspections. GAO found that, in some ways, regulations and instructions do not conform with the system's revised procedures. GAO and Food Safety and Inspection Service (FSIS) officials found that most inspectors cited the need for periodic training and better communication between inspectors from different ports as a way of standardizing inspections. Despite the apparent improvement in plant conditions, program changes are needed to better ensure that products are imported only from countries and plants meeting U.S. requirements. Recognizing the need for increased attention to foreign programs' regulatory comparability, FSIS is developing a new systems approach for approving and monitoring foreign inspection systems. GAO believes that

the new system should improve FSIS ability to assess these risks.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Agriculture should direct FSIS to develop criteria for distinguishing among minor, major, and critical defects in canned packaged meat products.

**Status:** Action in process. Estimated completion date: 01/91. In May 1988, FSIS issued a directive on Examination Procedures for Determining the Condition of Canned Product Containers. These procedures apply to the domestic program only. As of June 1989, FSIS was studying the directive's effectiveness in the domestic program and the feasibility of adopting similar procedures for the international program.

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**Agricultural Research and Services**
**Food Marketing: Frozen Pizza Cheese—Representative of Broader Food Labeling Issues**

RCED-88-70, 03/31/88

**Background**

In response to a congressional request, GAO provided information on: (1) regulatory issues concerning the labelling of frozen pizzas whose toppings include a manufactured cheese analog; and (2) related concerns about food labelling issues.

**Findings**

GAO found that: (1) the Department of Agriculture (USDA), unlike the Food and Drug Administration (FDA), does not require disclosure of cheese analog on frozen pizzas; (2) USDA withdrew its proposed labelling requirement for cheese analog because opponents successfully argued that it would be costly and unnecessary; (3) controversies

concerning the nutritional value of cheese analog hindered attempts to require labelling; and (4) there are no common criteria for determining the relative nutritional values of manufactured and natural foods. GAO also found that: (1) federal labelling legislation and regulations have not kept pace with the increase in manufactured food products; (2) in 1986, the industry introduced about 3,400 new manufactured food products; (3) FDA believes that the nutritional standards developed years ago are too rigid; and (4) although labelling legislation could alleviate the controversy over cheese analog, it would not resolve underlying food labelling issues.

**Open Recommendations to Congress**

**Recommendation:** Congress may wish to bring together government, industry, and consumer interests in order to review and rewrite the basic authority for food information. Ways of doing so include establishing a congressional commission, recommending a presidential commission, or directing an interagency task force. As a preparatory step, Congress may wish to hold hearings to more fully determine the extent of current regulatory activity, agency structures that administer the regulatory process, industry and consumer responses to and reliance on the process, and agency activities or plans to improve the process.

**Status:** Action in process.

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**Agricultural Research and Services**
**USDA's Commodity Program: The Accuracy of Budget Forecasts**

PEMD-88-8, 04/21/88

**Background**

Pursuant to a congressional request, GAO reviewed the accuracy of the Department of Agriculture's (USDA) commodity program budget forecasts for 1972 through 1986 to determine the reasons for errors.

**Findings**

GAO found that the USDA commodity programs' budget estimates: (1) were substantially incorrect in most years, with absolute errors totalling \$64.1 billion and averaging about \$4.3 billion annually; and (2) underestimated actual budget levels by an average of \$3.1 billion annually. GAO also found that

USDA: (1) developed its budget estimates using estimates for individual farm commodities for supply and demand, farmer participation, and market price forecasts; (2) did not document how it used such macroeconomic forecasts; (3) did not systematically attempt to identify the source of forecasting errors or implement a structured quality

control program for those factors which were controllable; and (4) did not inform Congress about its estimates' limitations. In addition, GAO found that consistent problems in USDA management of forecasting processes included: (1) limited or no evaluation of forecasting methods to determine accuracy; (2) poor or nonexistent data management and recordkeeping regarding input data and their use; (3) poor or nonexistent documentation of analysts' forecast production methods; and (4) decentralized managerial accountability that weakened problem identification and solution.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Agriculture should assign management responsibility for coordinating the forecasting program and for establishing a structured quality control program to a specific organization.

**Status:** Action in process. The Secretary has clarified the role of the chairperson of the World Agricultural Outlook Board to develop long-run supply and demand projections, including those used as input for budget projections, and described the roles of other agencies involved in developing estimates and overseeing the forecasting process.

**Recommendation:** USDA should establish an ongoing evaluation program that ensures that forecasters regularly perform studies of forecast accuracy to determine what caused errors and to relate the errors to the components of the forecasting processes, so that resources can be allocated for improvement.

**Status:** Action in process. USDA has initiated a number of evaluation and quality control processes, including: (1) improved documentation; (2) a periodic evaluation by a working group of managers who have responsibility for various activities of the commodity

estimating process; and (3) validation of estimates through alternative forecast methods and by peer review from both inside and outside analysts.

**Recommendation:** USDA should ensure that the forecasting process and its results are documented and that forecast results include explanations of the limitations of the data, including forecast ranges based on historical error rates, alternative program implementation strategies, and alternative assumptions regarding supply and demand.

**Status:** Action in process. USDA has improved its documentation of supply/demand and budget forecasts to facilitate post-analysis and use in future forecasts. GAO concluded that the explanations of limitations cited by USDA in its plan of action were not enough to understand the range of forecast errors GAO found through accuracy measurements.

**Agricultural Research and Services**

**Biotechnology: Managing the Risks of Field Testing Genetically Engineered Organisms**

RCED-88-27, 06/13/88

**Background**

In response to a congressional request, GAO reviewed federal risk management of genetically engineered organisms intended for agricultural and health uses in the environment, focusing on Department of Agriculture (USDA), Environmental Protection Agency (EPA), and Food and Drug Administration (FDA) policies.

**Findings**

GAO found that: (1) because no laws specifically regulate genetically engineered organisms, the agencies apply existing laws based on product usage; (2) although USDA, EPA, and FDA generally used a case-by-case approach in reviewing proposed field tests, USDA and EPA exempted certain categories of organisms from regulatory review; (3) the agencies perform prerelease reviews to determine whether

to allow field tests and what controls to impose; (4) the agencies' advisory groups reflect a wide range of relevant disciplines; (5) agency approvals are contingent upon specific field conditions, generally require plans to mitigate unexpected harm, and have the authority to terminate an experiment, if necessary; and (6) methods to control the dispersal and impact of microorganisms require minimizing risk while maximizing field test usefulness.

### Open Recommendations to Agencies

**Recommendation:** To ensure effective regulatory coverage of genetically engineered microorganisms, the Administrator, EPA, should make all microorganisms covered by the Toxic Substances Control Act subject to either the premanufacture notice or

“significant new use” rule regulations prescribed by section 5 of the act. To avoid overregulation of lower-risk organisms that could result from this action, EPA could revise section 5 regulations to establish a multilevel review system with less stringent requirements for organisms believed to be of relatively lower risk.

**Status:** Action in process. Estimated completion date: 05/90. EPA has held a wide range of reviews and public meetings on proposed new regulations. EPA hopes to reach an internal decision about November or December 1989, then resubmit the regulations to the Office of Management and Budget for finalization by early 1990.

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## Farm Income Stabilization

# Crop Insurance: Overpayment of Claims by Private Companies Costs the Government Millions

RCED-88-7, 11/20/87

### Background

Pursuant to a congressional request, GAO examined the Federal Crop Insurance Corporation’s (FCIC) oversight and control of the loss adjustment practices of private reinsured companies.

### Findings

GAO found that reinsured companies: (1) did not adjust 95 percent of 134 sample claims in accordance with FCIC policies and procedures; (2) should not have paid about 31 percent of the \$9.4 million in claims; (3) may have intentionally overpaid claimants; and (4) made incorrect determinations of production guarantees, actual production, payment amounts, and program eligibility. GAO also found that FCIC: (1) improperly adjusted 62 percent of 37 sample claims; and (2) overpaid about 1 percent of those claims. In addition, GAO found that FCIC: (1) did not properly manage the loss adjustment processes of reinsured companies; (2) had inadequate oversight and control over such companies; and (3) did not screen reinsured claims for obvious errors, but recently began to

systematically review the operations of reinsured companies.

### Open Recommendations to Agencies

**Recommendation:** In order for FCIC to acquire the needed financial and programmatic oversight and control over the loss adjustment activities of reinsured companies, the Secretary of Agriculture should require the Manager, FCIC, to establish internal controls, such as computerized audit or screening, over reinsured claims prior to payment to ensure that the claims do not contain obvious errors. These controls would be similar to the controls FCIC now has on master marketer claims.

**Status:** Action in process. FCIC should complete implementing the requested screening process by mid-1990.

**Recommendation:** In order for FCIC to acquire the needed financial and programmatic oversight and control over the loss adjustment activities of reinsured companies, the Secretary of Agriculture should require the Manager,

FCIC, to establish guidelines for determining when and what administrative actions to take against reinsured companies that do not follow FCIC standards or that continue to adjust claims improperly.

**Status:** Action in process. Estimated completion date: 07/90. FCIC has drafted guidelines. They are now being reviewed by FCIC management. If proposed guidelines are implemented, this recommendation will be closed out.

**Recommendation:** In order for FCIC to acquire the needed financial and programmatic oversight and control over the loss adjustment activities of reinsured companies, the Secretary of Agriculture should require the Manager, FCIC, to require repayment by reinsured companies of the \$3 million in overpaid claims found, in accordance with the terms of the reinsurance agreements.

**Status:** Action in process. FCIC has collected about \$740,000 of the overpaid claims and is continuing to process repayments for the remaining claims.

**Recommendation:** In order for FCIC to acquire the needed financial and programmatic oversight and control over the loss adjustment activities of reinsured companies, the Secretary of Agriculture should require the Manager,

FCIC, to determine how much of the \$17.9 million in payments where drought is shown as a cause of loss on irrigated farms is erroneous and pursue collection of that amount.

**Status:** Action in process. FCIC is in the process of reviewing payments to determine the overall merit of this recommendation.

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## Farm Income Stabilization

# Milk Marketing Orders: Options for Change

RCED-88-9, 03/21/88

### Background

GAO reviewed several aspects of federal milk-pricing policies to determine how: (1) the milk marketing order program affects the U.S. dairy surplus problem; (2) to change the program to reduce incentives for milk production; and (3) such changes would affect the surplus and the program's ability to meet dairy policy goals.

### Findings

GAO found that: (1) because dairy market conditions changed, the milk marketing order pricing policies no longer applied; (2) the federal milk marketing system contributed to a milk surplus and benefited producers in some regions of the country at the expense of others; and (3) recent legislation

provided that increases in production that resulted in annual federal dairy purchases of over 5 billion pounds would trigger a downward adjustment in the support price. GAO also found that: (1) the two basic strategies for changing milk marketing orders were controlling production and lessening government influence on milk prices; (2) the production control system would limit the quantity of milk that producers, singly and in total, could market at a given price, but could increase consumer prices, create windfalls for current producers, bar entry for new producers, and impact production in the long run; (3) the options for reducing government influence would include establishing more basing points and eliminating grade A and distance differentials, allocations, compensatory payments, and order-pricing provisions, while retaining

supervision; and (4) eliminating pricing provisions would lessen the likelihood that the support price supply-demand adjuster would trigger price reductions in the future.

### Open Recommendations to Congress

**Recommendation:** Congress may wish to consider establishing the goal of decreasing the federal role in milk pricing; working with the Department of Agriculture to develop and adopt legislation necessary to accomplish that goal; and directing the Secretary of Agriculture to: (1) monitor the conditions in the industry that result from changes to pricing policies; and (2) act, if necessary, to help the industry adjust.

**Status:** Action not yet initiated.

## Farm Income Stabilization

# Crop Insurance: FCIC Needs to Improve Its Oversight of Reinsured Companies

RCED-89-10, 10/19/88

### Background

In response to a congressional request, GAO evaluated certain Department of Agriculture Federal Crop Insurance Corporation (FCIC) oversight activities over private companies that insure farmers against crop losses from natural disasters.

### Findings

GAO found that: (1) FCIC is considering ways to expand the scope of its oversight reviews, since many of its reviews are limited because of its desire to cover as many companies as possible; (2) many of the reviews were not statistically valid for drawing reliable conclusions about the quality of a company's overall adjustment practices because of the manner in which FCIC selected its samples and the limited sample size; and (3) FCIC did not establish basic criteria for determining reinsured companies' acceptable loss adjustment performance.

### Open Recommendations to Agencies

**Recommendation:** To improve the effectiveness of FCIC oversight of the loss adjustment activities of reinsured companies and to provide a better basis for judging the overall performance of individual companies, the Secretary of Agriculture should require the Manager, FCIC, to emphasize the use of statistically valid random sampling techniques and appropriate sample sizes, where it is cost-beneficial, in selecting claims for review.

**Status:** Action in process. FCIC has drafted a handbook that addresses this and other issues. It is now under review within FCIC. The procedures regarding the use of sampling techniques in gauging performance of reinsured companies, if implemented, will be responsive to the recommendation.

**Recommendation:** To improve the effectiveness of FCIC oversight of the

loss adjustment activities of reinsured companies and to provide a better basis for judging the overall performance of individual companies, the Secretary of Agriculture should require the Manager, FCIC, to develop criteria to use in evaluating the results of compliance reviews and for determining the acceptability of a company's loss adjustment performance. The criteria should explicitly state when FCIC will suspend a company's operations and the circumstances under which FCIC will assume a company's loss adjustment function.

**Status:** Action in process. Estimated completion date: 07/90. FCIC has drafted procedures that address this issue. The procedures are currently being reviewed by FCIC management. If implemented as proposed, they will be responsive to the recommendation.

## Farm Income Stabilization

# Commodity Certificates: Backlog of 200,000 Unreconciled Certificates Affects Financial Reporting

RCED-89-14, 10/25/88

### Background

Pursuant to a congressional request, GAO investigated: (1) the size of the backlog in redeemed commodity

certificates that the Agricultural Stabilization and Conservation Service (ASCS) has not reconciled to issuance records; (2) ASCS plans for resolving the

backlog; and (3) the extent to which the Department of Agriculture has achieved a mandated \$230-million reduction in storage, transportation, and handling

expenditures for fiscal years 1988 and 1989.

**Findings**

GAO found that the ASCS Kansas City Management Office, which is responsible for issuing and redeeming certificates: (1) reported that the backlog of redeemed certificates with unresolved exceptions increased from over 170,000 in January 1988 to over 204,000 in April 1988 and would increase to about 320,000 by October 1988; (2) assigned 11 personnel to research and correct unreconciled certificates; (3) concentrated on unmatched redeemed certificates because of the large backlog in that category; (4) did not keep detailed records on the number of exceptions occurring each month, but estimated that it corrected about 25,000 each month; and (5) did not have a plan to resolve the increasing backlog, but outlined eight proposed backlog reduction plans as part of its year-end closing plan, which included developing software, writing off low-dollar-value exceptions, and assigning priorities to certain categories of exceptions. GAO

also found that ASCS: (1) has not identified the root cause of the backlog to minimize the occurrence of future exceptions; (2) did not report that a material weakness existed in this area in its 1987 Financial Integrity Act report; and (3) projected a \$610-million reduction in storage, transportation, and handling expenditures due to a significantly lower volume of government-owned grain.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Agriculture should direct the Administrator, ASCS, to develop a plan to address the remaining backlog of certificates with unresolved exceptions that ensures the accountability for commodity certificates and reduces the potential that undetected fraud could be occurring. This plan should: (1) clearly establish priorities so that high-dollar-value certificates are researched and corrected first regardless of the exception category; (2) be as specific as possible with regard to the methods that

will be used, the resources to be allocated, and a schedule for completion; and (3) include steps to identify and correct the root causes of the exceptions, to minimize the number of exceptions that may occur in the future.

**Status:** Action in process. Estimated completion date: 12/89. Training was held in January 1989 for all state offices. Listings of exceptions were sent to counties and a 95-percent response was received. The Kansas City Management Office is evaluating the response to close out certificates.

**Recommendation:** The Secretary of Agriculture should direct the Administrator, ASCS, to report in its Financial Integrity Act statement that a material weakness exists and provide an assessment detailing: (1) the impact of the backlog of certificates with unresolved exceptions on its financial statement; and (2) management's plans to correct the problem.

**Status:** Action in process. Estimated completion date: 12/89. This recommendation will be addressed in the next review cycle.

**Farm Income Stabilization**

**Crop Insurance: FCIC Should Strengthen Actual Production History Program Controls**

RCED-89-19, 12/15/88

**Background**

Pursuant to a congressional request, GAO reviewed the Federal Crop Insurance Corporation's (FCIC) implementation of its Actual Production History (APH) Program, focusing on whether FCIC had adequate controls to ensure the accuracy of farmers' production guarantees.

**Findings**

GAO found that FCIC: (1) reinsured private companies under the APH program to insure farmers' crop production, based on individual farmers' certifications of production history; (2) found in a 1987 review of companies that 37 percent of policies had inaccurate production guarantees, primarily due to

overstated or understated production histories; (3) clarified its guidance to insurance companies for implementing the APH program, but did not change its policies or require farmers to provide actual production records during policy writing; (4) primarily relied on insurance companies to verify farmers' certifications of production history; (5)

required insurance companies to sample policies and determine production guarantee accuracy, but did not require the companies to report the results of those checks; (6) required verification of guarantee accuracy only if the guarantee appeared to be unreasonable, and lacked criteria for establishing guarantee reasonableness; and (7) lacked guidance for interpreting the significance of the results of sample checks or for taking action if the samples revealed frequent or widespread problems.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Agriculture should require the Manager, FCIC, to establish criteria for interpreting the significance of the frequency of errors found during the required sampling of APH guarantees and for deciding the actions that should be taken if tolerances for acceptable levels of errors are exceeded.

**Status:** Action in process. Estimated completion date: 07/90. FCIC is currently developing procedures that, if implemented, will address this recommendation.

**Recommendation:** The Secretary of Agriculture should require the Manager, FCIC, to require that all APH guarantees be verified at the time of loss. Verifications should include reviewing the supporting documentation for certified production data as well as for the calculation of the guarantee.

**Status:** Recommendation valid/action not intended. The Department of Agriculture believes that implementation of the recommendation would be too labor-intensive.

**Recommendation:** The Secretary of Agriculture should require the Manager, FCIC, to monitor the frequency of certification-related errors and reduce reliance on the certification process if such errors do not decrease. The latter could be achieved by significantly

tightening the current sampling procedures. For example, rather than sampling all production guarantees that are twice the local average, as is currently the procedure, FCIC could review all guarantees that are some determined percentage less than twice the local average. Additionally, FCIC could add sampling criteria that would require review of all guarantees that could result in potential losses above an established monetary amount. Such criteria would help ensure that production guarantees for potentially large insurance claims are supported. A final alternative might be to completely eliminate the certification feature of the APH program and require all farmers to provide production data at the time a policy is written.

**Status:** Action in process. Estimated completion date: 07/90. FCIC is currently developing procedures to address this issue. If implemented, they will go far toward implementing the recommendation.

**Import-Export Issues**

**Transportation of Public Law 480 Commodities—Efforts Needed To Eliminate Unnecessary Costs**

NSIAD-85-74, 06/18/85

**Background**

GAO assessed the Department of Agriculture's (USDA) and the Maritime Administration's (MARAD) management of the expenditure of U.S. funds for ocean transportation of agricultural commodities.

**Findings**

GAO found significant problems indicating that USDA may be paying higher ocean freight differentials than necessary. USDA control over the bidding and negotiation process for ocean transportation contracts was inadequate because foreign countries: (1) used closed bids which could be submitted late or were based on knowledge of submitted bids; (2) could

negotiate with any preferred vessel owner, which did not ensure the lowest possible rates; and (3) could serve as vessel brokers, which could lead to favoritism in rate negotiations. USDA did not consistently follow the standard provision for calculating differentials, or applied the standard in a manner that reduced costs to foreign countries at the expense of higher USDA payments. GAO also found that MARAD did not verify data used in calculating guideline rates

because it assumed that vessels returned to the United States without cargo. However, vessels may carry cargo on the return voyage, which allows them the potential to earn excessive profits. Additionally, since MARAD had not prepared guidelines for passenger liners because of the difficulty in separating revenues, it did not know whether transportation rates for liners represented cost plus a reasonable profit.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Transportation should direct the Administrator, MARAD, to devise and institute a method for assessing whether transportation rates for liners represent

cost plus a reasonable profit. Also, vessel owners should be required to have their independent accountants semiannually certify that vessel costs and operating data are accurate.

**Status:** Action in process. Estimated completion date: 01/90. The Department of Transportation (DOT): (1) requested that vessel owners provide a certified listing of actual costs of voyages; (2) established a final rule for calculating fair and reasonable rates for less-than-full ship-load dry bulk cargoes transported on U.S. flag liners; and (3) has submitted a proposed final rule for calculating rates for full cargo shipments.

**Recommendation:** The Secretary of Agriculture should issue regulations

requiring certification that nonliner U.S. flag vessels do not scrap or carry cargo on a return voyage. The regulations should also provide that the guideline rate will be recalculated and the transportation rate adjusted if a vessel obtains backhaul cargo or is scrapped or sold overseas.

**Status:** Action in process. Estimated completion date: 01/90. DOT: (1) is finalizing a rule for full cargo shipments which provides for recalculation of rates if a vessel is scrapped or sold overseas; (2) intends to recalculate rates if returning U.S. vessels carry other preference cargo; and (3) plans to analyze the feasibility of adjusting rates for commercial, nonpreference cargo.

**Import-Export Issues**

**Imported Meat and Livestock: Chemical Residue Detection and the Issue of Labeling**

RCED-87-142, 09/30/87

**Background**

GAO reviewed the Department of Agriculture's (USDA) effectiveness in detecting prohibited chemical residues and foreign matter in imported meat items and live animals.

**Findings**

GAO found that: (1) although the Food Safety and Inspection Service (FSIS) developed an annual plan in 1986 which included 406 chemicals for consideration and 100 for testing, it lacked detailed, current information on the chemicals used abroad; (2) FSIS plans to require foreign countries that want to export meat to the United States to submit an annual residue testing plan to USDA; (3)

because FSIS met its 1986 testing quotas by May 1, 1986, it did not test meat imported after that date for the full range of residues; (4) FSIS did not always remove from the U.S. food market the remainder of lots that showed chemical violations; (5) in 1986, about 60 percent of imported live animals came from Mexico, which has been ineligible to export meat to the United States since 1984 because of chemical residues; (6) FSIS does not have current information to adequately test for chemicals used in Mexico; and (7) mandating quality control reports and country-of-origin labelling of meat could result in increased food costs and may constitute a nontariff trade barrier.

**Open Recommendations to Agencies**

**Recommendation:** To develop an import residue testing plan that is sensitive to conditions regarding chemical use in foreign countries, the Secretary of Agriculture should direct the Administrator, FSIS, to implement a continuous, systematic effort to identify and evaluate chemicals in use abroad that are not used in the United States.

**Status:** Action in process. FSIS is reviewing country responses to the Residue Control Program Questionnaire. USDA anticipates that identifying all agricultural chemicals and drugs in exporting countries will take at least 5

years and will require resources outside FSIS.

**Recommendation:** The Secretary of Agriculture should direct the Administrator, FSIS, to systematically assess the status of methods for detecting harmful chemicals in processed meat and muscle tissue to provide a basis for deciding on the additional research needed to develop more effective methods.

**Status:** Action in process. Joint method meetings with FDA and EPA continue. FSIS, FDA, and EPA will continue to meet several times per year. FSIS will work with EPA to evaluate methods for detecting pesticide levels in meat and

poultry products. Several compound evaluations have been completed in another effort.

**Recommendation:** If chemical use in foreign countries is identified, FSIS should: (1) evaluate the chemicals to determine which ones pose a potential hazard; (2) develop methods for their detection if methods are lacking; and (3) include them in the import plan for testing.

**Status:** Action in process. FSIS is reviewing country responses to the Residue Control Program Questionnaire. USDA anticipates that identifying all agricultural chemicals and drugs in exporting countries will take at least 5

years and will require resources outside FSIS.

**Recommendation:** The Secretary of Agriculture should direct the Administrator, FSIS, to update risk profiles of countries eligible to export meat products to the United States to better ensure the safety of imported meat.

**Status:** Action in process. FSIS is reviewing country responses to the Residue Control Program Questionnaire. USDA anticipates that identifying all agricultural chemicals and drugs in exporting countries will take at least 5 years and will require resources outside FSIS.

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# Automatic Data Processing

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## Computer Systems: Navy Needs to Assess Less Costly Ways to Implement Its Stock Point System

IMTEC-89-2, 12/14/88

### Background

Pursuant to a congressional request, GAO examined the Navy's Stock Point ADP Replacement Project (SPAR), focusing on whether the Navy had: (1) studied less costly alternatives to its SPAR implementation plan; and (2) identified for elimination other Navy supply systems that might duplicate SPAR.

### Findings

GAO found that the Navy: (1) developed SPAR to improve and modernize stock point operations by replacing the existing automated system with new hardware and software at 38 host and 65 satellite stock points; (2) estimated SPAR life-cycle costs at about \$2.3 billion; (3) planned to request approval from the Department of Defense's (DOD) oversight authority, the Major Automated Information System Review Council

(MAISRC), before it completed studies of alternative SPAR configurations involving fewer hosts and more satellites; (4) lacked criteria for designating stock points as host sites, but replicated the number of host systems currently planned; (5) planned to eliminate two supply systems when it implemented SPAR; and (6) has not complied with a previous recommendation that it and DOD establish a system design completion review. GAO believes that the Navy could reduce SPAR implementation and operational costs by increasing the number of satellite sites and decreasing the number of host sites.

### Open Recommendations to Agencies

**Recommendation:** To ensure that the Navy pursues the most cost-effective approach for implementing SPAR and

provides all requisite information to MAISRC, the Secretary of Defense should direct the Secretary of the Navy to study implementation alternatives for SPAR as a whole (all 38 planned sites). This study should include an analysis of the estimated hardware, telecommunications, and operating costs associated with various host/satellite configurations and examine the feasibility of fewer host systems than the 38 in its current plan. The results of this analysis should be provided to MAISRC as a prerequisite to its approval to acquire and implement the entire SPAR system.

**Status:** Action in process. Estimated completion date: 12/89. The Navy has begun a study of implementation of alternatives in the Pacific Northwest area. DOD estimates the study will be complete in December 1989.

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## Computer Procurement: Hardware Upgrades for Navy Inventory Control System Should Be Delayed

IMTEC-89-67, 09/29/89

### Background

GAO reviewed the Navy's plans for a \$22.1-million upgrade to its Uniform Inventory Control Point System (UICP), focusing on the: (1) data the Navy used

to justify the upgrade; and (2) Navy's thoroughness in evaluating ways to improve the performance of its existing UICP resources. UICP supports inventory management functions for the

Navy Aviation Supply Office (ASO) and the Navy Ship Parts Control Center (SPCC).

## Findings

GAO found that: (1) the Navy UICP project office estimated that it would need to double its processing capacity by 1991 and increase ASO and SPCC storage capability by 27 percent and 48 percent, respectively; (2) the estimates overstated growth projections by inappropriately aggregating work-load estimates, ignoring distinctions between usage volume at various times of the day, using incomplete applications design data, and failing to consider recent capacity enhancements; (3) the UICP software development schedule slipped by 17 months, for which the Navy failed to account in its growth estimates; (4) revised work-load

estimates double-counted the work-load increase associated with use of a new query language and were not supported by actual work-load trends; and (5) the Navy could improve its use of existing resources by rescheduling some processing work, moving some applications to other computers, reducing processing time for system management applications, modifying system processing priorities, and improving the UICP job entry system.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should direct the Secretary of the Navy to defer the planned \$22.1-

million computer upgrade of UICP until the project office has adequately justified the need for the new hardware.

Justification should include: (1) valid work-load projections and complete application design information to forecast resource requirements; and (2) thorough performance evaluations to ensure that existing UICP system resources are being effectively used before the purchase of additional hardware is approved. In the interim, hardware purchases should be approved on a case-by-case basis only if the project office clearly demonstrates that current ASO and SPCC operations would be jeopardized if the purchases were delayed.

**Status:** Action not yet initiated.

# Commerce and Housing Credit

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## Federal Financing Bank

### Financial Audit: Federal Financing Bank's Financial Statements for Fiscal Years 1985 and 1984

AFMD-87-31, 09/30/87

#### Background

GAO examined the Federal Financing Bank's financial statements as of September 30, 1985 and 1984, its system of internal accounting controls, the related statements of income and changes in retained earnings, and the changes in its financial position for the years then ended.

#### Findings

GAO found that the Bank: (1) had significant weaknesses in its internal accounting control system; (2) did not

have adequate safeguards for its assets, properly recorded transactions, or reliable financial reporting; and (3) did not have the formal accounting policies and procedures manuals to maintain correct records for its business activities. GAO also found that the financial statements presented fairly the bank's financial position as of September 30, 1985 and 1984, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

#### Open Recommendations to Agencies

**Recommendation:** The Secretary of the Treasury should direct the Bank's president, the Treasury Under Secretary for Finance, to maintain the general ledger and subsidiary ledgers on a routine basis and perform periodic reconciliations of the ledgers.

**Status:** Action in process. The Bank began maintaining a general ledger in 1987; however, not all of the subsidiary ledgers have been updated.

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## Other Advancement of Commerce

### Commercial Fishing Vessel: Administration of the Colintino Rose II Loan Guarantee

RCED-89-105, 05/03/89

#### Background

In response to a congressional request, GAO reviewed the National Marine Fisheries Service's (NMFS) actions concerning its loan guarantee of a commercial fishing vessel, focusing on: (1) the approval of the original loan guarantee; (2) efforts to resolve the loan default; (3) the vessel's construction and whether it was fit for its intended purpose; and (4) NMFS disbursement of funds, including those for vessel repair.

#### Findings

GAO found that NMFS: (1) approved a loan guarantee for \$875,000 to finance the vessel's purchase; (2) approved additional loan funds and then refinanced the original loan after the owners encountered loan repayment problems; (3) did not ensure that the original borrower met loan guarantee requirements; (4) did not document its consideration of alternatives to resolve the default; (5) did not ensure that the vessel was originally constructed according to specifications, and

subsequently had to expend funds totalling \$1.9 million for repairs and reconstruction; (6) did not document its internal controls over fund disbursements; and (7) improved its internal controls over regional loan-making decisions, but did not clarify the conditions under which a vessel must be surveyed.

#### Open Recommendations to Agencies

**Recommendation:** The Assistant Administrator for Fisheries, NMFS,

should direct the Chief, Financial Services Division, to ensure that justifications of the actions selected to resolve default situations are documented.  
**Status:** Action in process. Estimated completion date: 12/89. NMFS is in the process of writing guidance to ensure that justifications of the actions selected to resolve default situations are

documented. The guidance should be issued by December 1989.

**Recommendation:** The Assistant Administrator for Fisheries, NMFS, should direct the Chief, Financial Services Division, to clarify the regulations by stipulating in program guidance the conditions under which it

is appropriate to obtain a certified architect's or engineer's certification.  
**Status:** Action in process. Estimated completion date: 12/89. NMFS is preparing guidance to clarify the conditions under which it is appropriate to obtain a certified architect's or engineer's certification. The guidance should be issued by December 1989.

## Postal Service

# Postal Service: Discipline Practices Vary

GGD-89-79, 05/19/89

## Background

In response to a congressional request, GAO reviewed the U.S. Postal Service's (USPS) disciplinary policies, focusing on whether they provided a USPS-wide program of discipline with uniform disciplinary actions for similar infractions.

## Findings

GAO found that: (1) USPS policy did not indicate which infractions were considered minor, how many discussions to hold before taking disciplinary action, or whether discussions should precede disciplinary action for subsequent but different infractions; (2) about 68 percent of the supervisors required discussions for each new infraction regardless of past discussions for different infractions; (3) some employees received more opportunities to correct their behavior before receiving discipline than others, since supervisors handled discussions differently; (4) employees who engaged in the same category of misconduct and who had the same number of prior infractions often had different penalties; (5) although there was no precise instruction for how to consider prior

infractions, 59 percent of the supervisors considered all disciplinary actions regardless of the infractions; (6) 82 percent of the supervisors did not consider unresolved prior infractions, 55 percent considered the original penalty, and 45 percent considered the revised penalty; (7) although policy required progressive discipline, it did not provide a definition of a specific progressive sequence; (8) about 50 percent of the supervisors believed that progressiveness was limited to a letter of warning, followed by suspensions of increasing length, followed by removal; (9) arbitrators cited lack of progressiveness as a basis for reducing about 10 percent of arbitrated grievances; and (10) there was no specific instruction that required officials who reviewed proposed suspensions and removals for document adequacy to examine penalties for consistency.

## Open Recommendations to Agencies

**Recommendation:** To enhance the consistency and predictability in the enforcement of USPS work rules, the Postmaster General should direct the

Senior Assistant Postmaster General, Human Resources, to define major and minor offenses to clarify when predisciplinary discussions should be given in lieu of discipline.  
**Status:** Action in process. USPS stated that it is expanding the use of modified discipline procedures being tested at various facilities. These procedures specify the circumstances under which predisciplinary discussions are required. The procedures deal with the problems of distinguishing between major and minor offenses and the handling of subsequent, but different, infractions by the same employee.

**Recommendation:** To enhance the consistency and predictability in the enforcement of USPS work rules, the Postmaster General should direct the Senior Assistant Postmaster General, Human Resources, to clarify whether predisciplinary discussions should precede disciplinary action for subsequent, but different, infractions committed by the same employee.  
**Status:** Action in process. USPS stated that it is expanding the use of modified discipline procedures being tested at various facilities. The procedures deal

with the problems of distinguishing between major and minor offenses and the handling of subsequent, but different, infractions by the same employee.

**Recommendation:** To enhance the consistency and predictability in the enforcement of USPS work rules, the Postmaster General should direct the Senior Assistant Postmaster General, Human Resources, to develop uniform rules for considering prior infractions, including guidance on whether to

consider only like infractions or all past infractions, what time frame of past infractions should be considered, and whether to consider grieved past infractions that were reduced or are pending.

**Status:** Action not yet initiated. USPS stated that it plans to remind its supervisors of guidance on how to consider prior infractions.

**Recommendation:** To enhance the consistency and predictability in the enforcement of USPS work rules, the

Postmaster General should direct the Senior Assistant Postmaster General, Human Resources, to issue guidance to require concurring officials to expand their reviews of proposed suspensions and removals to include the consistency of the penalties.

**Status:** Action not yet initiated. USPS stated that it plans to require concurring officials to ensure the appropriateness and consistency of discipline.

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## Postal Service

# Postal Service: Sites for New Post Offices May Be Larger Than Needed

GGD-89-130, 09/29/89

## Background

Pursuant to a congressional request, GAO reviewed 246 sample sites that the U.S. Postal Service acquired during 1987 under its real estate acquisition program to determine the extent to which USPS: (1) had a choice among competing sites when acquiring land; (2) purchased only the land it needed to meet operational and customer service requirements; and (3) purchased the most economical alternative among competing sites.

## Findings

GAO found that USPS: (1) projected community service needs over a 10-year period, and then routinely added a standard 50-percent growth factor, to determine its site needs; (2) routinely added to 20-year land requirements to allow for possible site restrictions without knowing whether it could meet those requirements without the additional allowance; (3) did not require

its site selection committees to document reasons for selecting more costly sites; (4) frequently purchased sites that were larger than it needed, when less costly sites were available; (5) cited valid operational factors, in those site selection files which included documentation, to justify the purchase of larger or more costly sites; (6) frequently only had one contending site, due to its policy of advertising for sites larger than its actual requirements; (7) generally followed site appraisal procedures before purchasing sites and attempted to negotiate lower prices when the offer price exceeded the appraised market value; and (8) generally accepted without negotiation sites offered at prices equal to or lower than the appraised market value.

## Open Recommendations to Agencies

**Recommendation:** The Postmaster General should instruct the operating divisions to use judgment based on local community conditions, rather than a standard 50-percent growth factor, in developing 20-year site size requirements.

**Status:** Action not yet initiated.

**Recommendation:** The Postmaster General should issue guidelines standardizing the advertising practices of the five postal regions for soliciting sites for facility projects so that managers do not advertise for more land than needed. Advertisements should identify 20-year site requirements and say that site offers should be large enough to meet the site requirements plus whatever additional land is needed to accommodate any site use restrictions. If a range of sizes is used, that range

should be centered on the net usable 20-year site requirements.

Status: Action not yet initiated.

**Recommendation:** The Postmaster General should require site selection committees to fully document the reasons for purchasing sites larger than

net usable requirements or more costly than other contending sites.

Status: Action not yet initiated.

**Recommendation:** The Postmaster General should direct the facilities department to clarify USPS policy by specifying that the negotiation process on freely offered property is not limited

by the appraised value or a lower offered price, and that negotiations may start below either. Further, the department should instruct managers to ensure that acquisition files contain complete documentation of the negotiation process in all projects.

Status: Action not yet initiated.

# Community and Regional Development

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## Community Development

### Enterprise Zones: Lessons From the Maryland Experience

PEMD-89-2, 12/15/88

#### Background

Pursuant to a congressional request, GAO studied the enterprise zone program in Maryland to identify issues for the possible development of a federal program, focusing on: (1) program cost offsets; (2) employment growth; (3) program effects on workers; (4) reductions in welfare dependence; and (5) the effectiveness of tax incentives and other local development strategies.

#### Findings

GAO found that: (1) both Maryland and proposed federal legislation sought to establish zones to promote private industry investment in economically

distressed areas; (2) program-related increases in employment could lead to net increases in economic activity and program cost offsets; (3) the Department of the Treasury estimated that a federal program could cost \$4.75 billion over the first 6 years of operation and assumed that the program would redistribute, but not increase, economic activity; (4) the employment growth experienced in the three Maryland zones investigated was not attributable to the program, making cost offsets or reductions in welfare dependence unlikely; (5) participating employers were more likely to consider market access and site characteristics than such program benefits as relaxed regulatory practices, financial

inducements, and government assistance; and (6) participating employers were more likely to be influenced by financial incentives in making hiring and investment decisions.

#### Open Recommendations to Congress

**Recommendation:** The GAO assessment of the Maryland experience does not show that enterprise zones are effective. If Congress decides to introduce a federal program along those lines, the program should be a modest demonstration rather than the large effort proposed in several bills.

**Status:** Action in process.

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## Community Development

### Urban Action Grants: Lansing, Michigan's Grant Requires Action

RCED-89-85, 04/11/89

#### Background

Pursuant to a congressional request, GAO investigated a Lansing, Michigan, Urban Development Action Grant project, focusing on whether changes to the project's scope complied with the Department of Housing and Urban Development's (HUD) regulations and procedures.

#### Findings

GAO found that: (1) HUD approved the \$3.3-million grant for financing the purchase and installation of fixed capital equipment in a technology and research center to be constructed in a township near Lansing; (2) after concluding that the industrial revenue bonds being used for financing covered the project's costs, HUD reduced the grant amount to \$889,785, the minimum amount needed to protect the bonds' tax-exempt status; (3) the project developer requested

permission to expand the project to include office space leasing after failing to lease space to a large research institute which would have attracted similar firms; (4) the developer also estimated that the project would only create 60 new jobs from conventional office leasing, and not the 600 it believed possible with research firms; (5) township officials objected to the grant reduction and sought to terminate the grant; (6) HUD regulations and procedures allowed for such revisions,

which HUD believed were not unusual; (7) HUD had not released the grant funds to Lansing, since its officials had not submitted required documentation; and (8) Lansing and HUD officials agreed to establish new deadlines for the developer to purchase the equipment and Lansing officials to submit the required documentation.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Housing and Urban Development should direct HUD officials to implement their plan to set new deadlines for the City of Lansing to submit the remaining documentation and for the developer to

purchase the capital equipment with the Urban Development Action Grant funds. If either the City of Lansing or the developer does not meet the new deadlines, HUD should take all actions needed to resolve this matter, including termination of the grant, if appropriate. **Status:** Action not yet initiated.

**Community Development**

**Homelessness: HUD's and FEMA's Progress in Implementing the McKinney Act**

RCED-89-50, 05/11/89

**Background**

Pursuant to a legislative requirement, GAO evaluated the Federal Emergency Management Agency's (FEMA) and the Department of Housing and Urban Development's (HUD) disbursement and use of appropriations for homeless assistance programs.

**Findings**

GAO found that: (1) FEMA increased its ability to provide year-round funding for its Emergency Food and Shelter program by extending its spending period and establishing plans for grant approval and review for more timely distribution; (2) HUD was generally timely in reviewing and approving funds for its programs, although it disbursed only a limited amount of funds due to lengthy funding periods, recipients working on a reimbursable basis, and lack of applications; (3) poverty and unemployment data used to allocate FEMA and HUD funds did not always reflect community needs; and (4) HUD distributed Emergency Shelter grant funds to communities in proportion to their homeless populations, including

some communities with few homeless persons. GAO also found that a national survey of 1987 Emergency Food and Shelter program recipients indicated that: (1) recipients cited unemployment, low wages, decreases in available subsidized housing, and increased housing costs as significantly contributing to homelessness; (2) 40 percent of grant recipients provided shelter, with 26 percent going to children under 16 years of age and 63 percent to 17- through 55-year-olds; (3) 70 percent of recipients believed that overall demand for services increased between 1987 and 1988; (4) 46 percent believed that FEMA funds enabled them to provide more assistance; and (5) 80 percent were satisfied with FEMA requirements and guidelines.

**Open Recommendations to Congress**

**Recommendation:** To enable Emergency Food and Shelter program recipients to receive funds in a timely manner, Congress should consider providing FEMA with its Emergency Food and Shelter appropriation no later

than August of each year. It should also consider other funding alternatives, such as advance appropriations or forward funding, in which funds are appropriated sooner than the months just preceding the year in which they are available for obligation, or are available for obligation for periods other than the traditional fiscal year. **Status:** Action not yet initiated.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Housing and Urban Development should ensure the completion of departmental efforts to: (1) develop methods for measuring the success of the Supportive Housing Demonstration program in facilitating the movement of homeless persons to independent living within a reasonable amount of time; and (2) establish procedures for reviewing work done by those processing grant applications to ensure that program guidelines are consistently interpreted and applied. **Status:** Action not yet initiated.

**Recommendation:** After the construction phase of the program has been completed, the Secretary of Housing and Urban Development should direct program officials to recompute the total amount of rental assistance payments, taking into account the public housing authority administrative allowance and the HUD-estimated inflation factor. Future awards under the Section 8 single room occupancy

program should be determined using known cost escalation factors and the experience gained from the first-year program funding process.  
**Status:** Action not yet initiated.

**Recommendation:** The Secretary of Housing and Urban Development should, in requesting and reviewing future Comprehensive Homeless Assistance Plan (CHAP) submissions,

make the CHAP requirements more specific. They may, for example, help identify the number and types of homeless persons throughout the United States, help identify shortfalls in needed services, and help ensure that all homeless assistance and related programs are coordinated effectively.  
**Status:** Action not yet initiated.

## Disaster Relief and Insurance

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

RCED-88-5, 02/04/88

### Background

Pursuant to a congressional request, GAO reviewed the November 1985 West Virginia flood, focusing on: (1) state and local disaster planning and preparedness; (2) the effectiveness of existing warning systems and planned improvements; (3) the federal government's responsiveness to victims' needs; and (4) the type and amount of assistance the government provided to flood victims.

### Findings

GAO found that, of West Virginia's 55 counties: (1) less than half participated in the Federal Emergency Management Agency's (FEMA) Emergency Management Assistance (EMA) Program; (2) some may withdraw from EMA because of program changes; and (3) all had poor emergency plans, according to FEMA guidelines. GAO also found that: (1) primary county flood warning systems consisted of civil defense sirens and loudspeakers and

media weather warnings; (2) some flood victims did not receive or recognize warnings; and (3) the National Weather Service's (NWS) Integrated Flood Observing and Warning System (IFLOWS) was ineffective for those counties unable to maintain it. In addition, GAO found that: (1) although the Small Business Administration was revising its procedures to reduce loan processing time, federal agencies generally took too long to complete and approve applications for initial and supplemental public assistance and frequently underestimated amounts necessary for initial assistance; (2) West Virginia averaged 26 days to pay recipients; (3) the Soil Conservation Service and the Army Corps of Engineers began cleanup work almost immediately after the flood, but without the required request from FEMA; (4) FEMA spent about \$27 million in individual assistance programs; (5) family grant program limits did not meet the basic needs of about a third of the flood victims; (6) FEMA issued some

supplemental assistance payments without reinspecting claimed damage; and (7) FEMA instructed the state to build 647 mobile home foundations, of which only half were used.

### Open Recommendations to Agencies

**Recommendation:** The Director, FEMA, should pursue development of standards for how long the public assistance application process should take to better enable FEMA to identify opportunities to expedite the process.

**Status:** Action in process. FEMA is developing standards for evaluating the public assistance application process that incorporate the November 1988 legislative revisions to the public assistance program. Final regulations incorporating a maximum standard for approving or rejecting public assistance projects are at OMB for approval. FEMA expects them to be published about December 1989.

# Education, Training, Employment, and Social Services

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## Elementary, Secondary, and Vocational Education

### Summer Youth Jobs Program: Congressional Action Has Increased Emphasis on Remedial Education

HRD-88-118, 09/30/88

#### Background

Pursuant to a congressional request, GAO discussed local programs' implementation of the requirement to provide youth with remedial education as part of the 1987 Summer Youth Employment and Training Program.

#### Findings

GAO found that: (1) the number of youths provided remedial education in the 1987 program increased from 55,000 to 112,000; (2) the money localities spent on remediation expanded from \$37 million to \$64 million; (3) although every program it surveyed provided remediation, the number of youths served and the intensity of remediation varied greatly; (4) the majority of programs planned to further expand remediation in 1988; (5) 60 percent of

program administrators believed that remediation improved their summer programs; and (6) although local administrators had anticipated service reductions in several aspects of their summer programs due to the cost of adding remediation, fewer than expected programs actually reported making such reductions.

#### Open Recommendations to Congress

**Recommendation:** Although most local program administrators believe the remediation component of the summer youth program has been successful, the component's overall effectiveness is unknown. Congress may wish to consider requiring the Department of Labor (DOL) to evaluate all or a sample of these programs' remediation

components, using standardized educational achievement tests.  
**Status:** Action in process.

**Recommendation:** Although nearly all service delivery areas have added remediation to their programs, the proportion of youths receiving services varies greatly. Congress may wish to consider requiring that DOL define some minimal amount of remediation that must be provided during the summer.  
**Status:** Action in process.

**Recommendation:** Although nearly all service delivery areas have added remediation to their programs, the proportion of youths receiving services varies greatly. Congress may wish to consider requiring that all youth in the program who are in need of remedial education receive such remediation.  
**Status:** Action in process.

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## Elementary, Secondary, and Vocational Education

### Implementation of the Carl D. Perkins Vocational Education Act

T-HRD-89-8, 03/07/89

#### Background

GAO discussed the implementation of the Carl D. Perkins Vocational Education Act, focusing on the allocation of program funds to economically depressed areas. GAO found that: (1) although funds were generally used to

provide vocational education to underserved groups, some allocation mechanisms directed funds to more affluent areas; (2) vocational education students in disadvantaged areas were less likely to receive as much funding on a per-capita basis for improved or

modernized program activities as students outside such areas; (3) some states designated relatively wealthy areas as economically disadvantaged and provided greater per-capita funding to these areas than to some poorer communities; (4) the funds allocation

formula for disadvantaged populations shifted funds from poor communities to more affluent ones because it included nonpoor, academically disadvantaged students; (5) disadvantaged and handicapped population funds could be reallocated from poorer to wealthier communities; and (6) complete and reliable data on vocational education enrollment and spending were unavailable at either the national or state level.

### Open Recommendations to Congress

**Recommendation:** If Congress decides to increase funding for Perkins Act program improvement activities, it should ensure that the act's targeted special populations also benefit from any increased program improvement activities.

**Status:** Action not yet initiated.

**Recommendation:** If Congress wants to target additional Perkins Act funds to poor communities, it could amend the act to require states to allocate at least as much Perkins funding for each vocational student in economically depressed areas as in other areas of the states.

**Status:** Action not yet initiated.

**Recommendation:** If Congress wants to target additional Perkins Act funds to poor communities, it could amend the act to remove 'academically disadvantaged' students who are not poor from the fund allocation formula for the disadvantaged population.

**Status:** Action not yet initiated.

**Recommendation:** If Congress wants to target additional Perkins Act funds to poor communities, it could amend the act to require that any Perkins fund redistributions for the disadvantaged and handicapped populations be made in approximately the same proportions between poorer and wealthier areas as the original allocations.

**Status:** Action not yet initiated.

**Recommendation:** To reduce the frequency with which disadvantaged and handicapped allocations are returned by localities, Congress could allow states to establish minimum grant amounts appropriate for their circumstances or establish a minimum dollar level for local disadvantaged and handicapped population grants.

**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** To improve program oversight of the Perkins Act, the Secretary of Education should require states to substantiate to federal program officials their criteria for designating local areas as 'economically depressed' for funding allocation purposes and submit supporting state enrollment and funding data.

**Status:** Action not yet initiated.

**Recommendation:** To improve program oversight of the Perkins Act, the Secretary of Education should direct the Assistant Secretary for Vocational and Adult Education to analyze the reasonableness of state criteria for such designations using enrollment and funding data submitted by the states.

**Status:** Action not yet initiated.

**Recommendation:** To improve program oversight of the Perkins Act, the Secretary of Education should provide the leadership needed to complete development of a national vocational education data system.

**Status:** Action not yet initiated.

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## Elementary, Secondary, and Vocational Education

# Vocational Education: Opportunity to Prepare for the Future

HRD-89-55, 05/10/89

### Background

Pursuant to a congressional request, GAO reviewed the implementation of the Carl D. Perkins Vocational Education Act, focusing on the: (1)

extent to which the act provides access to quality vocational education programs for designated populations, encourages modernization and improvement of state and local programs, and directs funds to the most economically depressed

communities within each state; and (2) availability at the federal level of vocational education data for legislative and executive oversight.

## Findings

GAO reviewed 6 states and 20 localities and found that: (1) they generally used program funds appropriately, but some vocational education students in disadvantaged areas were less likely to receive funding for improved or modernized program activities than students outside such areas; (2) all six states allocated more than half of their basic state grants to economically depressed areas, as the act required, but some states designated relatively wealthy areas as economically depressed and gave them greater per-capita funding than some poorer communities; (3) the funds allocation formula for disadvantaged populations shifted funds from poor communities to more affluent ones because it included nonpoor, academically disadvantaged students; (4) a large number of school districts in four states returned funds for the disadvantaged and handicapped to the states, and one state reallocated funds to more affluent areas in the state; and (5) the Department of Education has not developed a national vocational education data system, making congressional oversight and program administration more difficult.

## Open Recommendations to Congress

**Recommendation:** If Congress decides to increase Perkins Act funding for program improvement, it should ensure that the act's targeted special populations benefit from any increased program improvement activities.

**Status:** Action not yet initiated.

**Recommendation:** If Congress wants to direct more funding to poorer communities, consideration should be given during the Perkins Act reauthorization process to requiring the states to allocate at least as much Perkins Act funding to each vocational education student in areas that are economically depressed as those in other parts of the state.

**Status:** Action not yet initiated.

**Recommendation:** If Congress wants to direct more funding to poorer communities, consideration should be given during the Perkins Act reauthorization process to removing students who are academically disadvantaged, but not poor, from the formula for allocating Perkins funds for disadvantaged populations.

**Status:** Action not yet initiated.

**Recommendation:** If Congress wants to direct more funding to poorer communities, consideration should be given during the Perkins Act reauthorization process to requiring that any redistributions of formula-driven Perkins Act funds for the disadvantaged and handicapped populations be made between wealthier and poorer communities in approximately the same proportions as originally allocated.

**Status:** Action not yet initiated.

**Recommendation:** To minimize returns of formula-driven disadvantaged and handicapped allocations, Congress may wish to: (1) establish an overall

minimum grant amount applicable for all states in allocating Perkins disadvantaged and handicapped funds to localities; or (2) allow states to establish their own minimum grant amount.

**Status:** Action not yet initiated.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Education should require states to substantiate to federal program officials the rationale used for selection of areas to be designated as economically depressed as well as submit supporting state enrollment and funding data to the same officials.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of Education should direct the Assistant Secretary for Vocational and Adult Education to perform analyses of the reasonableness of states' economically-depressed-area criteria, using enrollment and funding data submitted by the states.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of Education should provide the leadership needed to complete development of a national vocational education data system, using common terms and definitions, in cooperation with affected vocational education organizations, such as the Council of Chief State Schools Officers, and with the assistance of the National Center for Education Statistics.

**Status:** Action not yet initiated.

## Elementary, Secondary, and Vocational Education

# Special Education: Congressional Action Needed to Improve Chapter 1 Handicapped Program

HRD-89-54, 05/23/89

### Background

Pursuant to a legislative requirement, GAO reviewed the Chapter 1 Handicapped Program and its relationship to the Education of the Handicapped Act (EHA) program, focusing on: (1) the extent to which the Department of Education provided guidance to the states to determine eligibility under Chapter 1; (2) whether states implemented programs consistent with congressional intent regarding the transfer of students from state-operated or -supported programs to local public schools; (3) the extent of education that handicapped children received in settings with nonhandicapped children; (4) whether Chapter 1 afforded all handicapped children and their parents the same rights and procedural guarantees as under EHA programs; (5) the specific services provided under Chapter 1 compared with those under EHA programs; and (6) efforts to ensure that all eligible handicapped students received services.

### Findings

GAO found that: (1) although Congress created the Chapter 1 Handicapped Program to service mostly severely handicapped children in state institutions, neither the legislation nor its implementing regulations specifically limited services to the severely handicapped; (2) because the legislation based program funding on the number of children served, some states served many children with less than severe handicaps and received more than a

proportional share of program funds than states that served only more severely handicapped; (3) 45 states counted less-than-severely handicapped children in preschool programs under their Chapter 1 programs, and 48 percent of the children in the programs who were 5 years old or younger were not severely handicapped; (4) because states often transferred most of the preschool children counted in state-supported programs who had less than severe handicaps to regular schools and continued them in the program indefinitely, the states received higher funding levels than they would have under EHA; (5) two-thirds of the state officials did not consider funding transfer an incentive to deinstitutionalize severely handicapped children; (6) although handicapped children in both programs received the same procedural safeguards to ensure appropriate educational services, services provided to children under Chapter 1 were more frequent and intense than those provided under EHA; and (7) 69 percent of the state program coordinators had no objection to combining the programs because of their similarity, provided that the funding authority for both programs remained separate.

### Open Recommendations to Congress

**Recommendation:** Congress should restructure the Chapter 1 Handicapped Program to better ensure that states focus program services on severely

handicapped children by allocating program funds to states on the basis of their percentage of the nation's total handicapped children counted in the Chapter 1 Handicapped Program and part B of EHA programs.

**Status:** Action not yet initiated.

**Recommendation:** Congress should restructure the Chapter 1 Handicapped Program to better ensure that states focus program services on severely handicapped children by eliminating the funding transfer provision contained in the Education Amendments of 1974.

**Status:** Action not yet initiated.

**Recommendation:** Congress should restructure the Chapter 1 Handicapped Program to better ensure that states focus program services on severely handicapped children by requiring that Chapter 1 Handicapped Program funds be used to serve only severely handicapped children (as identified by each state) in state facilities and public schools.

**Status:** Action not yet initiated.

**Recommendation:** Congress should enact legislation to combine the Chapter 1 Handicapped and EHA programs. If the Chapter 1 Handicapped Program is merged under the EHA program, Congress should also consider a separate Chapter 1 Handicapped funding set-aside for the states to use to serve only severely handicapped students.

**Status:** Action not yet initiated.

**Open Recommendations to Agencies**

**Recommendation:** If Congress implements the recommendations for refocusing the Chapter 1 Handicapped

Program on severely handicapped children, the Secretary of Education should eliminate from program regulations the provision requiring that each child counted under the Chapter 1

Handicapped Program must receive some benefit from program funds.  
**Status:** Action not yet initiated. Education's action is contingent upon congressional action.

**Elementary, Secondary, and Vocational Education**

**Desegregation Activities: Administration of Education Grant Funds at the Cleveland School District**

HRD-89-83, 08/29/89

**Background**

Pursuant to a congressional request, GAO reviewed Department of Education grants awarded to the Cleveland, Ohio, School District, for desegregation activities, to determine: (1) the total amount of federal funding the school district received; (2) the school district's compliance with a 1978 desegregation court order and grant agreements; (3) the school district's compliance with federal grant conditions and restrictions; and (4) whether Education adequately monitored and administered the grant agreements.

specifications of the 1978 court order and subsequent federal grant agreements; (4) requested and received excessive advances of federal grant funds and accrued interest on those advances, but did not report or remit that income to Education; (5) obligated and spent first-year grant funds during the second year, without Education approval, and spent more than \$1.5 million in ESAA 1979-1980 and 1981-1982 funds during the 1985-1986 school year; and (6) did not comply with some federal procurement requirements. GAO also found that Education did not adequately monitor and administer the grant agreements.

**Recommendation:** The Secretary of Education should direct the Cleveland School District to review its procurement system to ensure compliance with federal procurement regulations.  
**Status:** Action not yet initiated.

**Recommendation:** The Secretary of Education should work with school district officials to determine the amounts of interest earned on excessive cash balances from federal grant programs over the years, which should be returned to Education.  
**Status:** Action not yet initiated.

**Findings**

GAO found that the school district: (1) received a total of \$30.2 million in federal funds from 1978 through 1987 for desegregation activities; (2) used federal funds derived from the Emergency School Aid Act (ESAA) and Magnet School Assistance programs consistently with the 1978 court order; (3) spent other federal funds on desegregation activities, but did not comply with all of the

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Education should direct the Cleveland School District to return the \$1,553,000 of ESAA funds that remained in its accounts when the authorization for ESAA expired in 1982.  
**Status:** Action not yet initiated.

**Recommendation:** To determine whether Education's grant management weaknesses seen in Cleveland's Magnet School program grants are prevalent in other grant programs and other school districts, the Inspector General, Department of Education, should review Education's grant administration policies and practices, especially relating to cash management and grant closeouts.  
**Status:** Action not yet initiated.

## Higher Education

# Guaranteed Student Loans: Legislative and Regulatory Changes Needed To Reduce Default Costs

HRD-87-76, 09/30/87

### Background

Pursuant to a congressional request, GAO examined needed legislative and regulatory changes for the Department of Education's Guaranteed Student Loan Program, focusing on: (1) guaranty agencies' loan collection practices and procedures; (2) ways to reduce default costs; (3) the amount of time defaulters have to repay loans; and (4) whether guaranty agencies are promptly remitting Education's share of collections.

### Findings

GAO found that: (1) new regulations require all guaranty agencies to standardize collection practices and follow specific actions to collect defaulted loans; (2) 1986 legislation should help to reduce defaults and increase collections by requiring guaranty agencies to report repayment patterns to credit bureaus and requiring defaulters to pay reasonable collection costs; (3) the establishment of a National Student Loan Data System should help to further reduce costs by providing means to verify eligibility; (4) Education collected about \$38 million in income tax refund offsets from loan defaulters in 1985; (5) new regulations require guaranty agencies to share all default payments made on reinsured loans with Education; and (6) guaranty agencies allow longer repayment periods than Education and have 60 days to remit default collections to Education.

### Open Recommendations to Congress

**Recommendation:** Congress should amend the Higher Education Act by requiring that a borrower's promissory note specify that, upon default, the loan interest rate will change to a variable rate with a ceiling of 12 percent, unless existing state law allows for a higher rate to be charged.

**Status:** Action not yet initiated.

**Recommendation:** Congress should amend the Higher Education Act by providing the Department of Education with the authority to require that guaranty agencies use the National Student Loan Data System to verify borrower eligibility after the system is established.

**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Education should: (1) amend the Guaranteed Student Loan Program regulations to require that guaranty agencies submit Education's share of collections on reinsured loans within 30 days; and (2) explore a mechanism to assess penalties, similar to those included in the Prompt Payment Act, against agencies that submit their payments late.

**Status:** Action in process. Estimated completion date: 12/89. Education's latest estimate of issuing a Notice of

Proposed Rulemaking (NPRM) is December 1989.

**Recommendation:** The Secretary of Education should amend the Guaranteed Student Loan Program regulations by requiring that guaranty agencies share all borrower payments to offset collection costs on reinsured loans with Education.

**Status:** Action in process. Estimated completion date: 12/89. Education's latest estimate of issuing NPRM is December 1989.

**Recommendation:** The Secretary of Education should amend the Guaranteed Student Loan Program regulations by requiring that guaranty agencies post borrower payments in the same manner that federal agencies are required to in accordance with the Federal Claims Collections Standards.

**Status:** Action in process. Estimated completion date: 12/89. Education's latest estimate of issuing NPRM is December 1989.

**Recommendation:** The Secretary of Education should amend the Guaranteed Student Loan Program regulations by requiring that guaranty agencies capitalize interest on defaulters' unpaid costs when they fail to follow their repayment agreements.

**Status:** Action in process. Estimated completion date: 12/89. Education's latest estimate of issuing NPRM is December 1989.

## Higher Education

# Guaranteed Student Loans: Lenders' Interest Billings Often Result in Overpayments

HRD-88-72, 08/31/88

## Background

GAO reviewed lenders' billings under the Guaranteed Student Loan Program to determine whether the Department of Education was incurring excessive costs related to its payment of interest and special-allowance subsidies, focusing on the extent to which: (1) lenders erred in billing Education for interest and special-allowance payments; (2) lender billing errors resulted in federal overpayments; and (3) Education established adequate procedures to detect billing errors and prevent overpayments.

## Findings

GAO found that, from its review of 16 lenders' accounts over one quarterly billing period: (1) all 16 lenders submitted erroneous billings to Education, resulting in a net overpayment of at least \$1.8 million; (2) 18 percent of loan accounts contained errors or lacked adequate documentation to support the billed amount; (3) errors typically resulted from lenders miscalculating loan principal balances and interest subsidies or continuing to bill Education after borrowers began repaying; and (4) three of the lenders voluntarily repaid Education for overbillings. GAO found that Education: (1) relied on lenders to maintain current and complete loan files, submit accurate billings, and make adjustments

promptly; (2) required only summary information from lenders regarding bills, since supporting documentation was too voluminous for it to validate; (3) limited its verification of bills to checking mathematical accuracy and completeness; (4) conducted fewer than 500 on-site reviews of the 14,000 participating lenders in 1986; and (5) charged lenders interest on overbillings from the date it notified lenders of the error, but lacked authority to charge interest from the date of the actual overpayments.

## Open Recommendations to Congress

**Recommendation:** Congress should amend the Higher Education Act to authorize the Secretary of Education to assess lenders' interest due to lender billing errors from the date of overpayment of interest and special allowance.

**Status:** Action not yet initiated.

**Recommendation:** Congress should amend the Higher Education Act to require lenders to: (1) specify to their independent auditors that the verification of loan accounts and interest and special-allowance billing should be included in periodic independent financial audits; and (2) provide that errors identified are promptly reported to Education and the guaranty agency.

**Status:** Action not yet initiated.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Education should revise the Guaranteed Student Loan Program regulations to require the Office of the Inspector General to assist program officials in developing audit standards for the guaranty agencies to use in reviewing lender billing systems and practices.

**Status:** Action in process. Education distributed review guides to agencies for conducting audits, supplemented by 3-day training sessions. It is currently revising the guide to incorporate additional improvements.

**Recommendation:** The Secretary of Education should revise the Guaranteed Student Loan Program regulations to stipulate that Education and guaranty agency audits of lenders include tests of the accuracy of lender loan accounts and billing statements to provide a statistically valid basis for recovering overpayments.

**Status:** Action in process. Estimated completion date: 12/89. Education sent a letter to guaranty agencies in September 1988 requiring them to ensure that billings are verified, and repayments sought, using statistically valid methods. Education has proposed regulations to require agencies to use statistical techniques in lender reviews.

## Other Labor Services

# The H-2A Program: Protections for U.S. Farmworkers

PEMD-89-3, 10/21/88

### Background

In response to a congressional request, GAO reviewed the: (1) wage and nonwage protection that the Department of Labor's (DOL) regulations afford U.S. farmworkers under the H-2A Program, which allows for the admission of foreign agricultural workers; and (2) quality of the Department of Agriculture (USDA) surveys DOL used to set minimum wages and to certify a shortage of U.S. workers.

### Findings

GAO found that: (1) USDA never measured the precision of the annual hourly wage rate estimates that DOL used to set statewide minimum wages; (2) there may be unacceptably large error margins for at least three regions of the country; (3) the USDA surveys measured a general farm wage that was lower than the average U.S. wage for workers employed in the same crop activities as H-2A workers; and (4) the technical quality of the 15 wage surveys conducted during 1987 varied because of the inconsistent counting of undocumented workers, low response rates, unsystematically compiled employer lists, analytical miscalculations, inadequate survey quality indicators, poor interview schedule quality, and inadequate monitoring. GAO also found that: (1) since DOL determined the prevailing wage only with regard to the most common unit of payment, differing payment units could result in inaccuracies; (2) wage minimums based solely on prevailing wages would not grant relevant protections because the

presence of foreign workers would depress the prevailing wages; (3) DOL set an adverse-effect wage rate as a minimum wage to offset wage depression and generally indexed it to a large-scale wage survey; and (4) because the legislative mandate was so broad, DOL could interpret adverse effect in several ways. In addition, GAO found that: (1) DOL practices provided weak protection for U.S. workers; (2) some growers preferred foreign workers because they could recruit more selectively; (3) DOL referred few U.S. workers at the wages and working conditions offered; and (4) government welfare and unemployment benefits were not a critical factor, since the potentially employable among those collecting the benefits constituted only a small part of the needed labor force.

### Open Recommendations to Agencies

**Recommendation:** To ensure that the wage minimums set by DOL to protect U.S. workers from the adverse effects of the H-2A program are reasonably accurate, the Secretary of Labor should: (1) negotiate with USDA to provide routine analysis of error margins surrounding the wage estimates on which statewide minimum hourly wage rates are based and improve the survey as necessary to maintain reasonably small margins of error around such estimates; (2) provide greater oversight and guidance to the state agencies conducting the prevailing wage surveys, including revising the survey handbook and forms to improve consistency of procedures and ability to monitor quality of implementation; and (3)

consider converting units of payment to a common base to ensure that prevailing wage findings are calculated on the largest possible number of workers surveyed.

**Status:** Action in process. The DOL work group's recommendations for changes to the prevailing wage survey are completed and will go for DOL review and public comment.

**Recommendation:** To improve the prevailing wage surveys, the Secretary of Labor should: (1) provide guidance on handling discrepancies, since the handbook directs interviewers to verify employer-supplied information with employee-supplied data; (2) remove the present cells for average hourly earnings, based on combining information from several interviewed workers, unless required for other than verification of employer data, and supplement interview records with forms that record individual wage information from workers and any calculations performed by the interviewer; (3) revise the survey summary form to better alert ETA regional and national offices of problems that reduce the quality of the survey; (4) confer with state officials about the problems affecting quality for particular surveys and, if necessary, provide or facilitate training or technical aid; and (5) be especially watchful that mail surveys are adequate and, if not, provide guidance on ways to increase response rates or, alternatively, require other methods of data collection.

**Status:** Action in process. The DOL work group, formed to consider the recommendations for the prevailing

wage surveys, has not yet finished its work.

**Recommendation:** The Secretary of Labor should improve worker

protections under the current law by finding means to incorporate referred workers' accounts of reasons for not being hired or being fired.

**Status:** Action in process. DOL has developed a project design to selectively monitor referred workers' accounts, and pilot projects have been funded in several states for 1989 or 1990.

## Social Services

# Immigration Reform: Verifying the Status of Aliens Applying for Federal Benefits

HRD-88-7, 10/01/87

## Background

Pursuant to a legislative requirement, GAO reviewed the problems states encountered in verifying with the Immigration and Naturalization Service (INS) the eligibility of alien applicants for various federal aid programs.

## Findings

GAO found that: (1) four of the six states it reviewed estimated costs and savings of about \$127,000 and \$3.1 million, respectively, in unemployment compensation as a result of alien verification pilot projects; (2) in 1983, California realized over \$19 million in savings before it abandoned its verification program as a result of a lawsuit; (3) New York realized about \$52,000 in savings but included erroneous payments; (4) only Colorado verified the eligibility of alien applicants for the Medicaid, Food Stamp, and Aid to Families with Dependent Children (AFDC) programs, but state officials did not favor continuance of the pilot project because they believed that savings were small and few aliens sought benefits; (5) the six states it reviewed realized savings of about \$579,000 in education assistance programs; (6) there was no alien verification for housing programs in the six states, since federal law and

the courts prohibited denial of assistance to aliens; and (7) the federal and state governments do not collect data on alien program applicants and verification costs, making savings estimates difficult and unprojectable.

## Open Recommendations to Agencies

**Recommendation:** The Secretaries of Agriculture, Education, Health and Human Services, Housing and Urban Development, and Labor should begin developing criteria and methodologies for granting waivers and ensure that states and other administering agencies begin developing, through such means as pilot tests, empirical performance data related to Immigration Reform and Control Act (IRCA) verification procedures for use in deciding waivers.  
**Addressee:** Department of Agriculture  
**Status:** Action in process. Estimated completion date: 12/89. The Food and Nutrition Service (FNS) completed a study of the cost-effectiveness of IRCA verification procedures for the Food Stamp Program. FNS concluded that IRCA procedures did not appear cost-effective compared to the usual food stamp verification procedures. Interim final regulations, including criteria for

requesting and approving waivers, were published October 1988.

**Addressee:** Department of Health and Human Services

**Status:** Action in process. The Department of Health and Human Services (HHS) completed a study which indicated the IRCA verification requirements were cost-effective for the AFDC and Medicaid programs. No criteria, other than those set forth in the law, have been provided. Final rules have been held up by a pending Medicaid court case.

**Addressee:** Department of Housing and Urban Development

**Status:** Action in process. Estimated completion date: 03/90. The Department of Housing and Urban Development (HUD) sees no reasonable basis to grant waivers and believes that the telephone access method would be cost-effective even for the smallest administering entities. On October 19, 1988, HUD issued proposed rules describing alien verification. HUD expects its Office of the General Counsel to issue final rules in March 1990.

**Recommendation:** The Secretaries of Agriculture, Education, Health and Human Services, Housing and Urban Development, and Labor should increase efforts to provide guidance to

administering entities on IRCA requirements, the criteria and procedures for granting waivers, and the types of verification costs that will be reimbursable.

**Addressee:** Department of Agriculture  
**Status:** Action in process. Estimated completion date: 12/89. The Department of Agriculture (USDA) issued an interim rule on implementation requirements and reimbursable verification costs on October 7, 1988. USDA expects a final rule to be published in December 1989. USDA does not plan to develop criteria and procedures for requesting waivers other than those set forth in the law.

**Addressee:** Department of Health and Human Services

**Status:** Action in process. HHS has provided some interim guidance on IRCA verification requirements, but has not issued rules covering waiver criteria or reimbursable verification costs. Proposed regulations are under review by the Office of Management and Budget.

**Addressee:** Department of Housing and Urban Development

**Status:** Action in process. Estimated completion date: 03/90. On October 19,

1988, HUD issued proposed rules for administering entities on the IRCA verification requirements. Final rules are expected by March 1990. Guidance on waivers is not anticipated until some experience with the process has been gained.

**Recommendation:** The Secretaries of Agriculture, Education, Health and Human Services, Housing and Urban Development, and Labor should develop and implement plans for capturing data on numbers of alien applicants, savings, and costs of verification with INS and for monitoring the system to ensure that administering entities use the most effective and economical verification means.

**Addressee:** Department of Agriculture  
**Status:** Action in process. Estimated completion date: 12/89. The USDA interim rule guiding state food stamp agencies opting to implement IRCA verification procedures before October 1, 1988, requires them to submit for review and approval a state plan attachment and budget projection statement that provides data on the numbers of alien applicants, expected savings, and

verification costs. Final regulations are expected to be published in December 1989.

**Addressee:** Department of Health and Human Services

**Status:** Action in process. In its response to the requirements of 31 U.S.C. 720, dated May 23, 1988, HHS plans to develop updated estimates of avoided costs by using alien data captured in ongoing program reports and data supplied by INS. Normal program and financial procedures will be used to monitor verification implementation and associated costs charged to AFDC and Medicaid programs.

**Addressee:** Department of Housing and Urban Development

**Status:** Action in process. HUD procedures will include minimal recordkeeping requirements to capture sufficient data. HUD believed that existing systems would be sufficient for monitoring and stated that administering entities were responsible for determining the most effective means of administering its programs, including verification.

## Social Services

# Foster Care: Incomplete Implementation of the Reforms and Unknown Effectiveness

PEMD-89-17, 08/14/89

### Background

Pursuant to a congressional request, GAO assessed the extent to which the incentive funding structure of federal child welfare services grants encouraged states to implement reforms to reduce widespread abuses of the foster care system.

### Findings

GAO found that: (1) the Administration on Children, Youth, and Families (ACYF) revised grant eligibility requirements to encourage states to revise programs to meet 18 standards involving individual case development, review, and dispositional hearings for

foster children; (2) 48 states met minimum ACYF compliance standards, while 31 states reached maximum standards, which did not require states to meet all 18 elements; (3) 27 states meeting minimum standards experienced problems in timely completing case reviews; (4) the lack of a systematic evaluation of the reforms'

effects has prevented linking the reforms to the significant decrease of the estimated national case load and median length of stay for foster children; (5) although litigation against welfare agencies has cited the reform legislation and provided another legal avenue for monitoring foster care, federal incentives were still needed to ensure the briefest possible temporary placements, the fewest possible temporary placements, frequent contact between foster parents, caseworkers, and natural parents, health and educational screening, and states' continued compliance with the reforms; and (6) the Department of Health and Human Services (HHS) has not yet established a legislatively mandated national information system which could help to obtain and analyze current national information about state and local agency foster care practices and procedures.

**Open Recommendations to Congress**

**Recommendation:** Congress may want to consider funding additional information development to improve the knowledge base about how case monitoring and delivery of services can best promote the goals of the Child Welfare Services grants in total. Specifically, it might be more desirable to target any additional money for the federal agency to conduct sound evaluations of promising state and local programs and to disseminate the guidance resulting from those evaluations to the states.  
**Status:** Action not yet initiated.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Health and Human Services should

reexamine HHS standards for certifying states' compliance with the section 427 requirements to ensure that receipt of incentive funds is contingent, from 1989 onward, on the states meeting all of the law's requirements. In particular, HHS should require states to demonstrate the implementation of all the required elements of the case review system.  
**Status:** Action not yet initiated.

**Recommendation:** The Secretary of Health and Human Services should promptly comply with the legislative mandates of Public Law 99-509 regarding the development of an adoption and foster care information system.

**Status:** Action in process. A draft notice of proposed rulemaking is in final negotiations and clearances.

**Social Services**

**Foster Care: Delayed Follow-Up of Noncomplying States May Reduce Incentive for Reform**

PEMD-89-16, 09/13/89

**Background**

Pursuant to a congressional request, GAO reviewed the extent to which the Administration for Children, Youth and Families (ACYF) provided incentive funds to states which instituted ACYF-mandated reforms under its Child Welfare Services grants program.

**Findings**

GAO found that: (1) ACYF disbursed incentive funds to all states that certified their compliance with provisions and then retrospectively

reviewed states' certifications of their compliance with provisions to receive incentive funds; (2) ACYF typically recouped overpayments to noncompliant states by reducing the successive year's payments; (3) 15 states have failed annual compliance reviews at least once since enactment of the requirements in 1980; (4) ACYF did not record or recoup a 1984 \$832,216 overpayment to Ohio; (5) final appeals decisions rendered in April 1989 allowed ACYF to recoup a 1984 \$1,034,619 overpayment to Illinois and a 1983 \$250,335 overpayment to Maryland; and (6) although ACYF generally

followed its stated practice of promptly reviewing a state's compliance for the fiscal year following the year it had failed, ACYF has not conducted follow-up reviews for six states which failed compliance reviews between 1983 and 1985.

**Open Recommendations to Agencies**

**Recommendation:** The Commissioner, ACYF, should: (1) promptly conduct and complete the postponed rereviews of those six states that failed a review

between 1983 and 1985, in order to ensure that incentive funds are expended in compliance with the law; and (2) conduct periodic reviews promptly in the future, that is,

immediately following the end of the fiscal year due for review.  
**Status:** Action not yet initiated.

**Recommendation:** The Commissioner, ACYF, should promptly recoup the overpayments made in 1983 to Maryland and in 1984 to Illinois and Ohio.  
**Status:** Action not yet initiated.

## Training and Employment

# Emergency Jobs Act of 1983: Funds Spent Slowly, Few Jobs Created

HRD-87-1, 12/31/86

### Background

In response to a congressional request, GAO provided information on federal agencies' and local governments' use of funds the Emergency Jobs Appropriations Act of 1983 provided, specifically: (1) when they spent the funds; (2) how many people they employed; (3) how many unemployed persons received jobs; (4) what efforts they made to provide employment to the unemployed; and (5) what benefits, other than employment, they provided.

### Findings

GAO found that: (1) most programs and activities failed to spend their funds before June 1984, when economic recovery began; (2) public works programs spent their funds much more slowly than public service programs; (3) 34,000 people found jobs as a result of the act; (4) an estimated 131,000 people could have found jobs if agencies and local governments had spent all of the available funds during the first year; (5) only 35 percent of the unemployed found jobs as of September 1984; (6) in 7 of the 10 programs GAO surveyed, only 20 percent of the project officials made a

moderate attempt to hire persons unemployed at least 15 of the 26 weeks before passage of the act, while only half made an attempt to provide employment to unemployed persons, regardless of how long they had been unemployed; (7) unemployed persons obtained a relatively small percentage of the created jobs; and (8) the funds also provided for the construction of public libraries and roads, humanitarian assistance, including food and health services for the indigent, and the rehabilitation of public buildings and facilities, such as schools and parks.

### Open Recommendations to Congress

**Recommendation:** In considering any future job creation legislation in response to an economic recession, Congress should emphasize programs and activities that historically have been able to quickly spend funds or that have projects available for immediate implementation to provide jobs when the economy needs them the most, placing less emphasis on public works programs and activities that traditionally have spent funds slowly.

**Status:** Recommendation valid/action not intended.

**Recommendation:** In considering any future job creation legislation in response to an economic recession, Congress should require that these programs and activities obligate and, to the extent practicable, spend funds within a specified time period following the end of the recession or after enactment of the legislation to ensure that jobs are created when most needed, allowing federal departments and agencies involved some discretion in granting exceptions where they are in the best interest of the government.  
**Status:** Recommendation valid/action not intended.

**Recommendation:** In deliberating any future job creation legislation, Congress may wish to consider requiring federal departments and agencies that receive funds to maintain specific expenditure, employment, and other information needed to evaluate the program and to improve congressional oversight.  
**Status:** Recommendation valid/action not intended.

## Training and Employment

# OSHA's Monitoring and Evaluation of State Programs

T-HRD-88-13, 04/20/88

### Background

GAO discussed the Occupational Safety and Health Administration's (OSHA) efforts to: (1) monitor and evaluate state-operated safety and health programs; and (2) resume enforcement within the private sector in California. GAO found that OSHA: (1) lacked effective monitoring and evaluation procedures; (2) relied primarily on its computerized management information system to assess state program quality; (3) did not provide for the collection and analysis of information that directly related to state program quality; and (4) did not establish performance levels or incentives for states to use in attaining occupational and health safety. GAO also found that: (1) diversion of its staff resources to provide enforcement in California hampered OSHA inspection efforts nationwide; (2) OSHA occupational safety and health standards were limited in scope compared with

California standards; (3) the number of safety and health inspections OSHA performed in California decreased because it was unable to fill staff positions; and (4) in 1988, total funding for worker protection activities in California decreased from \$33 million to \$16 million.

### Open Recommendations to Agencies

**Recommendation:** OSHA should establish desired performance levels for use by state programs and consider providing incentives for states to attain them.

**Status:** Action in process. Estimated completion date: 10/91. OSHA has begun a comprehensive review of its state plan monitoring and evaluation program. In its study, OSHA will consider developing desired performance levels for the states where such levels are established for the

OSHA program. OSHA stated it would not provide financial incentives to states.

**Recommendation:** OSHA should require that states establish quality assurance programs and then periodically review those efforts.  
**Status:** Action in process. Estimated completion date: 10/91. As part of its state program review, OSHA will consider establishing a requirement for quality assurance programs in state-administered programs.

**Recommendation:** OSHA should work with states to help them evaluate their programs' impact on worker safety and health.

**Status:** Action in process. Estimated completion date: 10/91. As part of its state program review, OSHA will develop guidance for the regional offices on evaluating and reporting on program impact studies that the states might conduct.

## Training and Employment

# Unemployment Insurance: Trust Fund Reserves Inadequate

HRD-88-55, 09/26/88

### Background

GAO assessed the current financial status of states' unemployment insurance systems, focusing on: (1) trends in trust fund reserve balances and borrowing; (2) the possible effects of

future recessions on reserve balances and borrowing needs; and (3) the effects of recent federal policy changes on the systems' financial conditions and benefit eligibility.

### Findings

GAO found that: (1) although the June 1987 reserve levels were at an all-time high of \$19.4 billion, they were inadequate to finance benefits that states would need to pay during a

recession; (2) the reserves would last about 5 months in a severe recession, while recent recessions have averaged 12 months, and the Department of Labor recommended 18 months as a state minimum; (3) by 1983, no state fund had adequate reserves and 23 were insolvent; (4) improved economic conditions helped states to reduce federal indebtedness, although reserves remained inadequate to cover recession-level benefit payments; (5) state trust funds will not accumulate adequate reserves even if the current economic expansion continues; (6) federal policies increased the costs of insolvency to states to encourage them to repay federal loans promptly; and (7) states reduced the

percentage of the unemployed eligible for benefits, from nearly 55 percent in 1952 to 32 percent in 1986. GAO believes that the failure of most state unemployment insurance funds to maintain adequate reserves has eroded the system's self-financing feature and increased the potential for massive borrowing.

### Open Recommendations to Congress

**Recommendation:** Congress may wish to establish a standard for the level of reserves to be maintained by state unemployment insurance trust funds.  
**Status:** Action not yet initiated.

**Recommendation:** Because current policy regarding federal lending to state trust funds has had the effect of encouraging an erosion of benefits to many workers, Congress may wish to craft any measure to improve reserve adequacy in a manner that does not further erode benefit eligibility.  
**Status:** Action not yet initiated.

**Recommendation:** Congress may wish to consider program changes that would help offset the fiscal burden that falls on states with chronically high unemployment rates.  
**Status:** Action not yet initiated.

## Training and Employment

# Job Training Partnership Act: Participants, Services, and Outcomes

T-HRD-88-31, 09/29/88

### Background

GAO discussed its review of the Job Training Partnership Act (JTPA), focusing on the: (1) characteristics of individual participants; (2) kinds and intensity of services they received; and (3) occupations in which they received employment after leaving the program. GAO found that: (1) in the two job readiness groups, the program served significantly fewer school dropouts than among the eligible population; (2) JTPA participants spent an average of 18 weeks enrolled in the program, but little of that was basic education or work experience; (3) the less job-ready participants received less intensive training and more job search assistance; (4) although those who received only job search assistance had higher placement

rates, those who received occupational training generally received higher-skilled jobs with higher wages; (5) although on-the-job training (OJT) allowed JTPA participants to earn wages while training, over 40 percent of those were lower-skill occupations; (6) 85 percent of the OJT contracts for training exceeded the Department of Labor's suggested training time; and (7) contracts that provide excessive OJT may provide employers with a wage subsidy, since JTPA participants reimburse employers for one-half of their wages while in training.

### Open Recommendations to Congress

**Recommendation:** Congress may wish to consider whether some additional

guidance on program targeting is desirable.

**Status:** Recommendation valid/action not intended.

### Open Recommendations to Agencies

**Recommendation:** The Department of Labor should exercise more explicit oversight and provide clearer guidance on what duration of OJT is appropriate for specific occupations.

**Status:** Recommendation valid/action not intended. Follow-up on the same recommendation, contained in HRD-89-52, will be carried out in 1990.

**Training and Employment**

**Job Training Partnership Act: Services and Outcomes for Participants With Differing Needs**

HRD-89-52, 06/09/89

**Background**

Pursuant to a congressional request, GAO provided information on the Job Training Partnership Act (JTPA) program, focusing on: (1) participants' readiness to enter the job market; (2) the type and intensity of services participants received according to their job readiness; (3) participant employment outcomes; and (4) differences among JTPA service delivery areas (SDA).

**Findings**

GAO found that SDA: (1) generally served more and less job-ready participants in about the same proportion as their incidence in the eligible population; (2) did not target services to any particular job readiness group; (3) tended to underserve the eligible high school dropout population and offered little remedial education; (4) provided fewer and less intensive services to less job-ready participants than they did to more job-ready participants; and (5) provided placement assistance only or lower-skill or non-occupational training to over 50 percent of participants, who either did not get a job or obtained a low-skill job in a low- or no-growth occupation. GAO also found that: (1) participants receiving

higher or moderate skill training, including the less job-ready, tended to obtain jobs at the same level of training; (2) on-the-job training contracts frequently exceeded the Department of Labor's (DOL) suggested training time; (3) DOL did not collect adequately detailed information regarding JTPA participants and services; and (4) JTPA and program guidance lack the necessary specificity to ensure that those most in need of services are appropriately served.

**Open Recommendations to Congress**

**Recommendation:** Congress should consider amending JTPA to require states and SDA to collect and report data on who are being served, the kinds and intensity of services they receive, and the outcomes they attain.  
**Status:** Action in process.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Labor should increase JTPA emphasis on higher and moderate skill occupational training.  
**Status:** Action in process. Agency action on this recommendation is included as

part of the administration's bill to amend JTPA.

**Recommendation:** The Secretary of Labor should collect data necessary to measure differences in program outcomes associated with higher and moderate skill occupational training.  
**Status:** Action in process. Agency action on this recommendation is included as part of the administration's bill to amend JTPA.

**Recommendation:** The Secretary of Labor should monitor the effect of more intensive training on the number of participants the program can serve and on program outcomes, including placement rates experienced by the less job-ready receiving higher skill training.  
**Status:** Action in process. Agency action on this recommendation is included as part of the administration's bill to amend JTPA.

**Recommendation:** The Secretary of Labor should provide guidance to SDA to ensure that the length of on-the-job training contracts are commensurate with the skill level of the job involved.  
**Status:** Action in process. Agency action on this recommendation is included as part of the administration's bill to amend JTPA.

# Energy

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## Emergency Energy Preparedness

### More Assurance Is Needed That Strategic Petroleum Reserve Oil Can Be Withdrawn as Designed

RCED-85-104, 09/27/85

#### Background

Pursuant to a congressional request, GAO conducted a review to determine whether the Department of Energy (DOE) will be able to withdraw Strategic Petroleum Reserve (SPR) oil at the designed rate and sustain that rate over time. DOE has been implementing a three-phase plan to develop a 750-million barrel SPR at six sites in Louisiana and Texas, of which 483.5 million barrels were in storage.

#### Findings

GAO found that DOE is continuing to develop additional storage capacity at three of the sites and is using a process known as leaching to remove salt deposits at another site. While SPR was designed so that oil could be withdrawn at any time, DOE has established specific withdrawal rates to be achieved at the completion of each phase. Operational and technical problems exist

in pipelines and pumping equipment that may affect the ability to achieve the designed drawdown rate and, although marine growth and debris have reduced the amount of water available to force oil out of storage, DOE has not determined the impact. DOE contractor reports state that there is a high degree of corrosion in one major oil pipeline and uncertainty about the quality of some of the buried pipe's ability to hold up under the pressure required for drawdown. DOE has been aware of maintenance, support, and repair problems, but has been slow in initiating corrective actions. DOE used a computer model to simulate SPR capabilities for an extended drawdown; however, because of the operational problems and delays in corrective actions, GAO believes that reliance on the computer, which assumes ideal operating conditions, is questionable. Although tests showed that oil could be withdrawn from the sites, the test duration was not

long enough to adequately assess equipment reliability.

#### Open Recommendations to Agencies

**Recommendation:** To ensure that the SPR system has the capability to provide a readily available supply of oil, the Secretary of Energy should direct the Manager, Oak Ridge Operations Office, to test the raw water systems to ensure that drawdown is not limited by inadequate water supplies, after making the planned modifications to the Bryan Mound and West Hackberry raw water lines and the intake channel at Bryan Mound.

**Status:** Action in process. Estimated completion date: 12/89. DOE continues to modify the raw water system at Bryan Mound. A new 36-inch pipeline will be completed in 1989 and tested the following quarter. The drawdown criteria at West Hackberry will be tested in 1989.

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## Emergency Energy Preparedness

### Naval Petroleum Reserve-1: Data Inaccuracies Complicate Production and Ownership Issues

RCED-87-105BR, 03/24/87

#### Background

In response to a congressional request, GAO examined: (1) whether the rate of oil production at the Naval Petroleum

Reserve (NPR-1) meets the requirements of the Naval Petroleum Reserves Production Act; and (2) the effects of production data inaccuracies and

omissions on the Department of Energy's (DOE) final settlement of each owner's account.

## Findings

GAO found that production data for NPR-1 showed that: (1) the allocation of oil, gas, and water produced from commingled wells was inaccurate; (2) computer-generated reports were inaccurate because of programming and data entry errors; (3) DOE made unexplained changes to records; (4) since production data were inaccurate, production rates may not have met statutory requirements; and (5) there was an absence of effective internal controls that could have prevented or limited the impact of these problems. In addition, the methods that DOE used to determine the production of various pools and strata in commingled wells compounded production inaccuracies and added to the uncertainties about oil production from each pool and computation of owners' shares. Although

DOE acknowledged its production data problems and took action to correct its data entry and computer program errors and allocation factors for commingled wells, it was not concerned about the potential effects of these problems on divestiture of the government's share of NPR-1 or the ability to produce at the maximum efficient rate.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Energy should give priority attention to correcting the production data inaccuracies, establishing an allocation system that more accurately reflects the source of petroleum production in commingled wells, and developing a system to better define production ownership.

**Status:** Action in process. Estimated completion date: 03/90. DOE continues to work toward correcting data inaccuracies and recordkeeping problems at NPR-1. Computer programming and data entry errors are being located by the unit contractor. Also, an ongoing study may give DOE better data it needs to properly manage the field.

**Recommendation:** The Secretary of Energy should ensure that the government's interests concerning the allocation of past production and remaining recoverable reserves are protected in any proposed sale of NPR-1. **Status:** Action not yet initiated. The latest proposal to sell NPR-1 occurred in February 1989. Proposed legislation to authorize the sale is being reviewed by the Office of Management and Budget.

## Emergency Energy Preparedness

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

RCED-88-151, 08/25/88

## Background

In response to a congressional request, GAO examined: (1) the Department of Energy's (DOE) report on the proposed divestiture of Naval Petroleum Reserve 1 (NPR-1); and (2) whether DOE could lease the reserve instead of selling it.

## Findings

GAO found that the report did not justify the sale of NPR-1 assets, since it: (1) lacked a comprehensive study of all producing pools at NPR-1 to estimate the reserve's value, but relied instead on 1987 long-range-production data; (2)

estimated the reserve's value from an industry perspective but did not provide adequate information on the government's ownership interest in NPR-1; (3) covered such issues as defense requirements, foreign ownership, and state claims to certain NPR-1 lands, but discounted the Department of Defense's need for access to an oil reserve for national security reasons; and (4) did not consider leasing as an alternative to either selling or keeping NPR-1. GAO also found that the report's: (1) marketing plan would not sufficiently promote competition or maximize sales revenue because it provided an undue advantage to the firm that had joint

ownership of the reserve; and (2) proposed sales date of September 30, 1989, would not allow sufficient time to complete a new study, negotiate an agreement with the joint owner, and complete the sales process. GAO believes that DOE should study leasing NPR-1 as a way to protect government interests.

## Open Recommendations to Agencies

**Recommendation:** To provide better information on whether an NPR-1 sale is in the public interest and on whether a divestiture determination by Congress

could be formulated, the Secretary of Energy should revise the June 30, 1987, report to Congress by assessing the value to the government of retaining and producing NPR-1, using revised estimates for reserve data, production schedules and operating costs from the comprehensive reserve study, government-generated oil and gas price forecasts, and a discount rate based on the government's borrowing costs. **Status:** Action taken not fully responsive. DOE advised GAO that funds are not available to revise its report. It does not believe that government borrowing costs are a basis for establishing discount rates, when business-type investments are analyzed. GAO continues to believe that DOE information on an NPR-1 sale has neither been in the public interest nor assisted in the legislative process.

**Recommendation:** To provide better information on whether an NPR-1 sale is in the public interest and on whether a divestiture determination by Congress could be formulated, the Secretary of Energy should assess where the private sector's assumptions concerning the valuation factors would likely differ and then: (1) develop sensitivity analyses to show the magnitude of these differences on the NPR-1 net present value; and (2) identify the advantages of private versus government ownership. **Status:** Action taken not fully responsive. DOE does not believe that the report convincingly demonstrated that there are compelling reasons that the government's assessment of

validation factors would vary from those of private purchases engaged in a competitive sales process. GAO continues to believe that DOE information on the sale of NPR-1 sale has neither been in the public interest nor assisted in the legislative process.

**Recommendation:** To provide better information on whether an NPR-1 sale is in the public interest and on whether a divestiture determination by Congress could be formulated, the Secretary of Energy should prepare an analysis of the feasibility and the potential benefits to the government of leasing NPR-1 and determine what actions would be required to enter a leasing program. **Status:** Action taken not fully responsive. DOE does not believe that leasing NPR-1 is a viable alternative, since it is not a common practice in divestitures of developed reserves in the private sector. GAO continues to believe that the benefits from leasing NPR-1 must be known before Congress can consider legislation authorizing an NPR-1 sale.

**Recommendation:** In the event that Congress elects to authorize an NPR-1 sale, the Secretary of Energy should ensure that the maximum amount of data DOE has on NPR-1 is available to all potential bidders so as to minimize any advantages that Chevron may have over other bidders in the sales process. **Status:** Action not yet initiated. DOE agreed that potential purchasers should be provided with comprehensive information about the reserves as a way

of maximizing competition. However, Congress has not authorized an NPR-1 sale.

**Recommendation:** In the event that Congress elects to authorize an NPR-1 sale, the Secretary of Energy should ascertain the validity of small and independent refiners' claims that they would be excluded from bidding on a portion of NPR-1, and, if the claims are valid, determine: (1) how that fact might affect the competitive bid process envisioned; and (2) alternate means of ensuring supplies of light oil to these users.

**Status:** Action not yet initiated. DOE stated that its multi-market divestiture approach, coupled with antitrust provisions in legislation authorizing a sale, would ensure continued availability of NPR-1 oil in California's open market.

**Recommendation:** In the event that Congress elects to authorize an NPR-1 sale, the Secretary of Energy should examine the impact of the possibility that a single large company could buy all or most of NPR-1, determine what Department of Justice involvement in the sale might do to the timely nature envisioned for completing the sale and, if necessary, assess the impact on the sale of restricting any one bidder to a certain maximum share of NPR-1.

**Status:** Action not yet initiated. DOE believes that an antitrust review provision by the Department of Justice, in any proposed legislation, would address this problem.

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**Energy Information, Policy, and Regulation**
**Nuclear Nonproliferation: Department of Energy Needs Tighter Controls Over Reprocessing Information**

RCED-87-150, 08/17/87

**Background**

In response to a congressional request, GAO examined Department of Energy (DOE) activities that may assist foreign countries in the development of nuclear weapons material, focusing on DOE controls over: (1) dissemination of information related to the reprocessing of spent nuclear fuel; (2) cooperative research activities it conducts with foreign countries; and (3) involvement of foreign nationals in sensitive nuclear activities and research.

**Findings**

GAO found that: (1) in 1984 and 1985, DOE produced 258 documents related to the reprocessing of spent nuclear fuel that were available to anyone who wanted them; (2) countries posing a

proliferation or security risk obtained copies of these documents, some of which contained information on improved methods of purifying plutonium to weapons-useable levels; (3) DOE has not applied for a Freedom of Information Act (FOIA) exemption for applied technology related to reprocessing, since its position is that it should honor such requests; and (4) the Nuclear Non-Proliferation Act of 1978 (NNPA) does not support the DOE method of determining when to conduct sensitive nuclear technology transfers with other countries. GAO also found that: (1) foreign nationals comprised 30 percent of masters program enrollments and 50 percent of doctoral program enrollments in U.S. university nuclear engineering programs in 1985; and (2) DOE does not have effective administrative control over the 15,000 to 20,000 foreign

nationals who visit or work at its facilities each year.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Energy should seek an exemption from FOIA for all reprocessing technology developed by DOE. Such an exemption can take the form of a revision to section 148 of the Atomic Energy Act or a provision specifically exempting reprocessing data from FOIA.

**Status:** Action in process. In January 1989, the DOE Office of Defense Programs asked the Office of General Counsel to seek a FOIA exemption for certain information, including reprocessing data. The General Counsel had not yet responded to this request.

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**Energy Information, Policy, and Regulation**
**Nuclear Security: DOE Needs a More Accurate and Efficient Security Clearance Program**

RCED-88-28, 12/29/87

**Background**

In response to a congressional request, GAO reviewed the Department of Energy's (DOE) personnel clearance and security program, including: (1) the timeliness of the process for granting, suspending, and revoking clearances; (2) factors that affect the clearance work

load; and (3) the accuracy of DOE clearance data bases.

**Findings**

GAO found that: (1) because DOE personnel security clearance processes were lengthy, they lowered productivity,

increased costs, and posed security concerns; (2) clearance staffs lacked resources to complete some clearance steps; (3) DOE has not fully implemented steps to reduce clearance levels that are too high or to terminate unnecessary clearances; and (4) contractors failed to obtain pre-employment information

(PEI) on job applicants before hiring them. GAO also found that DOE security clearance files were inaccurate because: (1) DOE created new data bases without validating the data; (2) field offices often failed to enter new data; (3) contractors', field offices', and headquarters' data bases did not communicate effectively;

and (4) DOE did not always validate data-base information.

### Open Recommendations to Agencies

**Recommendation:** To improve the effectiveness of the PEI process, the

Secretary of Energy should ensure contractor compliance with security clearance PEI requirements.

**Status:** Action in process. DOE-wide compliance evaluations are underway.

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## Energy Information, Policy, and Regulation

# Energy Regulation: Opportunities for Strengthening Hydropower Cumulative Impact Assessments

RCED-88-82, 03/10/88

### Background

In response to a congressional request, GAO examined the Federal Energy Regulatory Commission's (FERC) responsibilities under the Federal Power Act for assessing the cumulative impact of hydroelectric power projects on natural resources, specifically: (1) FERC plans for using the River Basin Environmental Impact Statement Procedure (EIS) as an alternative to the Cluster Impact Assessment Procedure (CIAP); and (2) deficiencies in FERC impact assessment procedures and whether the development of comprehensive plans can address these deficiencies.

### Findings

GAO found that: (1) FERC designed CIAP to ensure early and extensive state and federal resource agency involvement

in assessments through several public meetings and workshops, whereas EIS required only one public meeting; (2) although FERC was not legally required to formally notify the public of its decision to use EIS as it did before using CIAP, its failure to do so could appear to be a withdrawal from its earlier efforts to encourage public involvement in the assessments; (3) interested parties felt that FERC had inadequate data on the extent to which other land and water uses could adversely affect resources to carry out a reasoned evaluation; and (4) although Congress amended the act to require FERC to consider the extent to which hydroelectric projects were consistent with federal and state comprehensive plans, FERC had no further plans for implementing the amendment other than issuing requirements for comprehensive development.

### Open Recommendations to Agencies

**Recommendation:** The Chairman, FERC, should formally announce FERC plans for using CIAP, EIS, or some other procedure to carry out future assessments and provide interested parties with an opportunity to comment on such plans.

**Status:** Action in process. Estimated completion date: 12/90. FERC stated that it would decide on the cumulative impact procedures to be used in major river basins. GAO plans to review such decisions to see if they clearly set forth the procedures to be used in each basin. As of September 1989, FERC informed GAO that no new decisions had been made regarding the use of cumulative impact procedures in major river basins.

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**Energy Information, Policy, and Regulation**
**Nuclear Health and Safety: Oversight at DOE's Nuclear Facilities Can Be Strengthened**

RCED-88-137, 07/08/88

**Background**

In response to a congressional request, GAO examined the Department of Energy's (DOE) environment, safety, and health (ES&H) activities, including: (1) the possibility that DOE could reduce the visibility and management it currently gives to safety and health issues; (2) legislatively mandated independent oversight of DOE nuclear facilities; and (3) unclear safety standards.

**Findings**

GAO found that: (1) DOE created an Assistant Secretary for ES&H in 1985 to oversee the operations and contractors responsible for its nuclear defense facilities; (2) since the health and safety

functions of the office were not legislatively mandated, DOE could relegate these issues to a level that would not provide top management attention; (3) although DOE created an advisory committee on nuclear facility safety, it did not meet GAO criteria for effective and independent oversight; and (4) since DOE did not determine what commercial safety standards were applicable to its nuclear facilities, it could not determine if its facilities were safe compared to commercial nuclear facilities.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Energy should revise DOE orders to

establish meaningful safety standards and implementation policies to guide continued operation of existing facilities and to use as baseline safety criteria for developing its future strategy for the defense complex. This revision should include a formal process to: (1) clearly identify the commercial standards, guides, and codes that should be applied to DOE nuclear facilities; and (2) justify when a standard is not met.

**Status:** Action in process. Estimated completion date: 12/89. DOE stated that 24 separate DOE Operating Orders are under revision in response to this recommendation. Target completion date is December 1989, but some slippage is expected.

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**Energy Information, Policy, and Regulation**
**Nuclear Health and Safety: DOE Needs to Take Further Actions to Ensure Safe Transportation of Radioactive Materials**

RCED-88-195, 09/27/88

**Background**

Pursuant to a congressional request, GAO reviewed the Department of Energy's (DOE) regulation of its program for transporting high-level radioactive materials.

**Findings**

GAO found that: (1) the Nuclear Regulatory Commission (NRC) identified safety-related concerns with DOE-certified containers for transporting radioactive material, involving structure, containment, shielding, thermal,

criticality, and acceptance testing and maintenance conditions; (2) these concerns prompted DOE to revamp container certification procedures, consolidate certification responsibility at national headquarters, and remove many of the containers from the

transport program; (3) a DOE contractor's review identified inadequate documentation that the containers complied with safety requirements, the use of nonconservative analyses, and calculation errors; (4) DOE continued to use the containers up to 3 months after the contractor identified these problems; (5) DOE used three containers for several years without ever obtaining certification; (6) DOE used four containers with only 60-day approvals for several years; and (7) DOE regarded inadequate demonstration and certification as documentation problems not affecting container safety.

### Open Recommendations to Agencies

**Recommendation:** In accordance with the provisions of DOE Order 5480.3, the Secretary of Energy should promptly develop written guidance for addressing and resolving safety-related concerns raised about the packages used to ship nonweapons, high-level radioactive materials. This guidance should include provisions for approving the continued use of these packages by an organization that does not manage their use.

**Status:** Action not yet initiated. According to the DOE audit liaison, the agency's response letter to the recommendation was prepared for the Secretary's signature in November 1988; however, in the change of administrations, it has not yet been signed.

**Recommendation:** The Secretary of Energy should: (1) promptly conduct an independent review of all available documentation to ensure that package designs approved for transporting nuclear explosives, nuclear components, and special assemblies meet all applicable safety regulations; and (2) consolidate certification responsibilities for these packages with the centralized package certification program at DOE headquarters.

**Status:** Action not yet initiated. According to the DOE audit liaison, the agency's response letter to the recommendation was prepared for the Secretary's signature in November 1988; however, in the change of administrations, it has not yet been signed.

## Energy Information, Policy, and Regulation

# Federal Electric Power: Controversy Relating to Construction of Transmission Lines

RCED-89-43, 12/06/88

### Background

GAO reviewed the Western Area Power Administration's (WAPA) justifications for conducting a joint transmission line construction project with other utility companies, particularly its proposed Craig/Bonanza line project, to determine: (1) the extent of WAPA participation in the project's costs and the resulting line capacity; and (2) whether WAPA construction activities comply with its legislative authority.

### Findings

GAO found that: (1) WAPA justified its construction projects on the basis of

improving the reliability of the federal transmission system; (2) the projects usually increased WAPA transmission capacity; (3) WAPA sold its excess transmission capacity to other utilities in the past and expected to do so in the future to increase its revenue; (4) private utility companies expressed concern over the Craig/Bonanza and Tracy/Livermore transmission line projects because of the potential for WAPA to deliver excess power to their markets through wheeling arrangements with other suppliers, which could result in a loss of their customers; and (5) although WAPA indicated that its participation in the Craig/Bonanza project was based on

estimated cost or resulting line capacity, it did not adequately document the extent of or reasons for its participation.

### Open Recommendations to Congress

**Recommendation:** The House Subcommittee on Water and Power Resources should consider examining: (1) WAPA transmission construction activities to improve system reliability; and (2) how WAPA may use transmission capacity beyond that needed for its power marketing activities.

**Status:** Action not yet initiated.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Energy should direct the Administrator, WAPA, to establish a formal policy and

implement procedures to direct its involvement in joint transmission construction projects, including a requirement for documenting the basis for and the extent of its participation in individual projects.

**Status:** Action in process. Estimated completion date: 03/90. WAPA is developing a formal policy and implementing procedures to comply with the recommended action.

**Energy Information, Policy, and Regulation**

**Energy Management: DOE Should Improve Its Controls Over Work for Other Federal Agencies**

RCED-89-21, 02/09/89

**Background**

In response to a congressional request, GAO reviewed the Department of Energy's (DOE) controls over the products and services it provided to non-DOE entities, primarily other federal agencies, to determine whether DOE: (1) had adequate controls over the work it performed; (2) properly implemented those controls; and (3) controls conformed to pertinent laws and regulations.

**Findings**

GAO found that: (1) although existing DOE policies concerning non-DOE work generally conformed with the legislative criteria, inconsistent controls at the field-office level did not effectively ensure control; (2) three of the four operations offices responsible for the work performed for non-DOE entities inconsistently implemented DOE controls; (3) implementation varied between the three offices because DOE had no established oversight standards; (4) DOE did not track its own indirect oversight costs or recover them from other federal agencies; (5) DOE did not specifically request monitoring staff allocations from the Office of Management and Budget; (6) an

operations office organizationally moved one contractor group from DOE oversight after DOE raised concerns about the appropriateness of the group's non-DOE work; and (7) DOE did not perform a formal evaluation to determine whether the private sector could conveniently or cheaply perform the group's work.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Energy should direct the Assistant Secretary for Management and Administration to review DOE field offices' work for others (WFO) orders to ensure that they: (1) incorporate all the requirements of the DOE-wide policies; and (2) do not exclude entities that are not excluded from the DOE-wide order.  
**Status:** Action not yet initiated. The Assistant Secretary for Management and Administration will review field offices' orders on work for others to ensure that they conform to DOE policy.

**Recommendation:** The Secretary of Energy should direct the Assistant Secretary for Management and Administration to establish minimum standards for: (1) the amount of

information to be submitted to DOE on all the acceptance criteria in the DOE WFO order; (2) the reviews that must be performed by DOE personnel before a WFO project is approved; and (3) DOE monitoring of WFO projects in process to ensure that the contractor is adequately performing the work and that the commitment between DOE and the sponsor is being met.

**Status:** Action not yet initiated. The Assistant Secretary will work with the field offices and program offices to establish the minimum standards, which will be incorporated into DOE directives.

**Recommendation:** The Secretary of Energy should direct the heads of the DOE field offices to ensure that the revised financial policy order is implemented consistently to ensure that each WFO agreement contain the required standard clauses and sponsor certifications.

**Status:** Action not yet initiated. The Assistant Secretary for Management and Administration will request written assurance from each DOE field element that the requirements of the revised financial policy order have been implemented. Also, compliance reviews by the Controller's Office will ensure

that field offices properly implement the revised order.

**Recommendation:** The Secretary of Energy should direct the heads of the DOE field offices to ensure that their responsible contracting officers make specific written determinations and certifications for WFO projects as required by the DOE WFO order.  
**Status:** Action not yet initiated. The Assistant Secretary for Management and Administration will emphasize, in a formal communication to the managers of the operations offices, the requirement that contracting officers certify that specific determinations regarding proposed WFO projects have been made.

**Recommendation:** The Secretary of Energy should direct the heads of the DOE field offices to ensure that the offices incorporate the recommended minimum standards.  
**Status:** Action not yet initiated. The Assistant Secretary for Management and Administration will include the standards, after they are developed, in the appropriate directives.

**Recommendation:** The Secretary of Energy should direct appropriate DOE officials to revise DOE policy to require other federal agencies to reimburse DOE

for its personnel costs associated with WFO oversight.  
**Status:** Action not yet initiated. DOE Order 2110.1A will be amended to clarify DOE policy to require recovery of actual costs from WFO projects.

**Recommendation:** The Secretary of Energy should direct appropriate DOE officials to establish a system to identify DOE personnel costs associated with WFO so that these costs can be recovered from other federal agencies.  
**Status:** Action not yet initiated. DOE will develop and implement an appropriate system to identify DOE personnel costs associated with WFO.

**Recommendation:** The Secretary of Energy should direct appropriate DOE officials to determine the amount of DOE staff resources needed to effectively review, approve, and monitor WFO in the context of the minimum standards recommended at each field office that performs WFO, and take the necessary steps to allocate staff accordingly.  
**Status:** Action not yet initiated. As part of a staffing review for the fiscal year 1991 budget, the Assistant Secretary for Management and Administration will direct DOE elements to identify the needed staff resources. Following the budget decisions, DOE officials will be directed to allocate staff accordingly.

**Recommendation:** The Secretary of Energy should direct the Assistant Secretary for Management and Administration to separately identify WFO oversight staffing needs in the next DOE request for personnel to the Office of Management and Budget (OMB).  
**Status:** Action not yet initiated. WFO oversight staffing will be included in the next DOE request for staffing resources to OMB.

**Recommendation:** The Secretary of Energy should formally determine whether the work performed by Data Systems could be provided as conveniently or cheaply by a commercial enterprise. If so, the Secretary should terminate the Data Systems work. If the work cannot be provided by a commercial enterprise, the Secretary should immediately assign it to a DOE headquarters group for programmatic oversight.  
**Status:** Action not yet initiated. The Assistant Secretary for Management and Administration will coordinate a review of the work performed by Data Systems. If it is determined that any work would be more appropriately performed by the private sector, steps will be taken to terminate the work.

**Energy Information, Policy, and Regulation**

**Energy Management: States' Use of Oil Overcharge Funds for Legal Expenses**

RCED-89-60, 03/21/89

**Background**

Pursuant to a congressional request, GAO provided information on states' payments of legal fees they incurred in

connection with the Exxon, Stripper Well, and Diamond Rock oil overcharge cases.

**Findings**

GAO found that: (1) 49 states paid \$13.1 million of the \$15.4 million they

incurred for such legal expenses as retaining their own law firms, consultants, and attorneys general; (2) 5 states incurred legal expenses exceeding \$1 million, while 18 states incurred expenses of less than \$50,000; (3) states will use Stripper Well and Diamond Shamrock oil overcharge funds to pay for \$11.3 million and use state funds for the remaining expenses; (4) the Exxon decision prohibited states from using the overcharge funds for legal expenses, while the Stripper Well settlement allowed states to use up to 5 percent of the funds, and the Diamond Shamrock settlement allowed states to use all of the funds, for legal expenses incurred in

other cases; (5) states collectively used 9.6 percent of Diamond Shamrock funds to pay for legal expenses, although 12 states used at least 46 percent of those funds for legal expenses; (6) the Department of Energy (DOE) has issued inconsistent guidance on the appropriate expenditure of oil overcharge funds and has not sought clarification from the courts on whether states could use funds from the other cases to pay the legal fees they incurred in the Exxon case; (7) DOE required states to report annual expenditures of Stripper Well and Diamond Shamrock funds but did not require states to identify the cases for which they incurred legal expenses; and

(8) states' receipts and expenditures of future crude oil overcharge funds will be governed by the provisions of the Stripper Well settlement.

### Open Recommendations to Agencies

**Recommendation:** To resolve past inconsistencies, the Secretary of Energy should direct the Under Secretary to provide clear policy guidance to the states on the use of Stripper Well and Diamond Shamrock funds for Exxon legal expenses.

**Status:** Action not yet initiated.

## Energy Information, Policy, and Regulation

# Electricity Supply: What Can Be Done to Revive the Nuclear Option?

RCED-89-67, 03/23/89

### Background

Pursuant to a congressional request, GAO studied the future of nuclear power, focusing on: (1) problems preventing new initiatives in commercial nuclear power; (2) actions which could revive nuclear power; and (3) the status of government and industry efforts to revitalize the use of nuclear power.

### Findings

GAO found that: (1) public and utility concerns about the feasibility of using nuclear power have risen due to oil embargoes, recession, inflation, decreased electricity demand, industrial accidents, and poor utility management; (2) although public opinion largely supported nuclear power's critical role in the nation's energy future, worst-case industrial accidents and environmental,

health, and safety problems strengthened public opposition to nuclear power; (3) utility representatives believed that power plants generally had strong safety records; (4) utility representatives believed that they faced increased financial risk in building new power plants due to the Nuclear Regulatory Commission's (NRC) two-step licensing process, states disallowing the recovery of construction costs, and the Department of Energy's (DOE) slow progress toward building a nuclear waste repository; (5) utilities' increasing reliance on such alternatives as imported electricity and oil- and gas-powered generators raised serious energy security concerns; (6) utility representatives believed that continued safe, efficient plant operations and a strong federal nuclear energy policy would increase public acceptance of

nuclear power; and (7) NRC and DOE attempts to reform the licensing process, standardize plant designs, improve reactors and testing models, and select a repository site lacked the necessary support and funding.

### Open Recommendations to Congress

**Recommendation:** Congress should review the nuclear option within the broad context of the nation's energy security concerns and the changing nature of the electric utility industry. As it reviews the nation's nuclear energy policy, Congress should consider enacting legislation to reform the licensing process into a more predictable procedure and promoting utilities' use of NRC-preapproved standardized designs. It could also reevaluate the goals and

objectives of existing federal nuclear research and development efforts.

Status: Action not yet initiated.

**Energy Information, Policy, and Regulation**

**Nuclear Regulation: License Renewal Questions for Nuclear Plants Need to Be Resolved**

RCED-89-90, 04/03/89

**Background**

Pursuant to a congressional request, GAO reviewed the effects of aging on nuclear power plants, focusing on: (1) the Nuclear Regulatory Commission's (NRC) program to develop a license renewal policy and accompanying regulations; and (2) efforts by the Department of Energy (DOE) and the electric utility industry to extend the lives of nuclear plants.

**Findings**

GAO found that: (1) many utilities will have to decide whether to renew licenses for older nuclear plants or construct new plants; (2) although NRC has developed 3 possible license renewal policy options and identified 15 unresolved technical, environmental, and procedural

regulatory problems, it has made little progress in reaching definitive regulatory criteria; (3) NRC research on the effects of aging on nuclear plants has not identified any generic age-related conditions that would require nuclear plants to shut down, but has identified some conditions that might require repair, replacement, or special treatment; (4) NRC identified some age-related degradation that could affect the continued operation of 12 plants; and (5) DOE and the utility industry have conducted life extension studies at four plants and have not identified any age-related degradation or technical obstacles associated with plant hardware to preclude continued operations.

**Open Recommendations to Agencies**

**Recommendation:** The Chairman, NRC, should: (1) accelerate the schedule for developing license renewal regulations and stipulate the basis that will be used to evaluate renewal applications and the types of records, engineering analyses, and other historical information needed to support a request for continued operations; and (2) resolve the outstanding technical, environmental, and procedural uncertainties.

**Status:** Action in process. The Commission agreed that NRC should accelerate its efforts to resolve license renewal issues and requested the staff to complete a final rule by April 1992. At the time GAO completed audit work, NRC expected to issue a final rule by 1991.

**Energy Information, Policy, and Regulation**

**Nuclear Regulation: NRC's Restart Actions Appear Reasonable—But Criteria Needed**

RCED-89-95, 05/04/89

**Background**

In response to a congressional request, GAO assessed the criteria that the Nuclear Regulatory Commission (NRC)

uses to allow nuclear powerplants to restart operations after a shutdown to correct safety or management problems, focusing on: (1) the Peach Bottom,

Pennsylvania, plant's operating history; (2) NRC rationale for allowing the plant to continue operations despite its history of problems; (3) the extent to which NRC

would consider outstanding maintenance items before allowing the plant to restart; and (4) the manner in which NRC addressed public comments.

### Findings

GAO found that: (1) although NRC did not have criteria for setting out the actions that either it or the utility should take after a shutdown, NRC actions included approval of the utility's corrective action plan, several inspections, independent reviews, public meetings, and restart approval; (2) the Peach Bottom plant was in a lower range of licensee performance evaluations than 15 other plants reviewed, had more marginally satisfactory ratings than 9 other plants, and had more inspection violations than

5 other plants; (3) between 1970 and 1987, NRC issued eight notices of violation against the Peach Bottom plant and the utility paid civil penalties totalling \$485,000; (4) at the time of shutdown, NRC ordered the utility to reduce its backlog of maintenance repairs, and the utility subsequently found that it had a larger backlog, but it had reduced the backlog significantly by March 1989; (5) NRC and the utility held nine meetings to allow public comment on restart activities; (6) as a result of the shutdown, NRC permitted inspections of commercial powerplants without advance notice to the utility and published a policy statement concerning the conduct of nuclear powerplant operations, including employees' behavior; and (7) an independent review

agreed that NRC could restart the plant subject to completion of certain equipment modifications and procedural changes.

### Open Recommendations to Agencies

**Recommendation:** To ensure that each plant's readiness to restart is assessed, the Chairman, NRC, should develop criteria that include, at a minimum a review and approval of the utility's corrective action plan, inspections to ensure the actions are taken, independent review of NRC actions, and public participation.

**Status:** Action not yet initiated. NRC expects to develop restart criteria during fiscal year (FY) 1990.

## Energy Information, Policy, and Regulation

# Energy Management: Appeals Procedures for State and Local Assistance Programs

RCED-89-127, 05/10/89

### Background

Pursuant to a congressional request, GAO examined the Department of Energy's (DOE) administrative review procedures for its state and local energy conservation grant programs.

### Findings

GAO found that: (1) DOE published regulations for administrative review procedures for its energy conservation, energy extension, and weatherization assistance programs; (2) the procedures included hearings before DOE-appointed panels or operations office managers and appeal to the Secretary; (3) federal regulations provided other appeal routes

with broader applicability than just energy conservation grant programs; (4) no state had used the administrative review procedures applicable to the energy conservation grant programs, since most states had not experienced problems that required formal resolution; (5) two states appealed support office decisions to the DOE Office of Hearings and Appeals (OHA) based on guidance from program officials about appropriate appeal routes; (6) many state and DOE officials were not aware of or familiar with the administrative review procedures; (7) state officials characterized the procedures as inadequate, citing confusing and misleading wording and

possible bias, since DOE-appointed personnel heard appeals; (8) DOE allowed OHA to continue to hear grant program appeals until it completed its study of OHA authority; and (9) DOE suspended the study, which lacked written objectives and a timetable for completion, in March 1989.

### Open Recommendations to Agencies

**Recommendation:** To resolve uncertainties related to the procedures states may use to appeal support office decisions, the Secretary of Energy should clarify the current types of decisions appealable under the energy

conservation, energy extension, and weatherization administrative review procedures and revise the procedures to eliminate the perception of bias in review panel selection for the energy conservation and energy extension programs.

Status: Action not yet initiated.

**Recommendation:** To resolve uncertainties related to the procedures

states may use to appeal support office decisions, the Secretary of Energy should formalize the objectives of the Under Secretary and General Counsel joint study on appeals procedures and establish a schedule for its timely completion.

Status: Action not yet initiated.

**Recommendation:** To resolve uncertainties related to the procedures

states may use to appeal support office decisions, the Secretary of Energy should ensure that officials in the Office of State and Local Assistance Programs, support offices, and state program offices have a clear understanding of the administrative review procedures, when to use these procedures, and when to use the other routes available to states to appeal support office decisions.

Status: Action not yet initiated.

## Energy Information, Policy, and Regulation

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

RCED-89-119, 05/26/89

### Background

In response to a congressional request, GAO assessed Nuclear Regulatory Commission (NRC) actions to ensure that operators of fuel cycle facilities provide for eventual decommissioning, including: (1) the actions that licensees take to comply with NRC residual radiation guidelines; and (2) NRC assessments of facilities prior to terminating licenses. —

### Findings

GAO found that: (1) NRC fully or partially released two sites for unrestricted use where radioactive contamination was higher than its guidelines allowed; (2) it could not determine whether similar situations occurred at six other sites because licensee cleanup information was sometimes incomplete, ambiguous, or nonexistent, and NRC did not always have information about licensee decontamination activities; (3) NRC regulations did not specify how long either it or licensees should retain decontamination information; (4)

licensees did not initially decontaminate their facilities to meet NRC guidelines; (5) although NRC required licensees to decontaminate facilities below its guidelines, 11 of 19 decommissioning plans would not meet that requirement; (6) although NRC required licensees to retain records on the radioactive wastes they buried, five of the eight cases reviewed involved buried waste on-site, but four of the licensees did not keep or complete disposal data; (7) NRC did not require licensees to monitor groundwater or soil contamination from buried waste, but five licensees found groundwater contaminated with radioactive substances at levels higher than drinking water standards allowed; and (8) although NRC believes that it can require former licensees to conduct additional cleanup activities, it does not have regulations to address the actions it can take. GAO also found that: (1) because the Environmental Protection Agency was responsible for developing residual radiation standards, but did not expect to finalize them until 1992, NRC used guidelines it developed to

determine whether to terminate a license; and (2) a professional group that also developed residual radiation standards proposed some levels 3 to 50 times higher and some levels 3 to 5 times lower than NRC guidelines.

### Open Recommendations to Agencies

**Recommendation:** To enhance NRC regulatory oversight of nuclear facilities' decommissioning efforts, the Chairman, NRC, should require licensees to specifically list in one document all land, buildings, and equipment involved with their licensed operations.

Status: Action not yet initiated. At August 3, 1989, hearings, the Chairman, NRC, indicated that the recommended action would be taken.

**Recommendation:** To enhance NRC regulatory oversight of nuclear facilities' decommissioning efforts, the Chairman, NRC, should ensure that the licensees decontaminate their facilities in accordance with NRC guidelines before

NRC fully or partially releases a site for unrestricted use.

**Status:** Action not yet initiated. At August 3, 1989, hearings, the Chairman, NRC, indicated that the recommended action would be taken.

**Recommendation:** To enhance NRC regulatory oversight of nuclear facilities' decommissioning efforts, the Chairman, NRC, should determine if NRC residual radiation criteria should be revised on the basis of the standards proposed by the Health Physics Society Standards Committee.

**Status:** Action not yet initiated. At August 3, 1989, hearings, the Chairman, NRC, indicated that the recommended action would be taken.

**Recommendation:** To enhance NRC regulatory oversight of nuclear facilities' decommissioning efforts, the Chairman,

NRC, should ensure that licensees appropriately monitor buried waste sites to determine the extent of environmental contamination.

**Status:** Action not yet initiated. At August 3, 1989, hearings, the Chairman, NRC, indicated that the recommended action would be taken.

**Recommendation:** To enhance NRC regulatory oversight of nuclear facilities' decommissioning efforts, the Chairman, NRC, should ensure that NRC obtains and keeps for more than 10 years decommissioning information such as licensee radiological surveys and certification of materials disposed, NRC or other organizations' confirmatory surveys, and specifics on land, buildings, and equipment that were contaminated over the life of the license.

**Status:** Action not yet initiated. At August 3, 1989, hearings, the Chairman,

NRC, indicated that the recommended action would be taken.

**Recommendation:** Since NRC believes that it has authority to require additional cleanup activities after terminating a license and to ensure that it has a mechanism to enforce orders requiring such activities, the Chairman, NRC, should act expeditiously to issue regulations governing such actions. In the interim, the Chairman should also ensure that all contamination at a site has been cleaned up so that it is below the levels that NRC guidelines allow before releasing all or part of a site for unrestricted use.

**Status:** Action not yet initiated. At August 3, 1989, hearings, the Chairman, NRC, indicated that the recommended action would be taken.

## Energy Information, Policy, and Regulation

# Nuclear Nonproliferation: Better Controls Needed Over Weapons-Related Information and Technology

RCED-89-116, 06/19/89

### Background

Pursuant to a congressional request, GAO examined the Department of Energy's (DOE) controls over unclassified nuclear weapons information and technology developed by its three weapons laboratories.

### Findings

GAO found that: (1) of the 39,000 reports DOE produced in 1986 and 1987, 60 percent were available to the public; (2) 68 percent of recipients of 30 randomly selected reports were from overseas; (3) between October 1985 and December

1987, the laboratories recorded over 2,000 data requests, honoring about 1,700; (4) DOE did not require laboratories to track the number of requests or the information provided and had no systematic method to determine the information that proliferation-risk countries obtained from the laboratories; (5) one of the laboratories developed a system to track direct requests, but only one of the other two laboratories provided such information; (6) the laboratories lacked DOE guidance for identifying whether specific technological or programmatic material met criteria as unclassified controlled

nuclear information under a 1981 legislative mandate; (7) DOE was exempt from most controls that effectively regulated the private sector's export of nuclear-related technology and information; (8) DOE questioned its authority to restrict dissemination of unclassified information without specific legislation exempting export-controlled information from Freedom of Information Act requests; (9) proliferation-risk countries routinely obtained U.S. hardware that had both nuclear weapons and commercial applications; and (10) foreign countries circumvented U.S. export controls over

materials, including sensitive computer codes, by obtaining them through other foreign countries which did not adequately control export of U.S. material.

**Open Recommendations to Agencies**

**Recommendation:** To help minimize the risks associated with the free dissemination of unclassified but sensitive nuclear-related information and better protect national security, the Secretary of Energy should require the laboratories to track foreign requests for information and institute an effective oversight measure to ensure that they do so.

**Status:** Action not yet initiated.

**Recommendation:** To help minimize the risks associated with the free dissemination of unclassified but sensitive nuclear-related information and better protect national security, the Secretary of Energy should complete and issue guidance to the weapons laboratories for use in identifying and limiting the dissemination of unclassified controlled nuclear information in accordance with the 1981 congressional mandate.

**Status:** Action not yet initiated.

**Recommendation:** To help minimize the risks associated with the free dissemination of unclassified but

sensitive nuclear-related information and better protect national security, the Secretary of Energy should require the laboratories to send, and refer requests for, all computer codes to the National Energy Software Center.

**Status:** Action not yet initiated.

**Recommendation:** To help minimize the risks associated with the free dissemination of unclassified but sensitive nuclear-related information and better protect national security, the Secretary of Energy should seek a legislative exemption from the Freedom of Information Act for unclassified data categorized by DOE as export-controlled information.

**Status:** Action not yet initiated.

**Energy Information, Policy, and Regulation**

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

RCED-89-118, 06/20/89

**Background**

Pursuant to a congressional request, GAO reviewed the Department of Energy's (DOE) operating contractors' use of systems contracting to determine whether DOE ensures that systems contracting is in the government's best interest.

and benefits of systems contracting, verified Sandia's claimed savings and other benefits, or compared contractor procurement costs with the cost of procuring supplies from the General Services Administration (GSA); and (3) DOE has not required Sandia to establish adequate internal controls over purchases under a systems contract.

government by having the operating contractors compare and evaluate the costs and benefits of systems contracting with purchases from GSA before awarding such contracts.

**Status:** Action not yet initiated.

**Findings**

GAO found that: (1) although DOE has cited the Sandia National Laboratory's positive experience with systems contracting as a basis for encouraging its other operating contractors to consider systems contracting, it has not shown that systems contracting is in the government's best interest; (2) DOE has not independently evaluated the costs

**Recommendation:** To help ensure that the operating contractors' use of systems contracting is in the best interest of the federal government, the Secretary of Energy should require DOE operating contractors to provide detailed documentation supporting their evaluations and independently review the contractors' evaluations.

**Status:** Action not yet initiated.

**Open Recommendations to Agencies**

**Recommendation:** To help ensure that the operating contractors' use of systems contracting is in the best interest of the federal government, the Secretary of Energy should enforce its requirement that GSA be used when it is economically advantageous to the

**Recommendation:** The Secretary of Energy should require Sandia to

establish adequate internal controls to help ensure that: (1) the lowest-cost items available under a systems contract are selected unless otherwise justified; and (2) items added to the systems contract are obtained at the lowest

prices consistent with requirements for quality and timeliness.  
**Status:** Action not yet initiated.  
**Recommendation:** The Secretary of Energy should determine whether other

operating contractors have established adequate controls over their purchases under systems contracts and, if not, require them to establish such controls.  
**Status:** Action not yet initiated.

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## Energy Supply

# Uranium Enrichment: Congressional Action Needed To Revitalize the Program

RCED-88-18, 10/19/87

## Background

In response to a congressional request, GAO assessed the problems of the Department of Energy's (DOE) uranium enrichment program and identified options to revitalize it.

## Findings

GAO found that: (1) the program's financial problems include \$8.8 billion in unrecovered costs, multibillion-dollar payments for unused power, market uncertainties due to ongoing litigation, and potentially large decommissioning costs; (2) DOE proposed to write off its unproductive assets, which would leave about \$3.4 billion in unrecovered costs; (3) price flexibility would allow DOE to balance cost recovery objectives with other program objectives; (4) DOE lowered its production levels to meet the objectives even though the continued low production would cost more than \$80

million over the next few years; and (5) DOE proposed to restructure the program as a federal corporation to increase competition, free it from budget restrictions, and permit flexible pricing.

## Open Recommendations to Congress

**Recommendation:** In order to place the enrichment program on firm financial footing, Congress should enact legislation to define a reasonable amount of costs the program needs to recover. In defining the amount of costs to be recovered, Congress should allow the write-off of unproductive assets and consider freezing total interest charges.  
**Status:** Action in process.

**Recommendation:** In order to place the enrichment program on firm financial footing, Congress should enact legislation to provide the enrichment

program with sufficient budget and management flexibility to ensure that optimum production schedules are followed and long-term customer commitments are not compromised.  
**Status:** Action in process.

**Recommendation:** In order to place the enrichment program on firm financial footing, Congress should enact legislation to allow DOE sufficient flexibility in setting its pricing strategy to allow it to meet market competition.  
**Status:** Action in process.

**Recommendation:** In order to place the enrichment program on firm financial footing, Congress should enact legislation to require that DOE include future decontamination and decommissioning costs in its base of costs to be recovered.  
**Status:** Action in process.

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**Energy Supply**
**Naval Petroleum Reserves-1: Data Corrections Made but More Accurate Reserve Data Needed**

RCED-88-174, 06/28/88

**Background**

Pursuant to a congressional request, GAO reviewed the Department of Energy's (DOE) actions to correct Naval Petroleum Reserve No. 1 (NPR-1) production data inaccuracies which GAO believed: (1) resulted from a lack of effective internal controls; (2) caused incorrect computation of the reserve's maximum efficient production rates; and (3) could result in the government's not receiving its entire share of remaining recoverable reserves if NPR-1 were sold.

**Findings**

GAO found that DOE promptly initiated actions to correct data inaccuracy problems, including: (1) rewriting computer programs; (2) conducting tests

of corrected data to validate the production accounting system's accuracy; (3) developing new allocation factors for the production accounting system; (4) establishing standards for developing new allocation factors; and (5) validating all historical monthly production data. GAO also found that DOE: (1) will take almost a year to complete all corrective actions and will require additional time to measure the effectiveness of its newly implemented internal controls; (2) did not detect certain errors in allocation factors that had cleared its review process; and (3) has not exercised a study contract option that would provide it with the specific geological data it needs to protect the government's interests if it should choose to sell or manage the reserve.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Energy should authorize the Director, Office of Naval Petroleum and Oil Shale Reserves, to exercise the government's option for phase IVb under the current contract to obtain more detailed geologic and engineering data needed to accurately determine the ownership of oil produced to date.

**Status:** Action not yet initiated. DOE exercised option IVa of the contract so that additional geological and engineering data about the reserves can be obtained. DOE believes it would be inappropriate at this time to exercise the phase IVb option without considering the results of the technical evaluation of phase IVa planned in fiscal year 1990.

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**Energy Supply**
**Nuclear Waste: DOE Should Base Disposal Fee Assessment on Realistic Inflation Rate**

RCED-88-129, 07/22/88

**Background**

GAO reviewed the Department of Energy's (DOE) annual assessment of the nuclear waste disposal program fee, focusing on DOE treatment of inflation in assessing fee adequacy.

**Findings**

GAO found that: (1) in June 1987, DOE recommended that the disposal fee remain unchanged, even though its analysis showed that, at a 4-percent inflation rate, the current fee would result in end-of-program deficits of \$21 billion to \$76 billion; (2) DOE should have proposed a fee increase to

Congress, based on the inflation rate, to ensure that revenues would cover program costs; and (3) future program changes and reduced costs should enable DOE to begin using a realistic inflation rate in determining fee adequacy in 1988.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Energy should use a realistic base-case inflation rate estimate in determining the waste disposal fee needed to produce

sufficient revenues to recover total program costs.

**Status:** Action in process. According to a cognizant DOE official, although DOE will not implement this recommendation exactly as written, it is making some

changes in how inflation is considered in the assessment that he believes are responsive to the objective GAO sought. This action will be included in the next assessment report due around December 1989.

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**Energy Supply**

**Electric Power: Issues Concerning Expansion of the Pacific Northwest-Southwest Intertie**

RCED-88-199, 09/14/88

**Background**

Pursuant to a congressional request, GAO discussed the Bonneville Power Administration's (BPA) plans to expand the Pacific Northwest-Southwest Intertie, focusing on the: (1) BPA justification for the expansion; (2) relationship of Canadian power imports to the intertie expansion; and (3) potential impacts on salmon and steelhead trout.

**Findings**

GAO found that: (1) BPA estimated that its costs for the 1600-megawatt (MW) addition would be \$327 million, the net

economic benefit of the addition through 2030 would be \$661 million, and its share of net benefits would be \$199 million; (2) BPA projected losses for the first 4 years and estimated that it would take 18 years to recover its investment; and (3) it was unclear whether the second 800-MW increment of capacity increase would result in net benefits to BPA. GAO also found that BPA estimated that: (1) Canada could receive \$161 million of the net benefits and could further benefit if it decided to increase exports; and (2) losses of salmon and steelhead trout related to the expansion would be under 3 percent, but made its estimates with a controversial computer model called FISHPASS.

**Open Recommendations to Agencies**

**Recommendation:** The Administrator, BPA, should contract for an independent review of FISHPASS and include the activities generally undertaken in Environmental Protection Agency (EPA) reviews of models. The Administrator may wish to consult with EPA officials concerning the content and methods used in these reviews.

**Status:** Action in process. An independent review of FISHPASS is being carried out under contract with BPA.

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**Energy Supply**

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

RCED-88-131, 09/28/88

**Background**

Pursuant to a legislative requirement, GAO assessed the Department of

Energy's (DOE) efforts to implement the Nuclear Waste Policy Act of 1982, focusing on the: (1) implications of

declining nuclear waste quantities; (2) increased program costs; and (3) effects of the 1987 revisions to the act on the

DOE plan for a facility to receive and store nuclear wastes.

## Findings

GAO found that: (1) waste disposal projections have declined because utilities have not ordered new nuclear power plants since 1978; (2) despite this decline, estimates of waste program costs increased from \$23 billion in 1983 to \$33 billion in 1987; (3) DOE estimated that it would cost \$23 billion to implement the

revised program, with Yucca Mountain in Nevada as the sole repository, and about \$31 billion if it constructed a second repository; (4) DOE expected the Yucca Mountain site to hold 70,000 metric tons of wastes but was uncertain about the site's potential for expansion; and (5) the act's revisions limited DOE authority to construct and operate a monitored retrievable storage (MRS) facility in advance of a repository.

## Open Recommendations to Congress

**Recommendation:** Congress may wish to explore with DOE the advantages of earlier and more complete site characterization information on the secondary rock formations at Yucca Mountain, in view of the continuing decline in the estimates of waste to be disposed of and uncertainty about the capacity of the currently defined primary disposal area at that site.  
**Status:** Action not yet initiated.

## Energy Supply

# Nuclear Waste: Repository Work Should Not Proceed Until Quality Assurance Is Adequate

RCED-88-159, 09/29/88

## Background

Pursuant to a congressional request, GAO examined the Department of Energy's (DOE): (1) progress in developing a quality assurance program for characterizing the Yucca Mountain, Nevada, site for possible use as a nuclear waste repository; and (2) interaction with the Nuclear Regulatory Commission (NRC) in identifying and resolving potential quality-related licensing problems.

## Findings

GAO found that: (1) NRC oversight of quality assurance program development was limited due to problems and delays in DOE program development; (2) NRC identified several concerns about the program regarding document inadequacy, noncompliance with quality assurance standards, ineffective contractor auditing, general program management and development, and lack

of direct control over the contractor's quality assurance programs; (3) NRC formally concluded that it lacked confidence in the program's adequacy; and (4) DOE acknowledged that, although its present quality assurance was inadequate, it would be ready for NRC verification before site characterization began. GAO also found that neither DOE nor NRC have sufficiently attempted to timely address these concerns, since: (1) DOE assigned a higher priority to other project activities and did not resolve any of the problems NRC identified; and (2) NRC has not aggressively pursued opportunities to more adequately assess the quality assurance program and has not raised unresolved issues to higher-level NRC or DOE management for possible resolution.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Energy should proceed with site characterization work segments only after the Secretary determines that all quality assurance programs related to regulatory-related work are in place and meet NRC standards.

**Status:** Action in process. In October 1988, DOE delayed site characterization until November 1989 because its quality assurance program was not adequate to begin work. DOE currently anticipates a further schedule slippage, in part because the program will not be ready to begin work in November. However, GAO cannot close this recommendation until DOE decides to begin work and NRC agrees that the program is adequate.

**Recommendation:** The Secretary of Energy should proceed with site characterization work segments only after NRC has notified DOE that it

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concurr with the Secretary's determination.

**Status:** Action in process. DOE is considering a further delay in the start of site characterization. Consequently, it

is not known when DOE will begin the work or when NRC will agree that the program is adequate for doing so.

# Financial Management and Information Systems

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## CPA Audit Quality: Many Governmental Audits Do Not Comply With Professional Standards

AFMD-86-33, 03/19/86

### Background

In response to a congressional request, GAO reviewed the quality of certified public accountants' (CPA) audits of federal assistance programs.

### Findings

GAO found that: (1) CPA did not satisfactorily comply with auditing standards on 34 percent of the governmental audits they performed; (2) more than half of the unsatisfactory audits had severe standards violations; (3) two predominant CPA problems were insufficient audit work or working paper evidence showing testing of compliance with laws and regulations, and evidence showing studies and evaluations of

internal controls; and (4) smaller CPA firms had greater problems than larger firms in satisfactorily complying with standards. GAO believes that, to improve the quality of governmental audits: (1) CPA must have the expertise to perform governmental audits; (2) the profession should develop and maintain positive enforcement programs to randomly or periodically review CPA who perform poor quality audits; (3) the profession should work actively with agency inspectors general (IG) to improve the systems that IG have for reviewing, compiling, analyzing, and using data on individual audits to identify and correct trends or patterns of quality problems; and (4) state boards of accountancy and the American Institute

of Certified Public Accountants should act promptly and decisively to address professional standards violations referred to them.

### Open Recommendations to Agencies

**Recommendation:** The Director of the Office of Management and Budget (OMB) should establish, consistent with the Single Audit Act, more definitive criteria for prohibiting the cost of substandard audits to be charged to federally assisted programs.

**Status:** Action not yet initiated. OMB has not followed through on its stated intentions to address this issue.

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## Internal Controls: Weaknesses in HUD's Single Family Housing Appraisal Program

RCED-87-165, 09/30/87

### Background

GAO analyzed the Department of Housing and Urban Development's (HUD) efforts to correct weaknesses in its single-family housing appraisal program.

### Findings

GAO found that HUD: (1) selected appraisals for review without a systematic, statistical sample; (2) did not meet the requirements of its present review program; and (3) used fee appraisers to perform field reviews of other appraisers' work, despite indications that this practice increased the potential for fraud, waste, and abuse.

GAO also found that HUD field offices: (1) overrode random computer selections of appraisers and assigned them manually without adequate supervision or documentation; (2) did not provide regularly scheduled training for fee appraisers; and (3) failed to terminate appraisers who were performing unsatisfactorily.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Housing and Urban Development should direct the Assistant Secretary for Housing to develop, at field offices where it is cost-beneficial, a systematic plan with a sound methodological basis, such as statistical sampling, to produce

accurate estimates of the appraisal quality at each of its field offices. In conjunction with the development and implementation of this plan, the Assistant Secretary should ensure that each field office will continue to identify the poor performers and, if necessary in the large offices, use some of the reviews no longer needed for general oversight to monitor their performance.

**Status:** Action in process. A sampling plan is being installed in all HUD offices, but has not yet started. HUD is waiting for a computer program to be implemented before they set up the sample. HUD could not give GAO an estimation date for completion of the program.

**Internal Controls: EPA Needs To Improve Controls Over Change Orders and Claims**

RCED-88-16, 11/17/87

**Background**

GAO provided information on the Environmental Protection Agency's (EPA) internal controls over its Construction Grants Program and the actions taken to correct three grants management weaknesses that GAO identified.

**Findings**

GAO found that, while EPA has alleviated three identified grants management weaknesses: (1) many of

the change orders and claims that GAO reviewed had missing or incomplete documentation; (2) reviewing agencies misinterpreted and inconsistently applied EPA guidance; and (3) EPA was not monitoring the reviewing agencies.

**Open Recommendations to Agencies**

**Recommendation:** The Administrator, EPA, should direct the Director, Office of Municipal Pollution Control, to perform follow-up reviews of the corrective actions to ascertain that the

internal controls are in place, being implemented, and are effective in providing reasonable assurance that change orders and claims are adequately supported and properly evaluated.

**Status:** Action in process. Estimated completion date: 12/89. EPA has completed an Internal Control Review in which EPA regions were asked to oversee the states' change order controls. EPA headquarters has completed a draft report on the results of the review and expects to have it finalized in December 1989.

**ADP Internal Controls: Actions To Correct System Weaknesses for Federal Employees' Compensation**

IMTEC-88-9, 12/22/87

**Background**

Pursuant to a congressional request, GAO evaluated the Employment

Standards Administration's (ESA) Federal Employees' Compensation Act (FECA) Program, focusing on its: (1)

progress in correcting material automatic data processing (ADP) weaknesses identified by the

Department of Labor; (2) identification of all material ADP weaknesses; and (3) process for identifying and correcting ADP internal control weaknesses.

**Findings**

GAO found that, although ESA has made progress in correcting its administrative control weaknesses, it has not: (1) expanded the automated medical fee schedule; (2) completed replacement of its computerized system; and (3) corrected security weaknesses that allow inappropriate access to payment systems. GAO found no additional material ADP weaknesses. In addition, GAO found that, although ESA generally complied with applicable guidelines for identifying and correcting ADP weaknesses, it: (1) frequently closed or planned to close material ADP weakness cases before it verified correction of the weaknesses; and (2) made only limited use of the results of FECA district offices' accountability reviews.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Labor should reopen the closed corrective action with respect to expanding the automated medical fee schedule to include noncovered provider types, such as hospitals and pharmacies, and direct the Assistant Secretary, ESA, to determine the feasibility of expanding its automated medical fee schedule to include the currently uncovered provider types, as part of completing this corrective action. The Secretary should continue to report this issue as an open corrective action until appropriate internal controls are implemented.

**Status:** Action in process. To assess the feasibility of medical fees, the Medical Director of the Office of Workers' Compensation Program has completed visits to two state compensation systems, and is also examining the Health and Human Services Health Care Financing System. Any enhancements would be developed and tested as part of overall

system enhancements planned for 1990 through 1994.

**Recommendation:** The Secretary of Labor should ensure that the Assistant Secretary, ESA, provides for adequate internal controls to protect FECA ADP systems and requires that ADP security procedures are followed. As part of this requirement, the Assistant Secretary should ensure that actions are implemented to improve ADP internal controls which protect system access by providing each authorized FECA user with a unique user identifier and password so that user accountability can be effectively tracked, in accordance with Federal Information Processing Standard (FIPS) Publication 83 and FECA procedures.

**Status:** Action in process. Security measures are being developed as part of the FECA data system enhancements for the new FECA system (1990-1994), in accordance with FIPS Publication 83 and FECA procedures.

**ADP Management Controls: Farmers Home Administration Can Improve Reporting of Weaknesses**

IMTEC-88-38, 07/25/88

**Background**

GAO determined whether the Farmers Home Administration (FmHA) identified, corrected, and reported its automatic data processing (ADP) weaknesses in compliance with the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

**Findings**

GAO found that FmHA failed to: (1) submit for inclusion in the Department of Agriculture's (USDA) annual FMFIA reports the specific ADP management weaknesses which USDA and Treasury identified in their management reviews; (2) identify widespread patterns of weaknesses occurring among states in its management control reviews of field offices; (3) report that field office internal controls over loan servicing and

collection activities were inadequate; (4) correct two ADP weaknesses concerning access controls and its priority-setting process for system design requests, which it had previously reported as corrected; or (5) verify the implementation or effectiveness of corrective actions for uncorrected weaknesses.

**Open Recommendations to Agencies**

**Recommendation:** To ensure that the FmHA FMFIA process identifies, corrects, and reports all FmHA ADP management weaknesses, as called for by USDA implementation of that act, the Secretary of Agriculture should include in future USDA FMFIA reports the specific weakness that FmHA field office internal controls over loan servicing and processing are inadequate, until the weakness is corrected.

**Status:** Action in process. FmHA and USDA both reported in their 1988 FMFIA reports that inadequate loan supervision contributed to delinquent loans and other problem cases. This area will be considered for possible additional issues to be reported in the December 31, 1989 FMFIA report.

**Recommendation:** To ensure that the FmHA FMFIA process identifies, corrects, and reports all FmHA ADP management weaknesses, as called for by USDA implementation of that act,

the Secretary of Agriculture should include in future USDA FMFIA reports the weakness and planned corrective actions concerning the ineffective priority-setting process for reducing the backlog of system change requests until the weakness is corrected.

**Status:** Action in process. The weakness cited is to be included in the USDA December 31, 1989 FMFIA report. FmHA recently issued a directive that sets a strategy to determine priority and specifies standards in this area.

**Budget Issues: USDA's Commodity Certificates Should Be Recognized in Budget Totals**

AFMD-88-27, 08/16/88

**Background**

In response to a congressional request, GAO examined the current budget treatment of the Commodity Credit Corporation's (CCC) commodity certificates to: (1) determine if CCC should treat the certificates as cash for budget purposes; and (2) develop alternative budget reporting methods.

**Findings**

GAO evaluated three budget reporting methods for commodity certificates, and found that: (1) continuing to treat certificate issuances as noncash transactions, excluding them from the budget authority and outlay totals, and including a supplementary table would involve no change, but would not ensure

systematic congressional review; (2) treating the certificates as cash transactions and including them in the total budget authority and outlay totals would ensure congressional review of their use, but would add noncash amounts to a cash-based total; and (3) establishing new terms and totals for the use of noncash assets to finance government programs would provide Congress with more information regarding the use of commodity certificates, but could initially reduce understanding of budget information.

**Open Recommendations to Agencies**

**Recommendation:** The Director of the Office of Management and Budget

(OMB) should include the use of commodity certificates in budget totals reviewed by Congress by developing a new set of noncash-based terms and totals, or by treating the issuance of commodity certificates as if they were cash. The Director should also consider these approaches for applicability to the other programs with authority to use noncash asset financing and should consult on the matter with congressional budget and appropriations committees.

**Status:** Action in process. An OMB bulletin requiring agencies to request apportionment before using a non-cash asset to liquidate an obligation is in draft form. A second bulletin on the budget treatment of commodity certificates and monetary credits is being drafted.

# Internal Controls: Program to Address Problem Meat and Poultry Plants Needs Improvement

RCED-89-55, 03/31/89

## Background

Pursuant to a legislative requirement, GAO assessed the Food Safety and Inspection Service's (FSIS) Intensified Regulatory Enforcement (IRE) Program at 10 meat and poultry plants.

## Findings

GAO found that: (1) although FSIS has instituted IRE at 42 plants nationwide since 1984, the program has only been partially successful; (2) 24 plants improved their operations and graduated from the program, 1 plant went bankrupt, 7 plants were removed from the program permanently, and 4 plants changed ownership; (3) 24 plants that graduated from IRE improved their conditions within 1 year, while 7 plants were under IRE for less than 1 year; and (4) 7 of the 10 plants that graduated from IRE violated health, safety, and product standards at an unacceptable levels, and 1 plant reentered the program for the second time. GAO also found that FSIS: (1) records showed that some graduating plants had sanitary problems, excessive levels of antibiotics and animal residue in livestock, and

experienced higher cattle condemnation rates than the national average; (2) lacked adequate systems to monitor plants that graduated from IRE, and failed to take action against plants with recurring problems; (3) failed to ensure that all meat and poultry plants were identified and considered for IRE because of an inadequate survey methodology; and (4) relied on the plants' internal inspectors and field supervisors to identify problem plants for IRE.

## Open Recommendations to Agencies

**Recommendation:** To ensure the long-term effectiveness of the IRE program, the Secretary of Agriculture should direct the Administrator, FSIS, to improve the IRE program by developing and implementing: (1) criteria for placing plants in the program; and (2) a data information system based on these criteria that profiles all plants inspected.

**Status:** Action in process. Estimated completion date: 06/91. The Department of Agriculture (USDA) is working on a stronger automated information system

to track plant performance. This work will take several years. Until that time, USDA will use its directive which contains instructions for manually entering and removing plants from the program.

**Recommendation:** To ensure the long-term effectiveness of the IRE program, the Secretary of Agriculture should direct the Administrator, FSIS, to improve the IRE program by taking such actions as entering into stipulation and consent orders and reinstating plants in the IRE program, or withdrawing inspections at plants that become problem plants after being taken off IRE.

**Status:** Action in process. Estimated completion date: 06/91. USDA is planning a progressive enforcement program as part of its future improved processing inspection program. This enforcement program will address varying levels and terms of plant noncompliance and, when necessary, apply enforcement actions and possibly new enforcement mechanisms, as they emerge.

# Financial Integrity Act: Actions Needed to Correct ADP Internal Control Weaknesses

IMTEC-89-11, 05/09/89

## Background

GAO assessed federal agencies' implementation of the Financial Integrity Act (FMFIA) in annual management reports that accompany the President's budget, focusing on: (1) whether agencies reported automatic data processing (ADP) internal control weaknesses and how significant those weaknesses were to totals reported under FMFIA; (2) the types of ADP internal control weaknesses reported; (3) whether agencies continued to report weaknesses in evaluating ADP controls and security; and (4) the extent of and rationale for any delays in correcting the weaknesses.

## Findings

GAO found that: (1) the 23 agencies reported 522 ADP internal control weaknesses under FMFIA between 1983 and 1987; (2) agencies reported 173 weaknesses as active in their 1987 reports; (3) 156 weaknesses were in areas of ADP organization and management controls and the methodology for evaluating ADP controls and security; (4) although agencies took steps to improve their methodologies for evaluating ADP controls and security, five agencies reported active methodology weaknesses at the end of 1987; (5) agencies had not corrected 55 active ADP internal control weaknesses, had not corrected 68 as planned, had inexplicably delayed 55, and had corrected timetables for 17; and (6) these conditions result in Congress not having complete and useful information on the status of agencies'

weaknesses to fully evaluate funding requests for development of the effective ADP systems needed to accomplish their missions.

## Open Recommendations to Agencies

**Recommendation:** The Office of Management and Budget (OMB) should take a leadership role to focus attention on progress to identify and correct the underlying ADP management control problems that affect successful implementation of FMFIA and to provide Congress with useful, reliable information on overall progress.

**Status:** Action in process. In October 1989, OMB sent letters to the 16 major federal agencies. In these letters, OMB addressed: (1) specific agency high-risk areas; (2) areas in need of improvement in agencies' FMFIA programs; and (3) key elements that each agency FMFIA program should embody. These letters contained items covering ADP.

**Recommendation:** The Director, OMB, should annually summarize for Congress agencies' ADP internal control weaknesses and the status of actions to correct: (1) ADP organization and management controls; and (2) agency evaluation methodologies needed to identify and correct ADP weaknesses.

**Status:** Action in process. The October 1989 OMB letters included ADP management issues, as well as the need to conduct ADP security reviews at some agencies.

**Recommendation:** The Director, OMB, should include in its annual summary a discussion of corrective actions that have been delayed for 1 year or more past their estimated completion dates, the reasons for delays, and the timetables for corrective actions.

**Status:** Action in process. The October 1989 OMB letters stated that: (1) weaknesses need to be tracked until corrected; and (2) agencies should have a reporting system to highlight and explain delays and provide focus on longstanding uncorrected problems.

**Recommendation:** To ensure that the summary information is most useful to Congress in carrying out its oversight role, OMB should link the information to the agencies' budget submissions, and describe the resulting budgetary implications.

**Status:** Action in process. The October 1989 OMB letters identify this issue as a key element in an agency's internal control and audit follow-up program. Specifically, the letters state that correction of weaknesses should be linked to program planning and budgeting. The letters stated that this will help in setting priorities and obtaining resources for correction.

**Recommendation:** To provide a sound basis for OMB use in summarizing the results, OMB should ensure itself that the heads of federal agencies fully report the schedules for correcting internal control weaknesses and the reasons for any delays when they occur.

**Status:** Action in process. The October 1989 OMB letters stated that: (1) weaknesses need to be tracked until

corrected; and (2) agencies should have a reporting system to highlight and

explain delays and provide focus on longstanding uncorrected problems.

## Bank Failures: Independent Audits Needed to Strengthen Internal Control and Bank Management

AFMD-89-25, 05/31/89

### Background

GAO reviewed recent bank failures, focusing on: (1) the internal weaknesses and environmental factors which examiners cited for insured banks that failed in 1987; (2) the extent to which insider abuse and fraud affected the same failed banks; and (3) potential areas of concern which could be used for congressional oversight and policy deliberation, federal bank examination and supervision, bank management, and financial auditors.

### Findings

GAO found that: (1) the internal control weaknesses that federal regulators identified that most contributed to the 184 bank failures in 1987 included inadequate or imprudent loan policies and procedures, inadequate bank board supervision, weak loan administration, poor loan documentation, and inadequate credit analysis; (2) each of the failed banks had a unique combination of weaknesses that contributed to its failure, most of which related to some aspect of management; (3) although regulators did not cite insider abuse or fraud as a sole factor in any failure, and only rarely as a significant contributing factor, they cited

insider abuse in 64 percent and suspected fraud in 38 percent of bank failures; (4) federal regulators did not generally require all insured banks to have an annual independent audit; and (5) small banks, which account for the majority of the failures, were less likely to have adequate internal controls or internal auditing functions.

### Open Recommendations to Congress

**Recommendation:** As a condition for federal deposit insurance, Congress should enact legislation requiring each insured bank to prepare an annual management report which: (1) describes management's responsibility for preparing financial statements and for establishing and maintaining an effective internal control structure; and (2) contains management's assessment of the effectiveness of the internal control structure.

**Status:** Action not yet initiated.

**Recommendation:** As a condition for federal deposit insurance, Congress should enact legislation requiring each insured bank to prepare an annual management report which: (1) describes management's responsibility for

complying with laws and regulations related to the safety and soundness of bank operations and for establishing methods to monitor compliance; and (2) contains management's assessment of the bank's compliance with laws and regulations related to operations.

**Status:** Action not yet initiated.

**Recommendation:** As a condition for federal deposit insurance, Congress should enact legislation requiring each insured bank to obtain an annual independent audit of the bank's financial statements, have its independent auditor report on the management assertions described above, and submit such reports with the independent auditor's report to the Federal Deposit Insurance Corporation (FDIC) and the bank's respective regulators.

**Status:** Action not yet initiated.

**Recommendation:** Congress should require FDIC, in conjunction with other federal banking regulators, to identify applicable laws and regulations related to the safety and soundness of bank operations which FDIC determines should be reviewed and reported on in management reports.

**Status:** Action not yet initiated.

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

AFMD-89-89, 07/28/89

## Background

Pursuant to a congressional request, GAO reviewed the propriety of the Office of Surface Mining Reclamation and Enforcement's (OSMRE) fiscal years (FY) 1987 and 1988 charges to the Abandoned Mine Reclamation (AML) Fund.

## Findings

GAO found that OSMRE charged its two primary appropriation accounts, the AML fund and a regulation and technology program, by dividing its obligations into direct regulation and technology activities, direct AML activities, and administrative activities. GAO also found that, although a review of sample transactions indicated that OSMRE charged the appropriate appropriation accounts, it did not use supportable methodologies to make those allocations, since it: (1) accumulated administrative-related obligations throughout the year in various accounts and then allocated them at year-end based on the approved budget; (2)

decided at the beginning of the year the portion of each of certain invoices it would charge to each account through the year; and (3) lacked documentation to support its allocation of some obligations to the AML fund. GAO believes that, while the OSMRE accounting system has the capability to properly account for and allocate its two programs' obligations, OSMRE instead uses a methodology which allows its budget to become a self-fulfilling prophecy and impedes congressional and agency oversight of its activities.

## Open Recommendations to Agencies

**Recommendation:** To provide the needed assurances to Congress and other interested parties that funds are being obligated as authorized, the Secretary of the Interior should require the Director, OSMRE, to develop and use a supportable methodology for the allocation of obligations for administrative activities between its

AML and regulation and technology programs.

**Status:** Action in process. Unofficially, Interior agreed with this recommendation and plans to implement it in FY 1990, although GAO does not know specific dates. GAO has been told that Interior plans to issue an order which will address this recommendation.

**Recommendation:** To provide the needed assurances to Congress and other interested parties that funds are being obligated as authorized, the Secretary of the Interior should require the Director, OSMRE, to issue written procedures requiring that when contracts support multiple offices and appropriations, such as those for computer services, the allocation basis is adequately supported and documented.

**Status:** Action in process. Unofficially, Interior agreed with this recommendation and plans to implement it in FY 1990, although GAO does not know specific dates. GAO has been told that Interior plans to issue an order that will address this recommendation.

## Accounting Systems in Operation

# Debt Collection: More Aggressive Action Needed To Collect Debts Owed by Health Professionals

AFMD-88-23, 02/02/88

### Background

Pursuant to a congressional request, GAO evaluated the Department of Health and Human Service's (HHS) Health Resources and Services Administration's (HRSA) debt collection efforts under its financial assistance programs for health professions and medical facilities, focusing on the: (1) Health Professions Student Loan Program; (2) Nursing Student Loan Program; (3) National Health Service Corps Scholarship Program; (4) Health Education Assistance Loan Program; and (5) Health Facilities Direct and Guaranteed Loan Program.

### Findings

GAO found that: (1) HRSA imposed several measures which resulted in significant declines in loan delinquency rates for health professions schools, but not for nursing schools; (2) the delinquency rates for nursing schools will decline when HRSA terminates a large number of these schools from the program for noncompliance with performance standards; (3) health professions and nursing schools reported \$47.5 million in delinquent loans as of

June 30, 1986, of which \$27 million was more than 3 years delinquent; and (4) HRSA has not established a time frame in which schools must request write-off approval for uncollectible loans. GAO also found that: (1) lack of a comprehensive debt management system, staffing shortages, and failure to follow established procedures have seriously hindered HRSA attempts to collect on delinquent debts; (2) HRSA untimely issued collection notices, made few personal contacts with delinquent debtors, and improperly granted additional time for delinquent debt repayment; and (3) HHS opposes offsetting delinquent educational debts from Medicare reimbursements to physicians.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HRSA, to establish time limits within which schools participating in the Health Professional and Nursing Student Loan programs must determine the collectibility of delinquent loans and

must request HRSA write-off approval for those which are determined to be uncollectible.

**Status:** Action in process. HHS determined that it has statutory authority and plans to amend its regulations to implement this recommendation. Proposed regulations have been approved by affected HHS components and are currently awaiting signature by the Secretary after which they will be published for a 60-day comment period.

**Recommendation:** The Administrator, HRSA, should set time limits within which the schools must reimburse the funds, or HRSA (in the case of those schools which are no longer participating in the programs) for those loans for which the schools did not follow required collection procedures.

**Status:** Action in process. HHS plans to modify its program regulations so that this recommendation can be implemented. Proposed regulations have been approved by affected HHS components and are currently awaiting signature by the Secretary, after which they will be published for a 60-day comment period.

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## Accounting Systems in Operation

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

AFMD-88-75, 09/15/88

### Background

Pursuant to a congressional request, GAO reviewed Department of Defense (DOD) efforts to correct long-standing accounting problems in its Foreign Military Sales (FMS) Program.

### Findings

GAO found that, since March 1988, DOD has: (1) terminated the current central FMS accounting system development effort, citing its excessive costs, schedule delays, and unsatisfactory testing results; (2) transferred responsibility for central FMS accounting from the Defense Security Assistance Agency (DSAA) to the Air Force for development, implementation, and operation of a new system; (3) directed the establishment of a new FMS trust fund by October 1989; (4) directed DSAA

to reconcile balances in both the existing and new FMS trust funds; and (5) not clarified the role of the Reconciliation and Case Closure Board in this reorganized effort. GAO believes that, to improve FMS accounting controls and effectively implement its latest initiatives, DOD needs to implement accounting controls to ensure that: (1) the old and new trust funds do not become commingled; (2) military departments transmit and record accurate and complete data in the central FMS system; and (3) central records contain sufficient information to facilitate precise identification and timely resolution of imbalances.

### Open Recommendations to Agencies

**Recommendation:** To ensure that reconciliations are an integral part of

routine FMS accounting activities and to ensure that both routine and nonroutine reconciliation responsibilities are clearly defined, the Secretary of Defense should: (1) assign full FMS accounting responsibility, including reconciliation, to the Air Force; and (2) clarify the role of the Reconciliation and Case Closure Board in the reconciliation process. **Status:** Action in process. The Air Force has been assigned responsibility for developing and implementing a new accounting system. The reconciliation of the accounting records is an ongoing process involving the Army, Navy, and Air Force, the Security Assistance Advisory Council, and DSAA. Also, DOD clarified the role of the Reconciliation and Case Closures Board.

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## Accounting Systems in Operation

# Surface Mining: Operation of the Applicant Violator System Can Be Improved

AFMD-89-31, 01/24/89

### Background

In response to a congressional request, GAO assessed the Office of Surface Mining Reclamation and Enforcement's (OSMRE) efforts to implement its Applicant Violator System (AVS).

### Findings

GAO found that: (1) the OSMRE automated permit review system was inadequate to effectively determine whether permits should be issued or denied; (2) incomplete names and

addresses, inconsistent recordkeeping and reports, and a lack of a proper definition of mining ownership or control hampered AVS effectiveness; (3) OSMRE relied on manual processing to verify AVS information, resulting in delays in meeting states' projected

approval dates; (4) OSMRE had not incorporated data from other mining ownership and control information sources to adequately compare and match applicants and violators; and (5) AVS lacked linkage features and other capabilities, while an interest group's comparable system had access to state mining permit and Department of Labor mine safety and health data.

Control and Reclamation Act, the Department of the Interior should: (1) incorporate the data sources accessed during the manual verification process into AVS, including but not limited to Labor's Mine Safety and Health Administration system, to improve the quality of the data in the system; (2) expedite efforts to finalize both the information update rule and the clearinghouse procedures in order to obtain more current information; and (3) monitor state adherence to the recently promulgated ownership and control rule and, when finalized, the information update rule.

The information update rule is final. State compliance with the update and ownership rule is being negotiated. Clearinghouse procedures are expected to be effective in the near future.

### Open Recommendations to Agencies

**Recommendation:** To improve the accuracy of the data in the system and thereby reduce reliance on manual verifications and ensure compliance with section 510 of the Surface Mining

**Status:** Action in process. Labor mine safety data has been added to the system with AML audit violation data to follow.

**Recommendation:** The Department of the Interior should work with the National Wildlife Federation (NWF) to establish specific dates and milestones to complete its comparisons of AVS and the Wildlife system and incorporate those features of the Wildlife system which will enhance AVS coverage and operation.

**Status:** Action in process. OSMRE and NWF are continuing negotiations on how to conduct the comparison.

## Accounting Systems in Operation

# Financial Management: Operating Cash Requirement for Air Force Stock Fund Can Be Reduced

AFMD-89-60, 04/07/89

### Background

Pursuant to a congressional request, GAO reviewed Air Force stock fund pricing and refund practices to determine: (1) whether the stock fund could operate at less than the currently required 11-day operating cash balance; (2) how refunds made to stock fund customers affected the 11-day cash balance; and (3) how customers used the refunds.

accounting system deficiencies in its 1988 Federal Managers' Financial Integrity Act (FMFIA) report to the Secretary of Defense; (3) since 1986, the stock fund fiscal year-end operating balances have been equivalent to less than a 3-day supply of cash; (4) a 3-day cash target could reduce the stock fund customers' budget authority by over \$215 million; (5) refunds to customers totalling over \$1 billion since fiscal year 1984 have been the major factor in reducing the operating cash balance; and (6) it could not determine the disposition of the refunds because the Air Force merged them with other accounts.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of the Air Force should improve the stock fund accounting system so that it produces accurate and reliable reports on both the appropriated and operating cash balances. Until this system deficiency is corrected, this deficiency, together with planned corrective actions, should be included in the Air Force FMFIA reports to the Secretary of Defense.

**Status:** Action not yet initiated. Since the Office of the Secretary of Defense did not concur with this recommendation, the Air Force has not yet initiated any action.

### Findings

GAO found that: (1) the Air Force stock fund accounting system was incomplete and inaccurate, since it did not distinguish between appropriated and operating stock fund cash balances; (2) the Air Force did not report its

**Recommendation:** The Secretary of the Air Force should prepare future budget submissions to Congress using an operating cash target of approximately 3 days as long as appropriated funds are

available to cover temporary operating cash shortages.

**Status:** Action in process. The House and Senate Appropriation Committees used the GAO report as a basis for

reducing Defense's fiscal year 1990 budget. DOD is taking action to correct the problem.

## Accounting Systems in Operation

# National Archives: A Review of Selected Management Issues

AFMD-89-39, 05/23/89

### Background

In response to a congressional request, GAO investigated allegations that: (1) the National Archives and Records Administration (NARA) and National Archives Trust Fund Board improperly commingled appropriated funds and unrestricted Trust Fund money; (2) NARA violated federal procurement and personnel regulations; and (3) because Trust Fund personnel did not hold civil service appointments, they were not eligible to compete for remaining positions if a reduction-in-force occurred.

### Findings

GAO found that: (1) NARA recorded its reproduction fees deposited into the Trust Fund in separate accounts; (2) NARA did not properly expend the funds, because the fees were available for any appropriate Trust Fund expenditure; (3) the Trust Fund was not required to follow the Federal Acquisition Regulation when purchasing goods and services; and (4) because NARA personnel appointments were consistent with the law and regulations, all employees would compete equally for remaining positions in the event of reductions-in-force. GAO also found that: (1) the Trust Fund could not ensure that it complied with the legislative

requirement that its profits not exceed the 10-percent profit margin allowed for its publications; (2) Trust Fund financial operations lacked written policies, procedures, and documentation for its accounting practices; (3) NARA and Trust Fund annual reports did not provide a Statement of Changes in Financial Position; and (4) the financial statements did not fully disclose unusual transactions and were unaudited, resulting in inaccurate and unreliable financial information for presentation to Congress.

### Open Recommendations to Agencies

**Recommendation:** In order to ensure the reliability of the Trust Fund's financial information and proper accounting, the Trust Fund Board should direct the Trust Fund Secretary to develop a methodology to account for costs and revenues associated with sales of publications and reproductions to the public and to monitor the financial results to ensure compliance with the 10-percent profit margin and with the break-even requirements legislated by Congress.

**Status:** Action in process. Estimated completion date: 12/89. A study of the fee schedule for reproductions should be

completed by December 31, 1989. The study will help ensure costs are properly allocated between reproductions and Trust Fund publications subject to the 10-percent profit margin. The Trust Fund Secretary is currently monitoring profits on Trust Fund publications. The study will also validate that reproductions are provided at cost.

**Recommendation:** In order to ensure the reliability of the Trust Fund's financial information and proper accounting, the Trust Fund Board should prepare and implement written financial policies and procedures for managing trust fund accounting and operations which describe how the accounting system and other financial processes operate, including the proper posting of transactions and preparation of adequate documentation.

**Status:** Action in process. Estimated completion date: 10/90. Eight of 12 chapters of the Trust Fund Manual have been approved. The remaining chapters are expected to be completed in fiscal year (FY) 1990.

**Recommendation:** In order to ensure the reliability of the Trust Fund's financial information and proper accounting, the Trust Fund Board should publish all appropriate financial

statements, including the Statement of Changes in Financial Position and statement disclosures, as required by Title 2 and Treasury regulations.  
**Status:** Action in process. Estimated completion date: 12/89. The agency intends to publish required statements. However, statements will not be available until the end of calendar year 1989.

**Recommendation:** In order to ensure the reliability of the Trust Fund's financial information and proper

accounting, the Trust Fund Board should comply with Title 2 and Treasury requirements by reporting inventory status in the Statement of Financial Position.  
**Status:** Action in process. Estimated completion date: 12/89. Inventory has been counted and adjusted and will be properly shown in financial statements for FY 1989.

**Recommendation:** In order to ensure the reliability of the Trust Fund's financial information and proper

accounting, the Trust Fund Board should obtain an independent annual audit of the Trust Fund's financial statements.

**Status:** Action in process. Estimated completion date: 12/91. A draft statement of work is currently being prepared. The Trust Fund Secretary expects auditors to begin with FY 1990 records and accounts and render their first opinion on FY 1991 financial statements.

## Accounting Systems in Operation

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

AFMD-89-78, 06/30/89

### Background

Pursuant to a congressional request, GAO reviewed negative unliquidated obligations (ULO) relating to the Air Force's purchase of supply and equipment inventories, focusing on the: (1) age and causes of ULO; and (2) procedures that the Air Force's air logistics centers (ALC) used to report them to senior Air Force officials and to Congress.

### Findings

GAO found that: (1) as of April 1988, 5 ALC had 6,257 individual negative ULO account balances totalling about \$512 million; (2) although regulations required immediate corrective action on negative ULO, ALC had more than \$132 million in negative ULO that were at least 6 months old; (3) accounting supervisors attributed the lack of attention to negative ULO to staff shortages and clerical errors; (4) many

Air Force officials did not know about negative ULO problems, since the Air Force did not require ALC to report negative ULO information; and (5) although ALC did not maintain statistics on the causes of negative ULO, many ALC accounting supervisors cited such internal control weaknesses as contractor overpayments, appropriations accounting errors, and inaccurate or incomplete obligations information as the primary causes.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should direct the Secretary of the Air Force and the Director of the Defense Logistics Agency to jointly resolve negative ULO already recorded in ALC accounting records with the initial objective of promptly identifying and collecting any overpayments made to contractors.

**Status:** Action in process. The House Appropriations Committee used the GAO report as a basis for reducing Defense's fiscal year (FY) 1990 budget. DOD is taking action to correct the problem.

**Recommendation:** The Secretary of the Air Force should direct ALC to report, on a quarterly basis to the Air Force Logistics Command, summary-level data on the total amount and age of negative ULO.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of the Air Force should ensure that ALC follow existing regulations on taking immediate action to correct negative ULO.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of the Air Force should identify negative ULO as a material weakness in the annual Federal Managers' Financial Integrity

Act report to the Secretary of Defense until this weakness is corrected.

Status: Action not yet initiated.

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## Accounting Systems in Operation

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

AFMD-89-59, 08/22/89

### Background

Pursuant to a legislative requirement, GAO reviewed the Federal Financing Bank's (FFB) loan prepayments, focusing on the: (1) benefits that FFB lending provided and the procedures and conditions for prepaying FFB loans; (2) FFB borrowers' costs and benefits when they prepay their loans; and (3) prepayment conditions and alternative financing measures FFB should use to balance costs and benefits.

### Findings

GAO found that: (1) FFB interest rates were consistently lower than those available in the private sector; (2) the FFB prepayment policy provided borrowers with flexibility and protected the government from incurring costs; (3) FFB accepted loan prepayments at their

Treasury market value, since prepayments based on interest rates specified in loan agreements, rather than on Treasury's current borrowing rate, could result in an economic gain or cost to the government; (4) between 1985 and 1988, prepaid loans had book values totalling \$13.3 billion, of which \$8.5 billion was prepaid at book value, as Congress directed; (5) FFB lost about \$2 billion, since these loans had Treasury market values totalling about \$10.5 billion; (6) some FFB borrowers had loans with interest rates substantially higher than commercial rates due to the general decline in interest rates; (7) because borrowers appealed to policymakers for relief after FFB maintained that prepayments had to be made at the loans' Treasury market value, Congress passed legislation allowing certain borrowers to prepay loans at book value; and (8) to finance

and account for the government's economic costs, FFB could use the funds generated from the administrative fees it charged borrowers or Congress could provide the programming agency or FFB with an appropriation to cover the prepayment costs.

### Open Recommendations to Congress

**Recommendation:** In considering legislative proposals to allow selected FFB borrowers to prepay their loans at book value rather than at current Treasury market value, as called for in FFB policy, Congress should consider providing the programming agencies or the FFB with appropriations to cover the costs of authorizing loan prepayments at book value.

Status: Action not yet initiated.

## Internal Audit

# CPA Audit Quality: Improved Controls Are Needed To Ensure Quality Audits of Federal Loan Programs

AFMD-88-3, 05/02/88

## Background

GAO reviewed the Department of Agriculture's (USDA), the Department of Housing and Urban Development's (HUD), and the Small Business Administration's (SBA) controls for ensuring that certified public accountants (CPA) conduct high-quality audits of their loan programs.

## Findings

GAO found that: (1) 25 percent of loan program audits did not comply with auditing standards; (2) noncompliance with auditing standards included a lack of documentation regarding CPA financial transactions, tests, internal control evaluations, and compliance; and (3) a national professional CPA association made 25 recommendations in the areas of education, engagement, evaluation, enforcement, and information exchange to improve the quality of government audits. GAO also found that USDA, HUD, and SBA: (1) lacked effective controls for receiving and reviewing CPA audits of their loan program participants; and (2) did not fully address problems involving untimely receipt of audit reports, insufficient audit reviews, and inadequate written guidance for CPA in their internal control improvements.

## Open Recommendations to Agencies

**Recommendation:** The Secretaries of Agriculture and Housing and Urban

Development and the Administrator, SBA, should issue written procedures requiring loan program officials to follow up on late audit reports, specify action to be taken when the reports are late, and improve controls to ensure that those procedures and actions are taken.

**Addressee:** Department of Agriculture  
**Status:** Action in process. The Farmers Home Administration (FmHA) has proposed a regulation to address this recommendation. The Rural Electrification Administration (REA) has not responded to this recommendation.

**Addressee:** Small Business Administration

**Status:** Recommendation valid/action not intended. SBA believes that existing regulations are adequate.

**Recommendation:** The Secretaries of Agriculture and Housing and Urban Development and the Administrator, SBA, should provide CPA with complete and current written audit guidance to use in the conduct of loan audits.

**Addressee:** Department of Agriculture  
**Status:** Action in process. FmHA is developing a new audit guide.

**Addressee:** Small Business Administration

**Status:** Recommendation valid/action not intended. SBA disagreed that participants in its programs should be subject to government audit standards.

**Recommendation:** The Secretary of Agriculture and the Administrator, SBA, should implement procedures to review

the quality of CPA audits of loan programs.

**Addressee:** Department of Agriculture  
**Status:** Action in process. FmHA is developing procedures for reviewing the quality of CPA audits.

**Addressee:** Small Business Administration

**Status:** Recommendation valid/action not intended. SBA believes that it has the authority to review the quality of CPA audits, when it deems that necessary.

**Recommendation:** The Secretary of Agriculture and the Administrator, SBA, should require that audits of participants in loan programs be performed in accordance with generally accepted government auditing standards (GAGAS).

**Addressee:** Department of Agriculture  
**Status:** Action taken not fully responsive. FmHA is developing regulations to require audits to be performed in accordance with GAGAS.

REA has no current plans to require audits to be performed in accordance with GAGAS, claiming that

requirements to perform audits in accordance with GAGAS would be inappropriate as well as too costly.

**Addressee:** Small Business Administration

**Status:** Recommendation valid/action not intended. SBA believes that it would be inappropriate, as well as too costly, to require such audits to be performed in accordance with GAGAS.

**Internal Audit**

**FBI Internal Audit: Opportunities for Improvement**

GGD-89-9, 11/23/88

**Background**

In response to a congressional request, GAO reviewed the Federal Bureau of Investigation's (FBI) internal audit activities to determine the: (1) extent of the audits' focus on major FBI investigative programs; (2) steps FBI took to increase the qualifications, independence, and permanence of its inspection and audit staffs; and (3) potential weaknesses in audit quality and effectiveness.

**Findings**

GAO found that, since 1979, FBI has: (1) improved its inspection and program evaluation activities by focusing on its 11 major investigative programs during division and field office inspection; (2) evaluated all major investigative programs at least once, except for the recently established FBI Drug Program; and (3) raised the educational and

experience requirements for its program evaluation staff. GAO also found that, by filling audit management positions temporarily with special agents, FBI could impair the independence of the internal audits.

**Open Recommendations to Agencies**

**Recommendation:** The Director, FBI, should modify the internal audit procedures of the Office of Program Evaluations and Audits (OPEA) to improve its long-range planning of program evaluations through periodically assessing the vulnerabilities of FBI operations and considering these vulnerabilities in its long-range evaluation plans, and consider assessing the vulnerabilities of the individual categories of crimes that make up the major criminal investigative programs. **Status:** Action in process. OPEA is now asking headquarters divisions and field

offices to prioritize issues that it should evaluate. OPEA staff also informally review FBI programs and use this with prioritization to determine what work will be undertaken each year. OPEA will vary, when appropriate, from its 5-year schedule for reviewing major programs.

**Recommendation:** The Attorney General should require the Director, FBI, to improve the independence of FBI inspection activities by increasing the permanency of the persons responsible for directing or managing the Inspection Division and internal audit activities.

**Status:** Action taken not fully responsive. The Department of Justice stated in its 31 U.S.C. 720 response that the Director, FBI, would be more sensitive to permanence in the selection of leaders for the Inspection Division and internal audit activities. It is not clear how this will translate into greater permanence for these positions.

**Internal Audit**

**CPA Audit Quality: Failures of CPA Audits to Identify and Report Significant Savings and Loan Problems**

AFMD-89-45, 02/02/89

**Background**

Pursuant to a congressional request, GAO assessed the quality of audits of savings and loan associations in the Federal Home Loan Bank Board's (FHLBB) Dallas district.

**Findings**

GAO reviewed audits performed by 9 independent certified public accountant (CPA) firms and found that the CPA firms: (1) did not adequately audit 6 of the 11 savings and loan associations'

financial or internal control problems; (2) improperly evaluated the institutions' loan collectibility and nonconformance with accounting standards and practices; (3) did not hire or request the institutions to hire independent appraisers to verify collateral or oral

assertions made by management of loan collectibility and collateral value; (4) underreported the institutions' violations of government regulations regarding excessive loans to single borrowers and related parties and concentration of high-risk loans in limited geographic areas; and (5) lacked sufficient working papers to adequately evaluate the institutions' asset portfolios for land investments and for acquisition, development, and construction project loans. GAO believes that the nature of the CPA firms' audit and reporting problems was significant enough to warrant referring the firms to

regulatory and professional bodies for review.

### Open Recommendations to Agencies

**Recommendation:** The American Institute of Certified Public Accountants (AICPA) should revise the AICPA Audit and Accounting Guideline for Savings and Loan Associations to include specific steps for ensuring that those audits are performed in a quality manner. The guide should include the detailed discussion and specific requirements for, among other things: (1) identifying the

nature and inherent risks of land and acquisition, development, and construction projects loans; (2) evaluating the potential effects of increases in restructured and past-due loans; (3) following up on the work of federal examiners; (4) ensuring that regulatory violations and formal regulatory actions are disclosed; and (5) properly reporting all material weaknesses in internal controls. **Status:** Action in process. AICPA is currently revising the guide. The completion date is not yet known.

## Regulatory Accounting Rules and Financial Reporting

### Budget Issues: The President's Current Services Budget

AFMD-87-10, 12/02/86

#### Background

In response to a congressional request, GAO reviewed the current services budget to determine: (1) whether procedures for developing current services estimates complied with the Congressional Budget and Impoundment Control Act of 1974; and (2) how to improve the usefulness of current services estimates to Congress.

#### Findings

GAO noted that the act requires the President to submit a current services budget to Congress showing the estimated outlays and proposed budget authority for the following fiscal year if the government maintained all programs and activities at their current levels. GAO found that: (1) the Office of Management and Budget's (OMB) definition of policy for certain agencies and programs, although different from its general current services guidelines, is

not inconsistent with the act's requirements, since the act does not discuss or define policy; (2) the use of different policy definitions lessens the current services budget's usefulness to Congress as a budget tool; (3) congressional staff involved in the budget process do not regularly use the current services budget because the Congressional Budget Office's information is more useful; (4) budget examiners' use of inconsistent estimating methods and OMB use of exceptions to its own guidelines could result in a current services budget developed to support the President's proposed policies rather than to highlight the fiscal effects of proposed policy changes; and (5) elimination of the legal requirement for the current services budget would help prevent the use of its estimates to support particular policies.

#### Open Recommendations to Congress

**Recommendation:** If the requirement for a current services budget is retained, Congress should amend the budget act to specifically define the set of policies to be assumed in developing the current services estimates. While judgment is always required in making budget estimates, the use of a defined set of policies would ensure a common understanding between Congress and OMB as to what the current services budget represents, making it a more useful budgetary tool. **Status:** Action not yet initiated.

**Recommendation:** For the current services budget to best serve the purpose of providing a baseline for highlighting the fiscal effects of policy changes proposed in the President's budget, Congress should use the most current policy reflected in law to develop it.

Congress should specifically define current policy at a sufficient level of detail to ensure that OMB provides the type of information that would be useful

to Congress as a baseline. The definition of the budget base in the Balanced Budget and Emergency Deficit Control

Act of 1985 is an example of the detail required in such a definition.  
**Status:** Action not yet initiated.

**Regulatory Accounting Rules and Financial Reporting**

**Financial Audit: Veterans Administration's Financial Statements for Fiscal Year 1986**

AFMD-87-38, 07/29/87

**Background**

GAO examined the Veterans Administration's (VA) consolidated financial statements for fiscal year 1986, and reviewed VA internal controls and compliance with federal laws and regulations.

**Findings**

GAO found that: (1) it could not establish the book value of VA assets, including land, buildings, and equipment that VA acquired over periods dating back to 1930; (2) had VA calculated its insurance reserve balance under generally accepted accounting principles, its balance of \$11.2 billion would have

decreased by between \$4 billion and \$5.7 billion; (3) VA did not always properly bill patients who were not entitled to free care, and its records showed about \$20.2 million in receivables for ineligible-patient care; (4) VA failed to comply with the Prompt Payment Act and the Veterans' Rehabilitation and Education Amendments of 1980, and may not have complied with the Debt Collection Act of 1982; and (5) except as noted, the VA financial statements presented fairly the VA financial position as of September 30, 1986, in accordance with generally accepted accounting principles applied on a consistent basis.

**Open Recommendations to Agencies**

**Recommendation:** The Administrator of Veterans Affairs should conduct a review of delinquent VA debts and, accordingly, either assess the proper amount of interest and administrative costs, as required by law, or execute waivers if there are appropriate reasons for doing so.

**Status:** Action in process. Estimated completion date: 01/91. The interest rate charged on loan guaranty debts will be changed. However, the computerized system will have to be modified for this change, and due to the extensive programming required, implementation cannot be achieved until 1991.

**Regulatory Accounting Rules and Financial Reporting**

**Financial Reporting: Defense Agencies' Reports on Financial Position Need To Be Improved**

AFMD-88-19, 04/14/88

**Background**

GAO reviewed the Department of Defense's (DOD) compliance with GAO and Department of the Treasury annual reporting requirements, to: (1) determine

whether DOD encountered any problems in implementing the requirements; and (2) identify actions DOD should take to improve compliance.

**Findings**

GAO found that DOD: (1) did not develop the required guidelines for compiling financial reports; (2) did not verify the accuracy of the data in its reports to

Treasury, which contained computational errors; (3) submitted only four of the five required agency-level reports; (4) overstated its assets by \$395 million, liabilities by \$11.6 million, and equity by \$250.1 million in its general and deposit fund consolidated report; (5) omitted 46 accounts from its consolidated report; (6) did not comply with accounting standards and requirements; and (7) did not require the use of general ledger data.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Defense should direct the defense agencies to obtain access to, and use, systems containing general ledgers, or a centrally controlled data base containing proprietary and budgetary accounts, as a primary source of information in preparing the Reports on Financial Position, as an interim measure until full implementation of the U.S. Government Standard General Ledger.

**Status:** Action in process. Estimated completion date: 09/90. DOD has issued guidance requiring DOD activities to implement the U.S. Government Standard General Ledger. The project to implement the central Washington Headquarters Service (WHS) general ledger in support of centralized reporting is completed. Beginning with the FY 1990 reporting period, WHS plans to prepare the Reports on Financial Position, based on the central general ledger.

**Regulatory Accounting Rules and Financial Reporting**

**Financial Audit: Commodity Credit Corporation's Financial Statements for 1987 and 1986**

AFMD-88-47, 07/07/88

**Background**

GAO reported on the Commodity Credit Corporation's (CCC): (1) financial statements for the years ended September 30, 1987 and 1986; and (2) system of internal accounting controls and compliance with laws and regulations.

**Findings**

GAO found that CCC: (1) did not include in its financial statements an allowance for the uncollectible portion of \$15 billion in outstanding loans to countries experiencing financial difficulties; (2) had estimated cumulative losses ranging from \$5 billion to \$8 billion on those loans as of September 30, 1987; (3) did not have a reserve for losses associated with \$5 billion in outstanding guaranteed loans to foreign countries; (4) during 1987, instituted a new automated system which transferred the responsibility for recording and

reconciling loan disbursements and repayment receipts from its Kansas City Management Office to local county offices; and (5) did not adequately control conversion to that system, resulting in unreconciled differences in receipts and disbursements. GAO also found that: (1) except for their failure to establish an allowance for estimated loan losses and a reserve for guaranteed loan losses, the financial statements presented fairly the financial position of CCC as of September 30, 1987 and 1986, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis; and (2) internal accounting controls and procedures had several weaknesses that were not material to the CCC financial statements.

**Open Recommendations to Agencies**

**Recommendation:** CCC should give prompt attention to controls over conversions to new automated systems.

**Status:** Action in process. CCC has developed a computerized error listing and is in the process of clearing the remaining outstanding potential errors. The GAO Kansas City Regional Office is monitoring the program.

**Recommendation:** The Chairman of the Board of Directors, CCC, should direct the Controller, CCC, and the Director of the Kansas City Management Office to ensure that local offices are provided with a monthly listing of unreconciled differences between internal and external sources.

**Status:** Action in process. Estimated completion date: 12/89. ASCS has directed that reconciliation listings of all unmatched paid checks and unmatched

cash be sent to county offices on a monthly basis for corrective action. Insufficient time has elapsed to judge compliance with, and effectiveness of, the new policy.

**Recommendation:** The Chairman of the Board of Directors, CCC, should direct the Controller, CCC, and the Director of the Kansas City Management Office to ensure that local offices' efforts are monitored to resolve the differences in a timely manner.

**Status:** Action in process. Estimated completion date: 12/89. ASCS is drafting policy instructing state offices to closely

monitor county offices to ensure differences are resolved in a timely manner. Additionally, procedures for national area offices are being enhanced to ensure that state and county offices comply with new reconciliation procedures. This recommendation should remain open until policy is implemented and its effectiveness tested.

**Recommendation:** The Chairman of the Board of Directors, CCC, should direct the Controller, CCC, and the Director of the Kansas City Management Office to ensure that consideration is given to suspending further conversions to

automated systems until problems associated with current implementation efforts are resolved and CCC accounts are accurate and current.

**Status:** Action in process. The agency stated that it has established a new policy giving priority to correcting problems associated with current systems and completing projects already underway before starting any new projects. However, recently enacted legislation will necessitate that ASCS suspend this policy to make significant modifications in existing software to implement the new disaster-related programs.

## Regulatory Accounting Rules and Financial Reporting

# Financial Audit: Veterans Administration's Financial Statements for Fiscal Years 1987 and 1986

AFMD-89-23, 11/30/88

### Background

GAO reviewed the Veterans Administration's (VA): (1) consolidated financial statements for the fiscal years (FY) ended September 30, 1987 and 1986; (2) internal accounting controls; and (3) compliance with laws and regulations.

### Findings

GAO found that, except for two qualifications, the consolidated financial statements presented fairly: (1) the financial position of VA on September 30, 1987 and 1986; and (2) the results of VA operations, the changes in its financial position, and the budget reconciliation for FY 1987. GAO qualified its opinion due to: (1) its inability to perform necessary auditing procedures to substantiate the asset and related expense accounts, due to unavailable documentation and

inaccurate account balances; and (2) a \$3-billion overstatement in life insurance reserves due to VA use of statutory assumptions, rather than more realistic assumptions. GAO also found: (1) that the VA manual property accounting system was inefficient; and (2) automatic data processing (ADP) internal control weaknesses at all three VA data processing centers. In addition, GAO found that VA violated laws and regulations by failing to charge: (1) interest and administrative costs on certain debts that compensation and pension programs generated; or (2) the correct interest rate on its loan guaranty accounts receivable. GAO found that: (1) VA stated that it could not charge the correct rate until 1991 when it would complete necessary computer software reprogramming; and (2) the VA cash vendor invoice payment procedures did not fully comply with regulations.

### Open Recommendations to Agencies

**Recommendation:** The Administrator of Veterans Affairs should direct the Office of Information Systems and Telecommunications and the Department of Veterans Benefits to improve the ADP centers. These corrective actions should include: (1) implementing effective manual or automated documented reviews of software program code changes for sensitive applications; and (2) incorporating software maintenance and data integrity controls, such as establishing independent audit test files at the Austin Data Processing Center. **Status:** Action in process. Estimated completion date: 09/90. VA is conducting a systems audit study which will include considering automated reviews of software program code changes, and

trying to develop a consistent approach across all three systems development centers. Controls will be improved at the Insurance Center when the insurance systems are converted to COBOL computer language, which is anticipated for completion by the end of FY 1990.

**Recommendation:** The Administrator of Veterans Affairs should require the Director of the Department of Veterans Benefits to determine an effective and appropriate method of resolving the issue of charging interest on accounts receivable relating to the compensation and pension benefit overpayments as required by the 1980 amendments to the

Veterans' Rehabilitation and Education Act. At least two potential alternatives include: (1) issuing waivers as authorized by 38 U.S.C. 3102 for cases where charging interest and administrative costs is deemed to be against equity and good conscience; or (2) obtaining the legislative approval to exempt compensation and pension receivables from interest and administrative costs charges.

**Status:** Action in process. VA concurred and is examining all possible methods for resolving the issue of charging interest on the compensation and pension benefit overpayments. VA does not consider it possible to provide an

implementation date for the resolution method ultimately chosen.

**Recommendation:** The Administrator of Veterans Affairs should direct the Controller to complete the conversion to the automated invoice payment system of invoices handled manually.

**Status:** Action in process. Estimated completion date: 03/90. Automated improvements in the CAPPS system were made during fiscal year (FY) 1988; however, an enhancement to the system is being developed to provide for batch input from field stations. This enhancement is expected to be installed early in FY 1990.

## Regulatory Accounting Rules and Financial Reporting

# Financial Audit: Farmers Home Administration's Losses Have Increased Significantly

AFMD-89-20, 12/20/88

### Background

GAO examined the Farmers Home Administration's (FmHA): (1) financial statements for the year ended September 30, 1987; (2) internal accounting control system; and (3) compliance with laws and regulations.

### Findings

GAO found that, although the financial statements presented fairly the FmHA financial condition, FmHA: (1) had a significantly deteriorating financial condition, with an accumulated deficit of \$36 billion; (2) relies on Treasury loans to continue its operations and may require significantly increased congressional assistance to sustain operations; (3) had an operating loss of \$22 billion for fiscal year (FY) 1987; and (4) owed the Treasury \$85 billion, with

\$24 billion due in 1989. GAO also found that FmHA: (1) made loans at interest rates far below what it had to repay; (2) as a lender of last resort, made loans to individuals who were not otherwise creditworthy, resulting in a large number of delinquent loans; (3) did not record property it received by voluntary conveyance at fair market value; (4) lacked a policy for writing off uncollectible loans and did not analyze the ultimate collectibility of its loan portfolio in accordance with Office of Management and Budget (OMB) requirements; (5) had numerous control weaknesses in its Automated Multiple Family Housing Accounting System (AMAS); (6) lacked adequate controls over the entry of guaranteed loans into its accounting system; and (7) did not reconcile its detailed property files with general ledger control accounts.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Agriculture should direct the Administrator, FmHA, to ensure that the procedures are fully implemented for conducting an annual risk assessment of the FmHA loan portfolio and for producing loss estimates based on these assessments, as required by Office of Management and Budget Circular A-129.

**Status:** Action taken not fully responsive. FmHA implemented a loan classification system used as a basis for estimating the allowance for loan losses. However, weaknesses exist in the system which may cause the data produced by the system to be unreliable. For example, realistic market values of collateral were not used, procedural

errors were made, and some loans were omitted from the classification system.

**Recommendation:** The Secretary of Agriculture should direct the Administrator, FmHA, to ensure that: (1) AMAS is thoroughly tested; (2) internal control procedures are in place to reconcile detailed AMAS files to the general ledger on a daily basis; and (3) operating instructions and internal control procedures are fully documented. **Status:** Action in process. Estimated completion date: 12/89. Operating instructions and internal control procedures are not documented. All

AMAS borrower account activity cannot be reconciled to the general ledger. The Federal Manager's Financial Integrity Act report for fiscal year 1988 recognizes AMAS as a material internal control weakness.

**Recommendation:** The Secretary of Agriculture should direct the Administrator, FmHA, to complete all acquired property system modifications within reasonable time frames to ensure that: (1) all detailed files are balanced with the general ledger; (2) acquired property is recorded at fair value at the time of acquisition; and (3) gains and

losses on the acquisition of property are properly recorded.

**Status:** Action in process. Estimated completion date: 10/90. FmHA is undergoing system changes to properly compute gains and losses on property acquisition and disposition. FmHA initiated the Acquired Property Tracking System; however, all detailed files are not reconciled to the general ledger and some data entered in the system are inaccurate. The system software does not include parameter checks to detect the recording of unreasonable property value.

## Regulatory Accounting Rules and Financial Reporting

# Financial Audit: Examination of EPA's Financial Statements for Fiscal Year 1987

AFMD-89-24, 02/09/89

### Background

GAO examined the Environmental Protection Agency's (EPA) consolidated financial statements for the year ended September 30, 1987, and the related consolidated statements of revenues and expenses and of changes in financial position and reconciliation to budget for the year then ended.

### Findings

GAO found that EPA: (1) did not routinely reconcile its general ledger balances to external sources or subsidiary records; (2) used property management systems and records which lacked the necessary information for proper accounting, reconciliation, and internal controls; (3) did not include the material weakness in its internal control system over property in its 1987 Federal Managers' Financial Integrity Act

(FMFIA) report; and (4) recorded inaccurate cost and property data in Superfund property records and did not properly maintain records. GAO also found that: (1) it could not determine whether EPA properly recorded assets, liabilities, equity, revenues, and expenses at the beginning of fiscal year (FY) 1987, since that was the first year EPA began preparing consolidated statements in accordance with generally accepted accounting principles; (2) it could not perform auditing procedures necessary to determine the aggregate net book value of land, buildings, and equipment, due to numerous property accounting problems; and (3) except as noted, the financial statements presented fairly the EPA financial position as of September 30, 1987.

### Open Recommendations to Agencies

**Recommendation:** To ensure that all agency assets and liabilities are properly accounted for and reported, the Administrator, EPA, should direct agency staff to ensure that the accounting system provides accurate and reliable financial and management records needed to account for and control property assets.

**Status:** Action in process. Estimated completion date: 08/91. EPA is developing procedures to identify and support fixed assets being capitalized. The new EPA I Financial Management System (FMS) will provide the ability to integrate property information with the EPA Property Control System. However, this will not be operational until August or September 1991.

**Recommendation:** To ensure that all agency assets and liabilities are properly accounted for and reported, the Administrator, EPA, should direct agency staff to address all property-related findings and recommendations reported by the Superfund auditor in its

FY 1987 audit report dated September 21, 1988.

**Status:** Action in process. Estimated completion date: 09/90. EPA declined to reconcile the difference between FMS and the Property Control System that existed as of September 30, 1988.

However, EPA agreed that a conflict exists between EPA directives and Region 2 General Counsel opinion on the requirement for custodial officers to sign. Custodial officers are still responsible for property if they refuse to sign for it.

## Regulatory Accounting Rules and Financial Reporting

# CPA Audit Quality: Status of Actions Taken to Improve Auditing and Financial Reporting of Public Companies

AFMD-89-38, 03/06/89

### Background

Pursuant to a congressional request, GAO reviewed the implementation of changes to improve auditing and financial reporting of public companies.

### Findings

GAO found that the public accounting profession and others have taken positive actions to address concerns about audit quality and the accuracy and reliability of financial disclosures, but have not acted on several proposals. GAO found that: (1) the Securities and Exchange Commission (SEC) does not require companies to provide information concerning significant risks and uncertainties in the corporate management discussion and analysis section of annual reports; (2) in July 1988, SEC proposed a rule requiring public companies' management to report on their responsibilities for the financial statements and on their assessment of the company's internal controls, but SEC never finalized the rule; (3) while endorsing audit committees as an effective force for ensuring auditor independence, SEC decided not to require all public companies to establish audit committees; (4) direct notification

by terminated auditors to SEC would serve to alert SEC to possible problems which caused the company to change auditors; (5) SEC has delayed action on mandatory peer review for all public company auditors while it addresses several issues, including the structure of an SEC-sponsored peer review program, the costs and benefits of mandatory peer review, and questions about SEC authority to require peer reviews; (6) the American Institute of Certified Public Accountants' (AICPA) Special Investigations Committee, which examines allegations of audit failures, has performed its activities in strict confidence, limiting SEC ability to monitor the investigative process; and (7) although AICPA has made significant progress in improving both professional and auditing standards, it has not updated guidelines for some specialized areas.

### Open Recommendations to Agencies

**Recommendation:** SEC should adopt its proposal to require management of public companies to publicly report on its responsibility for the financial statements and internal controls.

**Status:** Action in process. SEC staff is analyzing comments received on its proposal.

**Recommendation:** SEC should require the auditor to review and publicly report on the management report.

**Status:** Recommendation valid/action not intended. No action is planned based on the section 236 response.

**Recommendation:** SEC should reverse its decision on audit committees and adopt a requirement for public companies to establish such committees.

**Status:** Recommendation valid/action not intended. No action is planned based on the section 236 response.

**Recommendation:** AICPA, or SEC, if it concludes it has the authority, should require accountants to report directly to SEC when they resign or are terminated. However, if AICPA or SEC does not adopt such a requirement, legislation would be necessary to require direct notification to SEC.

**Addressee:** Securities and Exchange Commission

**Status:** Action not yet initiated. AICPA has taken the required action as to SEC Practice Section members. However,

non-AICPA members are not covered and SEC has taken no action.

**Recommendation:** SEC should resolve the remaining issues and adopt a requirement that all firms practicing before SEC be subject to periodic peer reviews. However, if SEC determines that it does not have sufficient authority to do this, legislation would be necessary.

**Status:** Action not yet initiated. The Commission staff is continuing to study these issues.

**Recommendation:** In order for SEC to monitor the effectiveness of the Special Investigations Committee's (SIC) activities, the Committee should provide SEC with access to all required information about the cases it investigates.

**Status:** Action in process. SEC is working with the SIC in this area.

**Recommendation:** AICPA should issue the industry audit guides currently under revision as quickly as possible and undertake an effective program to keep all guides current.  
**Status:** Action in process. AICPA is considering a proposal to change its process for issuing and updating guides.

**Regulatory Accounting Rules and Financial Reporting**

**Financial Audit: Food and Nutrition Service's Financial Statements for 1987**

AFMD-89-22, 03/15/89

**Background**

GAO examined the Food and Nutrition Service's (FNS) financial statements for the fiscal year (FY) ended September 30, 1987.

**Findings**

GAO found that: (1) the statement of financial position presented fairly the FNS financial position as of September 30, 1987, in conformity with generally accepted accounting principles; (2) FNS failed to adjust the food stamp benefits issued and the related liability of undelivered coupons, resulting in a 70-percent increase in liability between 1984 and 1987, with no significant growth in program benefits over the same period; and (3) FNS did not effectively use its financial accounting and reporting system in preparing its financial reports.

**Open Recommendations to Agencies**

**Recommendation:** To correct these weaknesses, the Secretary of Agriculture should direct the Administrator, FNS, to determine whether all issuance points are properly reporting food coupons returned to inventory on the FNS-250 reports and direct those that are not properly reporting them to do so.

**Status:** Action not yet initiated. In addition to the FNS-250 report, starting in January 1990, FNS will require states to complete Form 46, Issuance and Reconciliation Report. Data from this report will be used as the basis for the obligation and expense entries for food stamp issuance. FNS currently plans to test information coming from this report to parallel with information coming from the FNS-250 report.

**Recommendation:** To correct these weaknesses, the Secretary of Agriculture should direct the Administrator, FNS, to reduce the food stamp expense and unredeemed food coupon liability accounts for the value of the coupons

returned to inventory, as reported by the issuance points.

**Status:** Action not yet initiated. Adjustment was reflected in the FY 1990 budget. As a result, FNS has not recorded this adjustment in its accounting records but plans to reflect this adjustment on its Treasury statement TSF-224 around December 1989.

**Recommendation:** To correct these weaknesses, the Secretary of Agriculture should direct the Administrator, FNS, to reconcile account balances to the relevant supporting documentation, such as Treasury account balances, and to supporting subsystem balances, such as the accounts receivable subsystem balance. Adjusting entries resulting from this reconciliation process should be recorded promptly.

**Status:** Action in process. FNS has sent out instructions to its regional offices emphasizing the importance of reconciliation. However, significant accounts remain out of balance and

subsystems do not agree with the general ledger balances.

**Recommendation:** To correct these weaknesses, the Secretary of Agriculture should direct the Administrator, FNS, to record all relevant accounting

transactions, such as year-end liability accruals, in the accounting system.

**Status:** Action not yet initiated. FNS does not have an accrual-based accounting system, and has no methodologies in place to make accrual accounting entries in the accounting

system. While FNS staff have recorded year-end entries to adjust liability accounts, the methodologies they have used do not appropriately evaluate whether the accounts are appropriately valued.

## Regulatory Accounting Rules and Financial Reporting

# Financial Reporting: Navy's 1986 Consolidated Report on Financial Position Is Unreliable

AFMD-89-18, 04/06/89

### Background

GAO reviewed the Department of the Navy's fiscal year 1986 Consolidated Report on Financial Position to determine its compliance with GAO and Department of the Treasury annual financial reporting requirements.

### Findings

GAO found that the Navy provided inaccurate and incomplete financial position reports to Treasury, since it: (1) did not effectively supervise, review, or control report preparation to ensure accuracy; (2) did not disclose approximately \$58 billion in real property, understating property assets by 34 percent and total assets by 18 percent; (3) did not disclose \$1.7 billion in guaranteed loans or data on operating leases for ships; (4) presented accounts

receivable data that differed from the accompanying support schedules by \$164.5 million; (5) used different data sources, with different requirements, to prepare reports for Treasury and Congress; (6) did not reconcile property records with its accounting system; (7) did not develop service-specific guidelines for complying with Treasury reporting requirements; and (8) lacked controls to identify and correct problems occurring from dual recording of assets, property recording delays, and minimum acquisition-reporting thresholds.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of the Navy should direct the Navy Comptroller to: (1) prepare the report on financial position based on general

ledger account data rather than budget execution documents; and (2) monitor and take action necessary to ensure adherence to existing procedures to reconcile balances of property accounting activities with detailed property record balances contained in the real property management system. **Status:** Action in process. Estimated completion date: 02/90. The Navy implemented the Department of Defense Uniform Chart of Accounts in the Navy Headquarters Financial System and is using that system to prepare its reports on financial position. The Navy, however, has not completed its monitoring for compliance with existing procedures.

## Regulatory Accounting Rules and Financial Reporting

# Internal Controls: Areas for GSA Management to Strengthen

AFMD-89-36, 04/20/89

### Background

GAO identified areas in which the General Services Administration (GSA) needed to improve its internal accounting controls and procedures.

### Findings

GAO found that GSA: (1) did not perform the number of test counts required to ensure the accuracy of general supply inventory records; (2) did not maintain adequate supporting documentation for certain fund transactions; (3) did not always properly record financial transactions in the proper fiscal year, resulting in \$2.6 million in chargebacks on Federal Buildings Fund rent billings and adjustments of \$29 million to increase unrecorded General Supply Fund assets and liabilities; (4) did not always properly account for cash, equity, and income in the receipt funds; (5) did not detect errors in the computation of future lease obligations and was unable to calculate future minimum lease payments beyond 1999; (6) manual calculations to supplement the lease payment system understated future minimum lease payments from the Federal Buildings Fund by over \$18 million; (7) did not use general ledger expense accounts for financial statement expense line items in its statement of revenues and expenses; (8) lack of

adequate written guidance and the amount of manual processing of financial data led to inaccuracies and inconsistencies in its financial reporting and consolidation process; (9) did not adhere to established accounting procedures during 1987, resulting in adjustments of over \$2 million to correct uncollectible accounts receivable and related bad-debt expense accounts and \$900,000 to increase year-end accounts payable and amounts withheld from vendor invoice payments from the Federal Buildings Fund; (10) did not adequately review accounts receivable subsidiary records to detect and eliminate erroneous and outdated information, resulting in an \$8.9-million reduction in the Federal Buildings Fund's net income; (11) did not adequately review construction projects to determine their status, resulting in adjustments of \$50 million to reclassify completed projects and \$1.7 million for depreciation expenses; (12) lacked adequate separation of duties for personnel responsible for reviewing inventory operations; and (13) lacked written guidelines for some of its routine operations.

### Open Recommendations to Agencies

**Recommendation:** The Acting Administrator of General Services

should direct the GSA Comptroller to develop a plan which includes a timetable for resolving the weaknesses identified.

**Status:** Action in process. Estimated completion date: 12/90. The Acting Administrator of General Services responded on June 5, 1989, with a detailed action plan to the 18 findings noted, 11 of which have been completed. The remaining are to be completed by December 31, 1990.

**Recommendation:** To assist the Acting Administrator in ensuring that actions to accomplish these improvements are progressing on schedule and to assist him in carrying out his responsibilities under the Financial Integrity Act, managers should continue to include in reports to the Acting Administrator under the act information on the status of efforts to correct the weaknesses identified. To the extent weaknesses are not corrected by the end of the current fiscal year, they should be considered for inclusion in the Administrator's annual report required by the act.

**Status:** Action in process. Estimated completion date: 12/90. The Acting Administrator of General Services responded on June 5, 1989, with a detailed action plan to the 18 findings noted, 11 of which have been completed. The remaining are to be completed by December 1990.

## Regulatory Accounting Rules and Financial Reporting

# Thrift Failures: Costly Failures Resulted From Regulatory Violations and Unsafe Practices

AFMD-89-62, 06/16/89

### Background

GAO reviewed the Federal Savings and Loan Corporation's (FSLIC) activities to: (1) identify the common characteristics of the most costly failed thrifts, focusing on violations of federal laws or regulations, related unsafe practices, and fraud and insider abuse; (2) compare and contrast the characteristics with solvent thrifts; and (3) identify the impact of deregulation, regional or local economic factors, and federal regulators' supervision and enforcement efforts for both types of thrifts.

### Findings

GAO found that: (1) almost all of the failed thrifts changed from traditional home mortgage lending to higher-risk activities permitted under deregulation; (2) violations of laws included inaccurate appraisals for real estate investments, excessive loans for single borrowers, business with prohibited persons or insiders, and inadequate assessments of borrowers' ability to repay loans; (3) all of the failed thrifts had indications of fraud and insider abuse, of which the majority involved thrift officers or directors; (4) thrift personnel generally reported allegations of criminal

misconduct in solvent thrifts, while bank system personnel generally reported misconduct in failed thrifts; (5) although changes in law and the economy affected all thrifts, poor regional economic conditions compounded the problems in failed thrifts, while solvent thrifts followed prudent business practices that enabled them to survive; and (6) although FSLIC developed new training programs and an office to oversee regulatory efforts and ensure nationwide consistency, it did not address FSLIC and district banks' multiple and conflicting roles as promoters, regulators, and bankers of thrifts.

### Open Recommendations to Congress

**Recommendation:** As a condition for deposit insurance, Congress should enact legislation requiring each insured thrift to prepare an annual management report which: (1) describes management's responsibility for preparing financial statements and for establishing and maintaining an effective internal control structure; and (2) contains management's assessment of the effectiveness of the internal control structure.

**Status:** Action not yet initiated.

**Recommendation:** As a condition for deposit insurance, Congress should enact legislation requiring each insured thrift to prepare an annual management report which: (1) describes management's responsibility for complying with laws and regulations relating to the safety and soundness of thrift operations and for establishing methods to monitor compliance; and (2) contains management's assessment of the thrift's compliance with laws and regulations related to operations.

**Status:** Action not yet initiated.

**Recommendation:** As a condition for deposit insurance, Congress should enact legislation requiring each insured thrift to have the thrift's independent auditor report on the management assertions described and submit such reports with the independent auditor's audit report to the thrift's regulator.

**Status:** Action not yet initiated.

**Recommendation:** Congress should enact legislation requiring that insurers identify applicable laws and regulations which have material consequences on the safety and soundness of thrift operations to be reviewed and reported on in management reports.

**Status:** Action not yet initiated.

**Regulatory Accounting Rules and Financial Reporting**

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

AFMD-89-72, 07/27/89

**Background**

Pursuant to a congressional request, GAO reviewed the Office of Management and Budget's (OMB) implementation of the Single Audit Act, focusing on the: (1) quality of single audits by determining their compliance with generally accepted government auditing standards; and (2) usefulness of single audits to report recipients.

**Findings**

GAO found that: (1) certified public accountants (CPA) complied with auditing standards in 35 of the 40 audits reviewed because their audits showed sufficient evidence of studies and evaluations of internal controls and compliance testing; (2) five CPA noted

problems with some audits relating to either internal controls, compliance testing, or reporting; (3) federal inspectors general did not provide consistent oversight, and the degree of monitoring over audit quality varied; and (4) although most report recipients had concerns about the usefulness of single audits, most of the reports contained findings and covered the majority of federal funds provided, but did not always identify the programs tested for compliance or the extent of testing.

**Open Recommendations to Agencies**

**Recommendation:** The Director, OMB, should establish and define

responsibilities for agencies that provide general oversight.  
**Status:** Action not yet initiated. The report was released in August 1989, and OMB has not yet considered how to amend Circular A-128.

**Recommendation:** The Director, OMB, should amend OMB Circular A-128 to require auditors to identify in single audits those programs tested for compliance with laws and regulations and to differentiate among those tested as major or nonmajor programs and those tested in connection with the audit of the general purpose financial statements.  
**Status:** Action not yet initiated. The report was released in August 1989, and OMB has not yet considered how to amend Circular A-128.

**Regulatory Accounting Rules and Financial Reporting**

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

AFMD-89-35, 08/11/89

**Background**

GAO reviewed the Department of Veterans Affairs' (VA) financial management systems, focusing on how VA could improve internal accounting controls and financial management.

**Findings**

GAO found that VA: (1) made significant progress in preparing its consolidated financial statements in accordance with generally accepted accounting principles, although statements did not always agree with underlying accounting systems and general ledger balances and

had undocumented or poorly supported consolidation and closing procedures; (2) did not adequately implement internal controls for medical care cost recovery; (3) lacked automated system internal controls to ensure complete and accurate processing of compensation, pension, and education benefit payments data; (4) did not obtain proper authorization for

releasing payments over threshold amounts; (5) did not meet requirements in such areas as timely collection on accounts receivable, recognition and recording of liabilities, and prompt and accurate accumulation and reporting of obligational data on all appropriated funds; (6) improved principal controls in its housing credit assistance area, although remaining weaknesses included the lack of an established system for recognizing losses on guaranteed loans, lack of reconciliation between the general ledger control account and subsidiary ledger balances, and improper documentation and approval of journal vouchers; (7) lacked effective payroll system controls for implementing proper pay changes for all employees, resulting in incorrect payments; and (8) did not

perform pay verifications and reconciliations to ensure correct processing of payroll data.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Veterans Affairs should direct the Chief Benefits Director and the Controller to develop a plan for implementing corrective action on the internal control problems that the GAO audit disclosed in the housing credit area. VA requirements for reconciliation of account balances and documentation and proper authorization of accounting transactions are excellent internal control techniques for ensuring the integrity of data contained in the VA

financial accounting system.

Accordingly, the plan for corrective action should include procedures for ensuring compliance with agency policies and procedures. In addition, the Controller should clarify the policy regarding approval of journal vouchers to require an individual not directly involved in voucher preparation to approve vouchers initiated by the Chief, Accounting Section.

**Status:** Action not yet initiated. As of October 31, 1989, the Benefits Director has commented on planned corrective action, but due to higher priority work, an official response under 31 U.S.C. 720 has not been drafted for the Secretary's signature. A response is anticipated around November or December 1989.

## Regulatory Accounting Rules and Financial Reporting

# Transportation Audits: GSA's Accounting for Transportation Overcharges

AFMD-89-47, 08/30/89

### Background

Pursuant to a congressional request, GAO examined the General Services Administration's (GSA) accounting procedures for and disposition of funds it collected as transportation overcharges.

### Findings

GAO found that GSA: (1) from October 1986 through August 1988, collected \$100.8 million in transportation overcharges and disbursed \$34 million for carrier refunds and contract audit services and administration; (2) determined that it could transfer \$19 million of the \$47.2 million it collected during fiscal year (FY) 1987 to the Department of the Treasury's

miscellaneous receipts account, but did not comply with legislative requirements to transfer the funds by the end of FY 1987; (3) at the end of FY 1988, transferred the FY 1987 funds and \$20 million in FY 1988 collections to the Treasury account; (4) retained \$23.2 million in reserves for settlement of carrier protests and \$15.6 million for contract audit and administrative activities; (5) could have transferred the remaining, undesignated \$23.4 million it retained to the Treasury; (6) believed its estimates of the reserves it needed were very conservative; (7) did not consider such factors as the funds restoration process, subsequent transportation overcharge collections, and historical claims resolution data in estimating its

needed reserves; and (8) lacked formal written procedures for documenting its process for estimating needed reserves.

### Open Recommendations to Agencies

**Recommendation:** The Acting Administrator, GSA, should take steps to ensure that Treasury's fund restoration process, subsequent transportation overcharge collections, and historical claims experience are considered when estimating contingency reserves. These factors should be included in formalized written procedures covering the transportation overcharges collection and transfer process.

**Status:** Action not yet initiated.

**Regulatory Accounting Rules and Financial Reporting**

**Financial Audit: Veterans Administration's Financial Statements for Fiscal Years 1988 and 1987**

AFMD-89-69, 09/15/89

**Background**

GAO examined the Veterans Administration's (VA) consolidated financial statements for the fiscal years ended September 30, 1988 and 1987, and the related consolidated statements of operations and changes in financial position and reconciliation to budget for the fiscal years then ended.

**Findings**

GAO found that the consolidated financial statements presented fairly the financial position of the Veterans Administration as of September 30, 1988 and 1987, the results of its operations, and the changes in its financial position and reconciliation to budget for the

fiscal years then ended, in conformity with generally accepted accounting principles. GAO qualified its opinion, since: (1) VA did not have the documents supporting the original cost of land, buildings, and equipment which it acquired over periods dating back to its establishment in 1930; (2) although VA made significant improvements in transferring project costs from work-in-process to completed facilities, it still kept accounting records for land and buildings manually that contained errors in recorded values; (3) the financial statements reflected statutorily calculated life insurance reserves, rather than reserves calculated in accordance with generally accepted accounting principles; and (4) the VA housing credit program experienced financial problems

that may require assistance beyond that identified in its current appropriation request.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Veterans Affairs should direct the Controller to determine an appropriate method for achieving consistent implementation of the federal capitalization and depreciation accounting principles and policies. One possible approach would be to provide assistance and training on this matter to field station accountants during normal field station reviews.

**Status:** Action not yet initiated.

**Regulatory Accounting Rules and Financial Reporting**

**1988 Financial Audit: Federal Housing Administration**

T-AFMD-89-17, 09/27/89

**Background**

GAO discussed its audit of the Federal Housing Administration's (FHA) financial statements. GAO noted that: (1) it was unable to express an opinion on the FHA financial statements because of uncertainties over potential losses from the diversion of property sales proceeds, overstatements of the values of foreclosed property, and the effects of other investigations; (2) FHA suffered

major losses in its two largest funds; (3) the Department of Housing and Urban Development (HUD) failed to monitor functions involving large amounts of money that FHA delegated to third parties; (4) FHA does not have sufficient program-level information to properly manage its programs; (5) HUD internal controls over cash management and claims processing were weak; (6) HUD accounting staff did not maintain adequate documentation, perform

general ledger reconciliations, or properly justify certain payments; and (7) HUD and FHA management did not take appropriate actions to correct weaknesses and problems that previous audits and investigations identified.

**Open Recommendations to Congress**

**Recommendation:** To aid in its oversight role, Congress should monitor

the Department of Housing and Urban Development's progress through an annual oversight hearing on the annual report from the Secretary which should

include financial statements, the independent auditor's opinion, reports on internal controls and compliance, and management's report required by the

Federal Managers' Financial Integrity Act.

Status: Action not yet initiated.

## Regulatory Accounting Rules and Financial Reporting

# Financial Audit: Federal Financing Bank's Fiscal Year 1988 Financial Statements

AFMD-89-118, 09/29/89

### Background

GAO examined the Federal Financing Bank's (FFB) financial statements for the year ended September 30, 1988, its system of internal accounting controls, the related statements of income and changes in retained earnings, and the changes in its financial position for the year then ended.

### Findings

GAO found that the financial statements presented fairly the FFB financial position. GAO also found that FFB: (1) incurred a net loss of \$1.15 billion during fiscal year (FY) 1988, due to a \$1.29-billion prepayment premium it owed to the Department of Treasury; (2) was legislatively prohibited from collecting any related prepayment premiums from borrowers who prepaid their debt, enforcing loan provisions that required borrowers to prepay loans at their current market value, or repaying its Treasury borrowing in any other way than under the terms of the agreement between it and Treasury; and (3) had \$146.3 billion in loans receivable and

\$4.3 billion in accrued interest receivable, although 3 agencies which were experiencing significant numbers of problem loans held 64 percent of the agency-guaranteed loans. In addition, GAO found that, although FFB improved some of the internal control weaknesses identified during FY 1985, it: (1) recorded cash transactions in the general ledger 30 to 60 days after transaction; (2) could not correctly compute accrued interest on loans it purchased from the Small Business Administration (SBA) or on its Treasury debt; (3) remitted a 1986 loan it took from the Civil Service Retirement and Disability Fund (CSRDF) to Treasury without identifying which Treasury loans it was repaying; and (4) did not complete the required interest accrual verifications for FY 1988 accruals.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of the Treasury should direct the President, FFB, to record general ledger cash transactions as incurred and review and

record interest accruals as required by the FFB accounting policy and procedures manual.

Status: Action not yet initiated.

**Recommendation:** The Secretary of the Treasury should direct the President, FFB, to develop and maintain detailed subsidiary records of the purchased SBA loans, including information on the contractual interest rates, to facilitate the correct computation of accrued interest on those loans.

Status: Action not yet initiated.

**Recommendation:** The Secretary of the Treasury should direct the President, FFB, to develop and maintain subsidiary records for FFB debt which correlate the outstanding amounts owed to Treasury and CSRDF to the related loans receivable to ensure that FFB pays the proper amount of interest on its Treasury debt.

Status: Action not yet initiated.

# General Government

## Central Fiscal Operations

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

AFMD-89-88, 07/26/89

#### Background

Pursuant to a congressional request, GAO reviewed aspects of the U.S. Mint's numismatic programs and overall financial management, focusing on: (1) whether the Mint complied with legal requirements involving the shipment of Statue of Liberty coins; (2) internal controls for die inventories and coins; (3) cost accounting systems, funds control systems, and management information reports; and (4) the budgetary fund structure for numismatic programs.

#### Findings

GAO found that the: (1) Mint did not comply with a legal requirement that it ship Statue of Liberty coins to customers only after payment or guarantees of payment, but the number of coins incorrectly sent represented less than 1 percent of the 15.5 million coins shipped; (2) Mint had weak internal controls over dies and coins; (3) physical inventories of dies were not frequent enough; (4) resolution of die inventory discrepancies was not independently reviewed; and (5) Mint did not always report coin shortages to field mint security offices. GAO also found that the: (1) Mint's June 30, 1987, reports on revenues and expenses related to numismatic programs were unreliable; (2) Mint's cost accounting system was manual and decentralized and did not produce reliable cost information; (3) Mint's funds control system had deficiencies in its design, reporting, and use of financial plans; (4) Mint has not developed management information reports needed

to support decisionmaking; and (5) Mint accounted for its numismatic programs through its annual salaries and expenses appropriation, instead of through a revolving fund.

#### Open Recommendations to Congress

**Recommendation:** Congress should establish a public enterprise revolving fund, subject to the appropriations process, to finance the Mint's numismatic program operations.

**Status:** Action in process.

#### Open Recommendations to Agencies

**Recommendation:** To ensure that field mints have adequate internal control procedures for die inventories, the Director of the Mint should conduct physical inventories of dies quarterly so that lost dies can be identified sooner than under the present annual inventory procedures.

**Status:** Action in process. Mint directives are being revised to require quarterly die inventories by total number and face. The revised directive, MD 16B-1, is projected to be issued around December 1989.

**Recommendation:** To ensure that field mints have adequate internal control procedures for die inventories, the Director of the Mint should match serial numbers of dies in inventory to serial numbers recorded in die inventory records.

**Status:** Action in process. Mint directives are being revised to require an annual inventory of dies by serial number. If the quarterly inventories show discrepancies, a follow-up inventory by serial number will be performed.

**Recommendation:** To ensure that field mints have adequate internal control procedures for die inventories, the Director of the Mint should ensure that the San Francisco Mint implements adequate internal controls over dies released by its die room to its chroming unit.

**Status:** Action taken not fully responsive. The Mint reported that San Francisco implemented a Daily Die Inventory System on January 3, 1989. GAO could not confirm with the cognizant official that the daily inventory system was implemented on that date. No information was provided to demonstrate adequacy of this system.

**Recommendation:** To ensure that field mints have adequate internal control procedures for die inventories, the Director of the Mint should ensure that independent representatives from the Department of the Treasury's Office of Inspector General (IG) and the field mints' security offices are notified of all unreconciled differences between die records and the number of dies found during physical inventories.

**Status:** Action in process. Field mints were instructed orally to report all unreconciled die discrepancies to Treasury IG staff and Mint police. The

revised Mint Directive, MD 16B-1, will contain this requirement.

**Recommendation:** To ensure that field mints have adequate internal control procedures for die inventories, the Director of the Mint should ensure that the resolution of discrepancies identified during field mint die inventories are reviewed by mint representatives who are independent of the inventory process so that complete resolution is ensured.

**Status:** Action taken not fully responsive. The revised directive, MD 16B-1, will contain a provision requiring the head of each field mint to appoint a representative independent of the Coining Division to conduct all die inventories. This does not address the need for independent verification of inventory results.

**Recommendation:** To ensure that the San Francisco Mint follows established bullion coin control procedures, the Director of the Mint should direct the San Francisco Mint to notify its security office of bullion coin shortages shown on weight and piece count reports.

**Status:** Action in process. On August 15, 1989, the Director of the Mint issued a reminder to San Francisco that all shortages of coins, blanks, and dies are to be reported to Mint police.

**Recommendation:** The Director of the Mint, through the Mint's Federal Managers' Financial Integrity Act (FMFIA) program, should direct that: (1) a current and comprehensive assessment of its vulnerability to theft and loss of dies be undertaken; and (2) annual reports made under the act discuss progress on initiatives to improve its die inventory control system and practices.

**Status:** Action taken not fully responsive. Prior Mint reports under

FMFIA did not cover a comprehensive review of the Die Information System. In addition, for the areas reviewed, such as quarterly die inventories, the moderate risk factor did not sufficiently reflect the significance of the internal control weakness.

**Recommendation:** To modernize critical elements of the Mint's financial management system through improved cost, funds control, and management information, the Director of the Mint should develop an automated cost accounting system to provide accurate and timely information on the cost of operations.

**Status:** Action in process. In early 1989, the U.S. Mint contracted with Booz-Allen Hamilton Inc. for a review of its overall automated financial management system to identify system requirements, including those for cost accounting. The targeted completion date for the system is September 30, 1993.

**Recommendation:** To modernize critical elements of the Mint's financial management system through improved cost, funds control, and management information, the Director of the Mint should enhance the Mint's funds control system in order to: (1) provide data to help managers ensure that funds are not overobligated or overexpended; (2) generate standard, consistent, and reliable funds control reports from information in the accounting system; and (3) use the Mint's financial plans as the basis for controlling funds at both the headquarters and field mint levels.

**Status:** Action in process. In October 1988, the U.S. Mint began developing a funds control system. As of April 1989, the system was developed through the commitments phase. The system will

operate on the mainframe computer and will provide funds control for all facilities. The targeted completion date has slipped from October 1, 1989 to October 31, 1990.

**Recommendation:** To modernize critical elements of the Mint's financial management system through improved cost, funds control, and management information, the Director of the Mint should develop management information reports that will give Mint managers a range of program and financial information, including summarized or comparative reports on programs showing, by time period, information such as the numbers of coins produced and sold, revenues and expenses, and unit costs.

**Status:** Action not yet initiated. Improved management information reports will be made possible as the development of the funds control and cost accounting systems progress.

**Recommendation:** To comply with the Comptroller General's internal control standard that control systems be documented, the Director of the Mint should initiate projects that will update the Mint's written policies and procedures for cost accounting and for funds control.

**Status:** Action taken not fully responsive. Grant Thornton, Inc. assisted the Mint in documenting and updating accounting procedures. In addition, it was engaged to draft certain policies and procedures. As the overall modernization effort progresses, policies and procedures will be further developed and documented. Written policies and procedures should not be delayed for implementation of automated cost accounting systems.

**Central Personnel Management**

**Senior Executive Service: Reasons the Candidate Development Program Has Not Produced More SES Appointees**

GGD-88-47, 04/20/88

**Background**

Pursuant to a congressional request, GAO examined why federal agencies did not more frequently use the Office of Personnel Management's (OPM) Candidate Development Program (CDP) when making Senior Executive Service (SES) appointments, focusing on the: (1) Environmental Protection Agency (EPA); (2) Department of Health and Human Services; (3) Department of Agriculture (USDA); (4) Department of the Interior; (5) Office of the Secretary of Defense; and (6) Veterans Administration.

**Findings**

GAO found that: (1) during fiscal years 1982 through 1986, certified CDP candidates received 141, or 15 percent, of the agencies' 956 career SES appointments; (2) agency officials who

selected CDP candidates emphasized general management background, while officials who made SES appointments typically selected non-CDP candidates who had technical proficiency and agency experience; and (3) the conflict between CDP candidate selection and SES appointment practices lowered the program's credibility to both potential candidates and management. GAO also found that a lack of OPM guidance and agency commitment prevented agencies from: (1) envisioning CDP as a major source for SES appointments; or (2) taking advantage of the expedited SES appointment process for certified CDP candidates. In addition, GAO found that USDA, Interior, and EPA plan to make greater use of CDP as a source for SES appointments through changing the candidate selection process and justifying non-CDP-candidate SES

appointments. GAO believes that agency management views significantly influenced use of and reliance on CDP for SES appointments.

**Open Recommendations to Agencies**

**Recommendation:** To better achieve OPM expectations for CDP, the Director, OPM, should determine what actions OPM could take to enhance the use of CDP. This could be done by OPM in conjunction with other federal agencies or by the SES advisory board as part of its examination of SES-related policies. **Status:** Action in process. Estimated completion date: 05/90. OPM is nearing completion of an examination of its CDP program. It will respond further as soon as its CDP review is complete.

**Central Personnel Management**

**Federal Workforce: A Framework for Studying Its Quality Over Time**

PEMD-88-27, 08/04/88

**Background**

Pursuant to a congressional request, GAO: (1) examined the feasibility of producing generalizable and reliable information on the quality of the federal

work force over time; and (2) developed a framework for obtaining such information.

**Findings**

GAO: (1) examined the executive branch civilian work force in professional and administrative positions; and (2) developed a two-part definition of



quality which included employee capabilities and the degree to which those capabilities matched the requirements of a particular job. GAO found that: (1) the information available in agency personnel records was not comprehensive, accessible, or current enough for the purposes of a quality assessment effort; and (2) changing agency systems to provide a better data

base for an assessment effort would be impractical. GAO suggested an alternative assessment design which would: (1) gather data by surveying samples of employees in selected occupations; (2) answer many of the major questions concerning work-force quality; and (3) cost less than \$1 million.

### Open Recommendations to Congress

**Recommendation:** To help provide generalizable answers to questions about the quality of the federal work force and changes in it over time, Congress may wish to authorize a continuing program to assess work-force quality based on the framework outlined in this report.  
**Status:** Action not yet initiated.

## Central Personnel Management

# Senior Executive Service: The Extent to Which SES Members Have Used the Sabbatical Program

GGD-88-90, 08/04/88

### Background

Pursuant to a congressional request, GAO reviewed the Office of Personnel Management's (OPM) sabbatical program for Senior Executive Service (SES) members to determine: (1) the costs of sabbaticals; (2) the positions to which SES members returned after their sabbaticals; (3) whether participants remained in federal service for at least 2 consecutive years after completing their sabbaticals, as required; and (4) whether agencies considered the program worthwhile.

### Findings

GAO found that: (1) from July 1981 through May 1987, 15 of the 71 agencies interviewed had granted 21 sabbaticals; (2) sabbatical costs totalled over \$1 million; (3) of the 20 participants who had completed sabbaticals as of May 19, 1987, 14 returned to the same positions

and 6 went to different SES positions; (4) as of May 1988, seven participants had left either SES or the federal service after completing their sabbaticals, and two of those left within 2 years; (5) officials in 13 of the 15 agencies that granted sabbaticals said the sabbaticals benefited their agencies; (6) officials in 44 agencies said the participation level was appropriate, 16 said participation should be higher, and 11 had no response; and (7) the most frequently cited reasons for the low level of participation were that agencies could not spare additional SES members and few SES members expressed interest in the program.

### Open Recommendations to Agencies

**Recommendation:** The Director, OPM, should assess the sabbatical program's contribution to the development and

effectiveness of SES members through study or work experience and as an incentive for recruitment and retention. The study should define what would constitute an appropriate level of use for the program and determine what can be done to reduce the level of attrition by SES members who have completed their sabbaticals. If OPM determines that participation should be increased, it should also assess how factors such as those identified in the GAO review are precluding SES members from participating.

**Status:** Action in process. Estimated completion date: 05/90. OPM is in the process of conducting an assessment of the sabbatical program. It expects to inform GAO of the results of its review within the next few months.

work force planning guidelines to properly identify governmentwide staffing needs. GAO believes that OPM needs to: (1) develop a program to continually assess its hiring efforts; (2) assist other agencies in their efforts to improve performance management and productivity; (3) reinforce its oversight and evaluation efforts; and (4) resolve internal management morale and communications problems.

### Open Recommendations to Congress

**Recommendation:** Congress should make greater use of the oversight and appropriation process to establish a clear record of OPM plans, programs, and results and better hold OPM accountable for meeting the goals of the Civil Service Reform Act (CSRA). For example, Congress could require that OPM provide, on an annual basis, an assessment of the status of the federal work force and a detailed discussion of OPM activities in such critical areas as planning, staffing, performance improvement, and oversight.  
**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** The Director, OPM, should establish an ongoing, viable planning program to identify and prepare the government for its future work-force needs as an integral part of OPM activities. Such a program should include, at a minimum: (1) establishing a continuing effort to identify key emerging demographic, social, and economic trends and changes to the structure of the federal work force; (2) developing information on the quality of the federal work force; (3) enhancing analysis of the staffing implications of the federal pay structure; and (4) identifying and addressing the potential

staffing repercussions of the Federal Employees Retirement System.

**Status:** Action in process. OPM has begun to marginally address this recommendation. Specifically, OPM contracted for Civil Service 2000 to study long-term demographic effects on the federal work force, but has not undertaken a sustained effort in this area. Similarly, OPM contracted for a locality pay study, addressing one aspect of pay, but broader ramifications of inadequate pay are not being addressed.

**Recommendation:** The Director, OPM, should actively encourage work-force planning in the agencies and provide or help to arrange assistance to the agencies if requested.

**Status:** Action taken not fully responsive. OPM stated that it has always encouraged agencies to carry out work-force planning and is not planning any new actions in this area.

**Recommendation:** The Director, OPM, should serve as a central clearinghouse for work-force planning practices and trends in the public and private sectors, and publicize successful planning efforts.  
**Status:** Action in process. OPM has introduced the Federal Staffing Digest, which is distributed to agency personnel offices and discusses, among other things, effective work-force planning practices from the public and private sectors.

**Recommendation:** The Director, OPM, should culminate the recently initiated efforts to increase the quantity and quality of personnel management research with a well-defined research strategy, and provide usable products to the agencies.

**Status:** Action in process. OPM has developed a research agenda for personnel management research and has developed a data-base inventory of relevant personnel management research. OPM, however, has not

specifically begun or authorized any additional research or demonstration projects.

**Recommendation:** The Director, OPM, should require ongoing assessments of the OPM staffing program. At a minimum, this assessment effort should include instituting systematic reviews of the effectiveness of delegated examining, including establishing, in consultation with the agencies, measurable standards for cost, effectiveness, and timeliness.

**Status:** Action taken not fully responsive. OPM stated that it is evaluating staffing programs as a part of its overall efforts to evaluate agency personnel management. However, OPM has not specifically assessed the cost or effectiveness of delegated examining as called for in the recommendation.

**Recommendation:** The Director, OPM, should assert more leadership in ensuring that agencies receive the assistance they need to improve productivity, quality, and performance, including enhancing OPM capability to provide, or help agencies to acquire, special and technical assistance in such areas as setting performance standards, or measuring performance and motivation.

**Status:** Action not yet initiated. OPM has not specifically begun efforts to address agency productivity. Although a member of the Board of the Federal Quality Institute, no specific program has been initiated by OPM in this area.

**Recommendation:** The Director, OPM, should establish a more aggressive outreach program into the public and private sectors to learn current practices and trends in performance improvement and quality and productivity management.

**Status:** Action taken not fully responsive. OPM has established a variety of programs to learn about

current trends in productivity, including conferences, a gainsharing project, and some of the activities of the Federal Quality Institute. However, OPM needs more specific efforts in this area.

**Recommendation:** The Director, OPM, should enhance clearinghouse activities that disseminate information on innovative human resource practices to help agencies wishing to further their performance improvement efforts.

**Status:** Action in process. OPM has taken a number of actions to improve its clearinghouse activities in this area, including periodic publications and providing software to agencies. The benefits of these efforts is not known at this time, but will be evaluated during the follow-up review.

**Recommendation:** The Director, OPM, should initiate additional research and support new demonstration projects to continue the search for ways to remove the barriers which prevent performance management systems from achieving their potential.

**Status:** Action in process. OPM has begun to study barriers to the effectiveness of performance management systems. OPM did conduct some research on the effectiveness of performance management review systems for reauthorization using focus groups of line agency officials, but the effort did not include any study of pay-for-performance systems used by other public or private-sector organizations.

**Recommendation:** In order to improve agency internal evaluation programs, the Director, OPM, should assess the standards for evaluation systems and make changes where needed.

**Status:** Action in process. OPM has convened a task force to study personnel management evaluation system standards. This task force has not yet completed its work. GAO will evaluate

this task force's efforts in the follow-up review to begin in January 1990.

**Recommendation:** In order to improve agency internal evaluation programs, the Director, OPM, should establish a clearinghouse on good and innovative evaluation methods, techniques, and plans.

**Status:** Action not yet initiated. Although OPM has gathered some information on innovative evaluation techniques, it has not developed a way to make this information available to agencies.

**Recommendation:** In order to improve agency internal evaluation programs, the Director, OPM, should develop qualifications for evaluators and assess the training available to them.

**Status:** Action not yet initiated. OPM has not taken any action in this area. A specific assessment of the reasons for inaction will be addressed in the follow-up review to be initiated in January 1990.

**Recommendation:** In order to improve agency internal evaluation programs, the Director, OPM, should increase oversight of agency internal Personnel Management Evaluation programs to include more agencies.

**Status:** Action in process. OPM has begun to study how best to carry out this recommendation. GAO will look into OPM actions in the January 1990 follow-up review.

**Recommendation:** The Director, OPM, should initiate an internal management improvement and organization development agenda which includes steps to involve employees in identifying critical areas needing attention and determining causes of problems, and evaluate the results. The Director should ensure that senior executives are committed to, and held accountable for, improving management in their units

and implementing the OPM long-term action plan by including components of the plan in their Senior Executive Service (SES) contracts.

**Status:** Action in process. OPM has begun actions to make OPM executives more accountable for the performance of its units. According to the new Director, OPM, specific goals are being established in SES contracts.

**Recommendation:** OPM should assert a more effective and consistent leadership role in the planning, hiring, performance improvement, and oversight areas. This would entail working with the agencies to address critical human resource management issues, and better posturing the government to meet inevitable future challenges.

**Status:** Action in process. OPM has begun to recognize its CSRA role of exercising more leadership in governmentwide human resource management. Although specific actions have been scarce, the intention of OPM to carry out this role was emphasized by the new Director in her confirmation hearings.

**Recommendation:** OPM should make a concerted effort to revitalize its internal work force and build a capacity commensurate with its much-needed leadership role.

**Status:** Action in process. To begin to develop its internal capacity, OPM hired a consultant to develop a program to address the many internal management problems identified in the report. The effectiveness of these actions will be assessed in the follow-up review.

**Recommendation:** The President should give sustained attention to establishing and maintaining an environment that is more conducive to human resource management. This would entail emphasizing that the ultimate success of federal programs depends in large part

on a qualified, motivated, and efficient civil service. It would also involve selecting individuals for leadership positions at OPM who have a demonstrated commitment to such principles. The President should work with Congress to ensure a competitive federal pay and benefit structure.

**Status:** Action taken not fully responsive. Although President Bush has set a more positive tone for public service, the Administration has not specifically addressed these problems in the federal pay and benefit structure. GAO will continue to address the pay issue through work in the Human Resource Management and Federal Workforce Future Issues.

**Recommendation:** The Director, OPM, should concentrate OPM in-depth oversight activities on those agencies with weak or nonexistent programs. Once agencies have improved their programs, OPM should reassess its strategy to determine whether an enhanced OPM on-site presence is still necessary.

**Status:** Action taken not fully responsive. OPM plans to study where it should conduct its in-depth on-site reviews, however, specific actions have not yet taken place.

**Recommendation:** OPM should, at a minimum, develop: (1) mechanisms to improve communication, including clarifying and communicating to all employees the mission, priorities, and goals and objectives for OPM overall and for each unit; and (2) duties, responsibilities, and performance expectations for each employee.

**Status:** Action taken not fully responsive. OPM actions in this area consist of publishing a new employee handbook and sponsoring annual conferences. The effect these actions have on improving communications will be assessed in the GAO January 1990 follow-up review.

**Recommendation:** OPM should, at a minimum, provide supervisors and managers with better training or developmental experiences to help them improve their skills in communication, information sharing, and setting and providing feedback on performance expectations.

**Status:** Action in process. OPM has established an office to focus on employee development and has begun to develop overall training plans for the agency. GAO will assess this effort in its follow-up review.

**Recommendation:** OPM should, at a minimum, assess ways to improve retention and motivation, including OPM awards systems and promotion processes.

**Status:** Action taken not fully responsive. OPM has only marginally addressed this recommendation. It established a spot award program for effective employees, but the maximum award is \$25. More needs to be done in this area.

**Recommendation:** OPM should, at a minimum, develop a work-force planning system to determine needed staffing levels and skills, and basing staffing and budget requests on work-force planning. The system should provide information on what staff are leaving and how or whether they should be replaced, take into account an analysis and forecast of customers' demands for services, and provide an assessment of skills and training needs. Particular attention should be paid to those functional areas where there is a need for increased OPM activity, such as productivity assistance and personnel management evaluation.

**Status:** Action not yet initiated. OPM plans to initiate a work-force planning study. Actions are not yet underway.

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## Central Personnel Management

# Disabled Veterans' Employment: Performance Standards Needed to Assess Program Results

GGD-89-45, 02/28/89

### Background

Pursuant to a congressional request, GAO reviewed the: (1) effectiveness of the Disabled Veterans' Affirmative Action Program (DVAAP) at the

Department of Labor (DOL), Department of Health and Human Services (HHS), National Aeronautics and Space Administration (NASA), Office of Management and Budget (OMB), and

Office of Personnel Management (OPM); and (2) OPM oversight of DVAAP.

**Findings**

GAO found that: (1) neither the law establishing DVAAP nor the implementing regulations provided performance standards or other criteria for measuring employment and advancement of disabled veterans; (2) without specific performance criteria, it could not conclusively determine whether agencies' programs have been successful or not; (3) employment, new-hire, and promotion data indicated that DOL and OPM programs were more successful at employing and advancing disabled veterans than HHS, NASA, and OMB programs; (4) all five agencies' disabled veteran employment rates declined from 1982 to 1987; (5) neither OPM, as governmentwide program manager, nor any of the five agencies did the detailed analyses needed to define and correct problems in employing and advancing disabled veterans; and (6) OPM did not evaluate individual agency progress in meeting DVAAP objectives in its annual report to Congress. GAO also found that most DVAAP coordinators reported that they: (1) spent less than 10 percent of their time on DVAAP; (2) received less than 5 hours of DVAAP training; (3) were not evaluated on their program activities in their annual performance appraisals, contrary to OPM instructions; and (4) perceived the program as falling short of achieving its objectives.

**Open Recommendations to Agencies**

**Recommendation:** The Director, OPM, should require the Office of Affirmative Recruiting and Employment (OARE) to improve its management of DVAAP by developing, with agency assistance, criteria for measuring agencies' disabled veteran employment and advancement performance.

**Status:** Action in process. OPM is coordinating with other agency officials

to determine the best course of action. Further followup is needed.

**Recommendation:** The Director, OPM, should require OARE to improve its management of DVAAP by overseeing agencies' self-evaluation efforts by helping them do the in-depth data analysis necessary to find the causes of problems and ways to improve performance.

**Status:** Action not yet initiated. OPM is coordinating with other agencies and veterans' groups to determine the best course of action.

**Recommendation:** The Director, OPM, should require OARE to improve its management of DVAAP by using its reviews of agencies' plans and accomplishment reports and its on-site reviews to evaluate agencies' progress in meeting DVAAP objectives.

**Status:** Action not yet initiated. OPM is studying alternative methods of implementing this recommendation.

**Recommendation:** The Director, OPM, should require OARE to improve its management of DVAAP by citing individual agencies' progress or lack of progress and program effectiveness in the annual report to Congress.

**Status:** Action in process. Estimated completion date: 04/90. This is to be put into action in the next annual DVAAP report to Congress.

**Recommendation:** The Secretary of Labor, the Secretary of Health and Human Services, the Administrator, NASA, the Director, OMB, and the Director, OPM, should work with OARE to develop the criteria needed for measuring their disabled veteran employment and advancement performance.

**Addressee:** Office of Personnel Management

**Status:** Action in process. Agencies are discussing with OPM the best methods of establishing performance.

**Addressee:** Department of Labor  
**Status:** Action in process. Coordination is in process.

**Addressee:** Department of Health and Human Services  
**Status:** Action in process. Coordination is in process.

**Addressee:** National Aeronautics and Space Administration  
**Status:** Action in process. Coordination is in process.

**Addressee:** Office of Management and Budget

**Status:** Action not yet initiated. A follow-up hearing is planned to discuss actions planned.

**Recommendation:** The Secretary of Labor, the Secretary of Health and Human Services, the Administrator, NASA, the Director, OMB, and the Director, OPM, should examine the manner in which DVAAP coordinators are used and trained, and take any actions necessary to ensure that the coordinators are more effectively used to accomplish program objectives. In particular, the coordinators should be informed about the special hiring authorities that can be used to increase the employment of disabled veterans and the exclusion of veterans readjustment appointments from agency employment ceilings.

**Addressee:** Office of Personnel Management

**Status:** Action not yet initiated. A follow-up hearing is planned to discuss actions planned.

**Addressee:** Department of Labor  
**Status:** Action not yet initiated. A follow-up hearing is planned to discuss actions planned.

**Addressee:** Department of Health and Human Services

**Status:** Action not yet initiated. A follow-up hearing is planned to discuss actions planned.

**Addressee:** National Aeronautics and Space Administration

**Status:** Action not yet initiated. A follow-up hearing is planned to discuss actions planned.

**Addressee:** Office of Management and Budget

**Status:** Action not yet initiated. A follow-up hearing is planned to discuss actions planned.

**Recommendation:** The Secretary of Labor, the Secretary of Health and Human Services, the Administrator, NASA, the Director, OMB, and the Director, OPM, should ensure compliance with the OPM instruction that all agency officials who have DVAAP responsibilities be evaluated, as part of their performance appraisal, on their effectiveness in carrying out the program.

**Addressee:** Office of Personnel Management

**Status:** Action not yet initiated. A follow-up hearing is planned to discuss actions planned.

**Addressee:** Department of Labor

**Status:** Action not yet initiated. A follow-up hearing is planned to discuss actions planned.

**Addressee:** Department of Health and Human Services

**Status:** Action not yet initiated. A follow-up hearing is planned to discuss actions planned.

**Addressee:** National Aeronautics and Space Administration

**Status:** Action not yet initiated. A follow-up hearing is planned to discuss actions planned.

**Addressee:** Office of Management and Budget

**Status:** Action not yet initiated. A follow-up hearing is planned to discuss actions planned.

**Recommendation:** The Secretary of Labor, the Secretary of Health and Human Services, the Administrator, NASA, the Director, OMB, and the Director, OPM, should ensure that their DVAAP coordinators establish and

maintain contact with veterans representatives in state employment offices as a principal recruiting source of qualified disabled veterans.

**Addressee:** Office of Personnel Management

**Status:** Action not yet initiated. A follow-up hearing is planned to discuss actions planned.

**Addressee:** Department of Labor

**Status:** Action not yet initiated. A follow-up hearing is planned to discuss actions planned.

**Addressee:** Department of Health and Human Services

**Status:** Action not yet initiated. A follow-up hearing is planned to discuss actions planned.

**Addressee:** National Aeronautics and Space Administration

**Status:** Action not yet initiated. A follow-up hearing is planned to discuss actions planned.

**Addressee:** Office of Management and Budget

**Status:** Action not yet initiated. A follow-up hearing is planned to discuss actions planned.

## Central Personnel Management

# Federal Workforce: Implementation of the Executive Exchange Program Voluntary Services Act of 1986

GGD-89-62, 03/31/89

## Background

Pursuant to a legislative requirement, GAO reviewed an experimental component of the President's Commission on Executive Exchange (PCEE) Program to identify advantages and disadvantages of private-sector employers paying their participants' salaries, instead of the government.

## Findings

GAO found that: (1) prior to implementation of the experimental component, the government paid the salaries of private-sector participants up to a maximum, while the private-sector employers paid the salaries of federal participants; (2) the experimental component enabled higher-salaried private-sector executives to participate

in PCEE; (3) the experimental component will save the government about \$1.5 million during fiscal years 1988 and 1989; (4) some government agencies would not have participated in PCEE if they had to pay the private-sector participants' salaries; (5) PCEE followed adequate procedures for eliminating potential conflicts of interest resulting from allowing private-sector

employers to pay federal participants' salaries; and (6) federal participants' leave-without-pay status resulted in the reduction of such benefits as retirement credit, within-grade increases, and savings plan contributions, while private-sector participants continued to receive most of their benefits.

### Open Recommendations to Congress

**Recommendation:** Congress should extend the authority provided by Public Law 99-424 to permit private-sector executives assigned to government agencies in the PCEE program to be paid their full salaries by their corporate employers.

**Status:** Action in process.

**Recommendation:** Congress should expand the authority to permit more corporate executives to be paid their full salaries by their corporate employers.

**Status:** Action in process.

**Recommendation:** Congress should authorize federal executives assigned to private-sector companies, as part of the PCEE program, to be placed on detail to the private sector during the exchange assignment. This would allow executives to remain in federal pay status and continue to receive all benefits which, as federal employees, they would normally be entitled to receive.

**Status:** Action in process.

**Recommendation:** Congress should authorize the corporate host companies to reimburse the sponsoring federal agencies for the executives' salaries.

**Status:** Action in process.

**Recommendation:** Congress should include in legislation authorizing this authority a statement that it is enacted "notwithstanding any other law" in order to preclude the need to amend any

other existing statutes that may be relevant to the PCEE program and for which exemptions for federal participants may be necessary.

**Status:** Action in process.

**Recommendation:** Congress should include in legislation authorizing this authority an enumeration of those statutes that should continue to apply to the PCEE program, such as applicable statutes relating to compensation, benefits, travel and relocation, conflict of interest, standards of ethical conduct for government officers and employees, post-employment restrictions for exchange executives, and authority for agencies to accept reimbursements for executives' salaries from private-sector companies. The applicable statutes should be listed and incorporated by reference into the PCEE program statute.

**Status:** Action in process.

## Central Personnel Management

# Federal Personnel: Status of the Federal Employee Direct Corporate Ownership Opportunity Plan

GGD-89-49, 04/03/89

### Background

In response to a congressional request, GAO provided information on the proposed Federal Employee Direct Corporate Ownership Opportunity Plan (FED CO-OP) that would increase government contracting efforts, focusing on: (1) how FED CO-OP evolved; (2) FED CO-OP status; (3) the Office of Management and Budget's (OMB) future plans for FED CO-OP; and (4) the beneficiaries of any remaining employees stock-ownership plan (ESOP)

benefits after former federal employees are terminated.

### Findings

GAO found that: (1) the Office of Personnel Management (OPM) developed FED CO-OP to increase government commercial contracts to the private sector; (2) OMB was responsible for administering FED CO-OP, and planned to include only those commercial activities that could survive even if their government contract expired; (3) under

FED CO-OP, affected employees are provided stock incentives to join government contractors; and (4) OMB has received queries from other federal agencies concerning FED CO-OP, and has identified potential commercial activities for contracting. GAO also found that: (1) the Department of Agriculture contracted with an accounting firm to determine its operating costs under FED CO-OP, but believes that it could not implement FED CO-OP until 1990; (2) OMB is currently looking for potential

participants in FED CO-OP, but will have no implementation plan until the new administration has established its policy direction; and (3) it was uncertain whether former government employees working for government contractors should be excluded from ESOP bonuses or that FED CO-OP participants would qualify for certain tax benefits. GAO believes that ESOP stock bonuses should benefit only former government employees working for FED CO-OP contractors.

### Open Recommendations to Agencies

**Recommendation:** The Director, OMB, should require the Office of Privatization to explore ways to ensure that: (1) the federally funded portion of ESOP stock bonuses are paid only to the former federal employees who were initially with the subsidiary, even if all of the former federal employees have been terminated; and (2) ESOP meet the Internal Revenue Service's

requirements. To accomplish these objectives, the Office of Privatization may need to restructure FED CO-OP or seek changes in legislation or regulations.

**Status:** Action taken not fully responsive. OMB has taken action on one recommendation to consult the Internal Revenue Service, but does not plan to take action on the recommendation to explore ways to limit ESOP to former federal employees until FED CO-OP candidates are identified.

## Central Personnel Management

# Intergovernmental Personnel Act of 1970: Intergovernmental Purpose No Longer Emphasized

GGD-89-95, 06/19/89

### Background

Pursuant to a congressional request, GAO reviewed the Intergovernmental Personnel Act mobility program, focusing on: (1) changes to the program; (2) the extent and nature of the program's use; (3) program cost; (4) agreement purposes and benefits; and (5) Office of Personnel Management (OPM) guidance and oversight.

### Findings

GAO found that: (1) 36 federal agencies made a total of 3,996 assignment agreements with nonfederal organizations from fiscal years 1984 through 1988; (2) although the program's original purpose was to improve federal-state-local government cooperation by strengthening state and local governments' personnel capabilities, federal agencies have made most of their mobility assignments with colleges and universities in order to bring personnel with higher education into the federal

government; (3) 96 percent of the federal and nonfederal employees assigned to the program were on detail; (4) federal agencies were the principal beneficiaries of mobility assignments and paid most of the assignment costs; (5) OPM has exercised minimal guidance and oversight over the program since 1982 and does not always obtain timely corrections of improper agreements; (6) OPM was not required to report to Congress on the program; and (7) agencies did not always require employees detailed to federal agencies to file financial disclosure reports for use in identifying and resolving any apparent conflicts of interest.

### Open Recommendations to Congress

**Recommendation:** Congress may want to reassess and clarify the primary purpose of the mobility program.  
**Status:** Action not yet initiated.

**Recommendation:** Because of the widespread use of mobility assignments among federal agencies and the importance agencies give to the program, Congress may want to require OPM to report periodically on issues like program costs and benefits, legislative or regulatory requirement compliance, and program results.

**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** To ensure effective use of the resources OPM has already committed to the mobility program, the Director, OPM, should implement a system to control the receipt of assignment agreements, agency evaluation reports, and other information necessary to effectively review federal agencies' use of the mobility program. OPM should use this information to direct agencies to make timely corrections of any improper

agreements, as provided in current regulations.

**Status:** Action in process. Estimated completion date: 10/90. The OPM report to GAO, dated September 7, 1989, indicates actions were undertaken or planned for implementation within the next fiscal year (FY).

**Recommendation:** To ensure effective use of the resources OPM has already committed to the mobility program, the Director, OPM, should specify the circumstances in which nonfederal employees on detail to federal agencies should file financial disclosure reports.

**Status:** Action in process. Estimated completion date: 10/90. According to the

OPM report to GAO, dated September 7, 1989, action has been already completed or will be undertaken within the next fiscal year. As of October 13, 1989, one of the proposed items was implemented in mid-FY 1988. All others have not been implemented yet, per OPM.

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## Central Personnel Management

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

GGD-89-102, 08/08/89

### Background

Pursuant to a congressional request, GAO provided information on the amount of premium taxes that underwriters participating in the Federal Employees Health Benefits Program paid to states and other government entities.

### Findings

GAO found that: (1) states, county and municipal governments, U.S. territories, and Panama imposed premium taxes on the portion of premium income that participating plans paid to insurance underwriters to process and pay claims; (2) federal regulations allowed

participating plans to charge premium taxes as a program expense; (3) in 1987, 22 of 25 participating fee-for-service plans charged the health benefits program about \$44.1 million for premium taxes, and included those taxes in the premiums they charged to enrollees and the federal government; (4) in 1980, Congress exempted Federal Employees Group Life Insurance Program premiums from similar premium-based taxes, since it considered the program to be self-insured; and (5) although the Federal Employees Health Benefits Program operated similarly to the life insurance program, Congress has not exempted it from premium-based taxes.

### Open Recommendations to Congress

**Recommendation:** If Congress wants to make the treatment of premium taxes uniform in the health and life insurance programs, it may wish to consider amending the Federal Employees' Health Benefits Act to expressly prohibit states, the District of Columbia, the Commonwealth of Puerto Rico, or other political subdivisions from imposing or collecting taxes, fees, or other monetary payments based on the premiums paid under the Federal Employees Health Benefits Program.

**Status:** Action not yet initiated.

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**Central Personnel Management**

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

GGD-89-71, 08/23/89

**Background**

Pursuant to a congressional request, GAO provided information on private firms' and federal agencies' employee suggestion programs, focusing on the program characteristics which contributed to high employee participation and savings.

**Findings**

GAO found that National Association of Suggestion Systems (NASS) data, input from federal program managers, and a Merit Systems Protection Board study revealed that: (1) successful employee suggestion programs included such key factors as management support, continuous publicity, adequate funding and staffing, monetary awards, and responsiveness to suggesters; (2) federal and private programs varied in the

extent to which they had those success factors; (3) slow processing of suggestions and unresponsive replies were the most significant disincentives to employee participation; (4) 11 of the 23 largest federal agencies with suggestion programs had automated suggestion systems; (5) in 1987 and 1988, the Office of Personnel Management (OPM) issued guidance to agencies on using computers to improve their suggestion programs, as well as guidance on program evaluation, planning, and administration; (6) during 1987, the private sector generated about 30 suggestions and realized savings of about \$50,000 per 100 eligible employees, while federal programs generated 3.9 suggestions and realized savings of about \$11,000 per 100 employees; (7) firms generally granted tangible awards as a fixed percentage of realized savings, at an average of \$5,000 per 100 employees

in 1987, while federal agencies used a sliding-scale formula to grant awards, at an average of \$235 per 100 employees; and (8) federal agencies and firms calculated intangible awards similarly.

**Open Recommendations to Agencies**

**Recommendation:** To motivate federal employees to participate more actively, the Director, OPM, should adopt a fixed-percentage formula for tangible benefit awards of not less than 10 percent, which as shown by NASS data is the typical industry practice. OPM and other agencies should be aware that the potential benefits of this change may not be realized unless the other key factors in a successful program are also emphasized.

**Status:** Action not yet initiated.

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**Central Personnel Management**

**Federal Pay: Complexities in Calculating Federal Civilian Firefighters' Pay**

GGD-89-131, 09/29/89

**Background**

Pursuant to a congressional request, GAO reviewed federal civilian firefighters' compensation to determine whether: (1) pay calculation complexities have resulted in pay errors; (2) promotions to supervisory positions have

resulted in pay reductions from lost overtime pay; and (3) legislation would correct these pay problems.

**Findings**

GAO found that: (1) errors from misinterpreted regulations could be

attributed to payroll complexities; (2) errors will be less likely when DOD completes the full automation of its payroll systems; (3) firefighters were undergoing pay reductions due to lost overtime following promotions to supervisory levels; and (4) legislation was

needed to entitle supervisors to overtime.

### Open Recommendations to Congress

**Recommendation:** Congress should enact legislation to change current pay provisions so that firefighters' pay is not reduced upon promotion.  
**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should alert officials at Army and Navy payroll offices that are manually calculating firefighters' pay that their pay systems are vulnerable to improper payments resulting from random mistakes and misinterpretations of regulations.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of Defense should direct Army and Navy payroll offices to provide specialized training to their personnel who do the manual calculations.

**Status:** Action not yet initiated.

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## Central Personnel Management

# Senior Executive Service: Training and Development of Senior Executives

GGD-89-127, 09/29/89

### Background

Pursuant to a congressional request, GAO presented information on the Senior Executive Service (SES), focusing on: (1) career members' perceptions of the extent and usefulness of their training and development experiences before and after SES appointment; and (2) how the Office of Personnel Management (OPM) fulfilled its executive development roles and responsibilities.

### Findings

GAO found that: (1) about 13 percent of the executives appointed after 1982 stated that they had not participated in any training or development activity designed to prepare them to become executives during the 5 years prior to their appointment, about 23 percent of all executives stated that they had received no training or development since their appointment, and more than half had not participated in a formal training or development activity in at least 5 years; (2) the reasons for SES

nonparticipation included work and training experiences already obtained and lack of available time; (3) about 80 percent considered the training and development experiences they received before and after appointment useful in their jobs; (4) the mechanisms for ensuring that SES members obtained appropriate training and development, formal needs assessments, and advisors did not work as intended; (5) although the Commission on the Public Service recommended that OPM require regular training for all professional federal employees, only 21 percent of the SES members surveyed who received appointments after the candidate development program (CDP) began entered from CDP; (6) a much larger proportion of executives from small agencies did not receive pre-appointment training and development, considered the training they received less helpful, and cited costs as a reason for nonparticipation after appointment; and (7) OPM recently began a reexamination of its executive training and development responsibilities and

planned to issue guidance on expectations from federal executives and the types of experiences that could assist them in meeting those expectations.

### Open Recommendations to Agencies

**Recommendation:** OPM should, in reassessing its roles and responsibilities in executive training and development, examine the need for governmentwide requirements for minimal levels of executive training and development.  
**Status:** Action not yet initiated.

**Recommendation:** OPM should, in reassessing its roles and responsibilities in executive training and development, examine the difficulties small agencies face in providing executive training and development.  
**Status:** Action not yet initiated.

**Recommendation:** OPM should, in reassessing its roles and responsibilities in executive training and development, examine the need to improve the

mechanisms for ensuring that executives receive appropriate training and development.

Status: Action not yet initiated.

**Recommendation:** OPM should, in reassessing its roles and responsibilities in executive training and development, examine the need to encourage greater support among executives and agencies toward executive training and development.

Status: Action not yet initiated.

**Recommendation:** OPM should, in reassessing its roles and responsibilities in executive training and development, examine the need for certain types and levels of training for new executives.

Status: Action not yet initiated.

**Recommendation:** OPM should, in reassessing its roles and responsibilities in executive training and development, examine ways to improve the managerial competency benefits from

the training and development curriculum.

Status: Action not yet initiated.

**Recommendation:** OPM should consider the Volcker Commission recommendations and what specific responsibilities agencies and OPM should have in the oversight process. It should address as well what actions OPM should take to ensure a strong oversight program.

Status: Action not yet initiated.

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## Executive Direction and Management

# Social Security Administration: Stable Leadership and Better Management Needed To Improve Effectiveness

HRD-87-39, 03/18/87

## Background

GAO reviewed management problems that the Social Security Administration (SSA) must address to ensure the continued delivery of high-quality service to social security recipients.

## Findings

GAO noted that SSA has serious management problems that: (1) are not evident to the public; (2) have contributed to crisis situations in the past; and (3) could interfere with SSA ability to effectively accomplish its mission in the future. GAO found that SSA: (1) has had seven commissioners or acting commissioners over the last 10 years, resulting in frequent changes in priorities, diminished accountability, and little long-term operational planning; (2) has made little progress in modernizing its computer system, particularly its software; (3) plans to spend over \$600 million to modernize its computer system; (4) does not have a plan to

systematically identify and develop future leaders and managers; and (5) cannot ensure that employees' wage records are accurate. GAO also found that SSA: (1) makes substantial benefit overpayments annually; (2) has been unable to correct its financial management problems because of fragmented responsibility and lack of leadership; (3) has allowed wide variations in efficiency among similar units because of its limited emphasis on efficiency; (4) has neither established nor used measurable, national benchmarks for service quality or timeliness for certain post-entitlement work loads; and (5) has many employees who are uncertain about the future of their jobs and are dissatisfied with many management actions.

## Open Recommendations to Congress

**Recommendation:** To provide more stable leadership for SSA, Congress

should enact legislation fixing the term of the Commissioner of Social Security at 8 years. In the case of removal, the President should be required to inform Congress of the reasons. In addition, Congress should periodically monitor SSA progress in solving its managerial and operational problems. If, in the long term, Congress believes the recommended actions are insufficient, it should consider other organizational alternatives to administer social security programs.

Status: Recommendation valid/action not intended.

**Recommendation:** Congress should consult with SSA on the time needed to automate legislative requirements promptly, efficiently, and effectively, and consider the information provided by SSA in establishing effective dates.

Status: Recommendation valid/action not intended.

**Open Recommendations to Agencies**

**Recommendation:** In recognition of the critical importance of social security to the nation and the problems SSA has experienced with instability of leadership and frequent changes in direction, especially regarding computer systems modernization, the President should, when nominating persons to fill the commissioner's position, focus on individuals who: (1) view the position as one requiring long-term commitment; (2) are inclined to focus attention on resolving significant long-standing problems; (3) are comfortable adhering to long-term operational and computer systems modernization plans, unless major changes are justified and concurred in by the Secretary of Health and Human Services and reported to the appropriate congressional committees; and (4) are committed to the programs' goals and to providing high-quality, efficient service to social security recipients.

**Status:** Recommendation valid/action not intended. A formal follow-up is in progress.

**Recommendation:** The Commissioner of Social Security should: (1) develop and implement agencywide, long- and short-term operational plans; (2) consult with the Department of Health and Human Services, the Office of Management and Budget, congressional committees, states, client groups, and others as to how SSA should do business in the future, as part of the process of formulating a long-term plan; and (3) use the plan to guide policy, budget, and automatic data processing (ADP) systems decisions and hold managers accountable for adhering to it.

**Status:** Action in process. SSA is developing a coordinated SSA-wide planning system. It has established a high-level planning staff and developed a long-range plan. SSA has also developed component plans. While the plan is

being used to guide component planning, it will take budget funds for this activity to be completed and time to complete the projects and plans essential for ADP development.

**Recommendation:** The Commissioner of Social Security should take the following actions to improve budget development in SSA: (1) expand on the May 1986 permanent agencywide annual budget instructions covering all components in SSA to adhere to the objectives set forth in the November 1984 proposal submitted by the Acting Deputy Commissioner for Management and Assessment; (2) hold managers accountable for adherence to budget policy and requirements; and (3) establish standards for the amount of time SSA should take to complete its various work loads and use those standards in developing the SSA budget for operating staff. These standards could be based on engineering studies or on actual times required by better-performing offices to do the work. Any adjustments to the standards should be based on careful study reflecting the appropriate time needed to implement operational changes.

**Status:** Action in process. A new set of budget guidelines was developed and published in November 1987 and December 1988. Managers are being held accountable through their performance review process for adhering to the new budget policy and time frames. No progress has been made on establishing work standards.

**Recommendation:** The Commissioner of Social Security should: (1) through Senior Executive Service (SES) contracts, hold appropriate managers involved in the regulation development process accountable for complying with the new rulemaking procedures; and (2) identify underlying causes of Program Operations Manual System (POMS) problems, develop specific plans for

correcting them and, through SES contracts and merit pay plans, hold managers accountable for implementing agreed-upon actions.

**Status:** Action in process. Improvements to POMS, and changes to SES contract language, are all still undergoing agency actions.

**Recommendation:** The Commissioner of Social Security should: (1) periodically evaluate whether the new process is reducing the time it takes to finalize regulations and implement further improvements if warranted; and (2) periodically survey operating personnel to determine the extent to which improvements in POMS have been effective.

**Status:** Action in process. Too few regulations have been processed recently to evaluate whether improvement has taken place. There is evidence that some progress is being made in improving POMS, but more needs to be done.

**Recommendation:** To help gain better managerial and technical control over SSA computer operations and modernization efforts, the Commissioner of Social Security should complete those aspects of a long-term operational plan that set forth how SSA will deliver services in the future, and revise the modernization strategy to be consistent with the service delivery needs. Managers should be held accountable for adhering to the modernization strategy unless changes are fully justified.

**Status:** Action in process. The planning process has not progressed far enough to provide specific guidance needed to develop an ADP systems plan.

**Recommendation:** To help gain better managerial and technical control over SSA computer operations and modernization efforts, the Commissioner of Social Security should: (1) expeditiously establish effective project

control and integration for the modernization effort, including more effective use of an integration contractor to help integrate Systems Modernization Plan projects and make the transition from the old to the new computer system; and (2) reassess whether the location of the ADP procurement review function within the Office of Systems provides sufficient internal control over this process.

**Status:** Action in process. Systems have been moved organizationally from a Deputy Commissioner-level office to a lower-level office under the Deputy for Operations. The integration contractor has reported on some improvement in project control. ADP procurements will now be reviewed by the SSA Chief Financial Officer. It will take several years before SSA can complete implementation of an effective project control activity.

**Recommendation:** To help gain better managerial and technical control over SSA computer operations and modernization efforts, the Commissioner of Social Security should: (1) identify the number, type, and qualifications of ADP personnel needed to carry out the modernization program and maintain and improve the current systems; and (2) take steps to obtain the necessary skills.

**Status:** Action in process. A formal inventory of ADP staff resources has recently been completed. A study and comparison will be done this year to determine continued staff and training needs.

**Recommendation:** To help gain better managerial and technical control over SSA computer operations and modernization efforts, the Commissioner of Social Security should periodically survey systems staff morale, particularly regarding organizational and management problems perceived as contributing to low morale, to determine whether improvements have resulted.

**Status:** Action in process. SSA has conducted two agencywide surveys of employee job satisfaction and morale. The results of the first have been published. The second was sent to employees in April 1989. The effects on systems employees are undetermined.

**Recommendation:** Because SSA will be dependent on its inefficient existing systems for a longer time due to major delays in redesigning its new system, the Commissioner of Social Security should also reexamine the current allocation of resources and priorities established for maintaining and improving the existing system and redesigning the new one. This reexamination should focus on: (1) developing a clear picture of how the new system will be implemented, including how system components will be integrated, how SSA will make the transition from the existing system to the new system, and when major redesigned system components will be operational; and (2) assessing the effect that problems in the existing system, such as the inefficient software and manual operations, are having on service to the public. Such an assessment should include an estimate of the resources and time that would be required to correct the problems in relation to when the redesigned system will be operational.

**Status:** Action in process. A systems baseline document has been prepared, but this is only the first step GAO feels is needed to accomplish the GAO objectives. Other action is still required.

**Recommendation:** To help gain better management control over management information, the Commissioner of Social Security should: (1) develop a comprehensive management information policy commensurate with the agency long-range operational plan; (2) establish performance standards and measures that are based on the goals and objectives in the operational plan; (3)

develop future management information requirements based upon the modernized computer system; and (4) intensify efforts to improve SSA data bases and establish an SSA-wide focal point for overseeing and integrating SSA management information and data base activities, including reviews and evaluations.

**Status:** Action in process. A new Associate Commissioner has been assigned to this area to refocus efforts. A management information plan has been developed in consort with the agency long-range plan. No progress has been made in establishing standards beyond a contract to study them. Action is still ongoing to improve SSA data bases.

**Recommendation:** The Commissioner of Social Security should take the following actions to enhance productivity, without diminishing the organization's strong commitment to providing high-quality service to the public: (1) improve SSA focus on productivity by establishing more specific expectations for efficiency in SES contracts and merit pay plans as a basis for gauging performance (regional and local variations can be recognized where justified); (2) require the use of work measurement data and periodic cost reports for all SSA cost centers, such as regional, area, and district offices, to identify targets of opportunity for improved efficiency and cost-effectiveness; (3) allocate staff resources to similar units, district/branch offices and program service centers, based on performance expectations; and (4) develop and implement strategies for addressing external factors that could impede improved efficiency.

**Status:** Action in process. SES contracts now contain productivity goals in varying degrees depending on the position. Work measurement data are being disseminated to regions and will be sent to offices in the near future. Cost

data are being developed. Staff allocation to similar units is not based on performance, but on work loads and management priorities.

**Recommendation:** The Commissioner of Social Security should: (1) establish national performance standards and measures for important services, such as address changes and services to Medicare beneficiaries; (2) hold managers accountable for meeting performance standards; (3) consider what additional actions are necessary to improve notices sent to the public and SSA ability to respond to recipient questions, specifically expediting necessary computer system improvements, holding employees and supervisory personnel more accountable for notice quality, and determining the extent to which SSA field offices have sufficient information to explain notices to recipients; and (4) more systematically identify field office problems in serving Medicare beneficiaries and promptly develop resolutions. The Commissioner should seek assistance from the Secretary of Health and Human Services, if necessary.

**Status:** Action in process. No standards have been set for post-entitlement work loads. Much progress has been made in improving notices, but more needs to be done. A new agreement is being developed between SSA and the Health Care Financing Administration to better define roles and responsibilities.

**Recommendation:** The Commissioner of Social Security should assess what can be done to address employee concerns about diminishing advancement opportunities, such as restructuring jobs or reevaluating grade structures for employees assuming greater or more complex responsibilities as a result of increased computerization and shifting of responsibilities among units.

**Status:** Action in process. Little can be done while SSA continues staff

reductions through 1990. However, SSA is pursuing a pilot project to enhance salaries of operations supervisors and is revising its job classification standards to provide opportunities for freer movement of field employees to other field or headquarters locations. Award funds have been substantially increased in lieu of promotions.

**Recommendation:** The Commissioner of Social Security should: (1) determine what senior- and mid-level manager positions will likely have to be filled over the next several years, the adequacy of the existing pool of available candidates, and the specific recruitment and development changes needed so that SSA will have enough qualified candidates to fill future vacant positions; (2) establish a formal program to identify and develop managers at all levels of the organization; (3) determine how SSA can make staff more aware of requirements and availability of training for new supervisors and managers and the benefits that accrue from fulfilling the current training curriculum; and (4) develop a training program to enhance the knowledge, skills, and abilities of lower level staff to assume future supervisory and management positions. Such a program could be similar to the training program SSA now has for newly promoted or assigned supervisors and managers.

**Status:** Action in process. SSA has begun to plan for turnover in executive and mid-level manager positions, but more needs to be done. SSA has designed a three-tiered management development program and has implemented the first two tiers. Implementation of tier 3 is planned for late 1989, pending approval from HHS. SSA has also acted to upgrade its overall training program.

**Recommendation:** The Commissioner of Social Security should reassess SSA selection practices for supervisors to minimize the selection of employees who

do not have the appropriate skills and abilities for, or who do not fully understand, the duties and responsibilities of the job. In addition, the Commissioner should reassess the structure of the operations supervisor position to determine how more emphasis can be placed on making it more rewarding and attractive.

**Status:** Action in process. SSA is developing a pilot program to upgrade the pay for operations supervisors, through broad-banding rather than General Schedule grades. It is also investigating how the position can be enhanced and how duties can be restructured to make the position more desirable. SSA has been developing criteria for selecting candidates to fill 40 management or supervisory field positions by end of 1989.

**Recommendation:** The Commissioner of Social Security should: (1) reassess the emphasis given to initial claims statistics by managers to determine whether changes would be appropriate to achieve a more balanced approach to all important work loads and other objectives; (2) more clearly define and set objectives for the SSA goal of maintaining a favorable work climate, include such objectives in SES contracts and merit pay plans, and systematically measure progress; and (3) improve the effectiveness of employee recognition efforts by allocating a portion of award funds to all operational components based on unit performance, and emphasizing to supervisors and managers, through training or other means, the importance of prompt recognition of employee contributions.

**Status:** Action in process. SSA now apportions award funds based in part on unit performance. There has been little change in emphasis on initial claims. SSA included an objective to improve employee work climate in SES plans.

## Executive Direction and Management

# Information Management: Leadership Needed in Managing Federal Telecommunications

IMTEC-87-9, 05/06/87

## Background

In response to a congressional request, GAO examined whether the Office of Management and Budget (OMB) and the General Services Administration (GSA) are providing the necessary leadership and making sound decisions for managing the federal government's telecommunications.

## Findings

GAO noted that OMB is required to develop, in consultation with GSA, a 5-year plan for meeting the federal government's telecommunications needs, but the agencies have not: (1) collected adequate information on agency requirements for various telecommunications services; (2) derived appropriate methodologies for evaluating governmentwide costs; (3) made decisions as to which services should be provided centrally; and (4) identified the need for specific technical standards. GAO found that the absence of meaningful governmentwide planning has: (1) left the government open to the risk of serious problems in developing and replacing telecommunications systems; and (2) made it impossible to determine whether the government is meeting overall telecommunications objectives. In addition, GAO found that: (1) GSA did not support important procurement decisions with meaningful analyses; (2) a GSA analysis of alternatives to replacing the existing Federal Telecommunications System (FTS) lacked credibility; (3) GSA awarded a contract for a more extensive analysis of FTS replacement

alternatives, including a cost-benefit analysis of principal alternatives; (4) GSA did not consider the sharing of telecommunications systems when it reviewed agencies' requests for authority to acquire their own systems; and (5) the government would have saved an estimated \$16 million over a 10-year period if GSA had approved shared, rather than individual, systems in three locations.

## Open Recommendations to Agencies

**Recommendation:** In order to provide a framework for decisionmaking, to define agency telecommunications needs, to decide which services should be provided centrally by GSA and which services should be provided by the agencies, and to establish responsibilities between the central managers and the individual agencies, OMB and GSA should jointly develop, document, and implement a comprehensive plan for meeting governmentwide telecommunications needs. This plan should: (1) be developed using the guidance OMB and GSA prescribed for the agencies in the 5-year automatic data processing/telecommunications plan, but should be applied to the central management level; (2) be based on appropriate analyses that are necessary for making decisions on how agencies' needs will be met; and (3) include established economic and noneconomic criteria. OMB and GSA should establish a process to gather critical information

so that they, as central managers, can make informed decisions on these issues.

**Addressee:** General Services Administration

**Status:** Action taken not fully responsive. GSA officials believed that the redirection of FTS 2000 by the congressional committees negates the need for developing a comprehensive telecommunications plan. Although it is proceeding with FTS 2000, integrated planning for meeting end-to-end telecommunication requirements is needed. The study of information network requirements required under P.L. 100-202 was completed in July 1989.

**Recommendation:** To enhance agency decisionmaking on telecommunications that would best satisfy needs and objectives, OMB and GSA should establish an explicit, uniform methodology for comparing alternatives. The methodology should describe the essential cost elements and the procedures for conducting analyses, and should be enforced by OMB in its budget process, and GSA in its review process.

**Addressee:** General Services Administration

**Status:** Action in process. GSA drafted proposed changes to its regulations on the acquisition of telecommunications resources. By Federal Register notice published October 12, 1989, GSA proposed new regulations covering the life cycle of federal information processing resources, including requirements for the analysis of alternatives. GSA published a Handbook

for Life-Cycle Management of Telecommunications Systems.

**Recommendation:** The Director, OMB, should work with the Administrator of General Services, to establish and systematically implement a policy requiring agencies to share their proposed telecommunications systems when GSA determines, through a cost and technical analysis, that sharing best achieves service requirements, efficiency, and the least overall cost to the government. This policy should be incorporated in the GSA Federal Information Resources Management Regulations and in internal procedures.

**Addressee:** General Services Administration

**Status:** Action in process. GSA proposed changes to its regulations requiring agencies to consider sharing other agencies' existing facilities before requesting an authorization for exclusive-use service or facilities. The regulations have yet to be issued in final form. GSA plans to monitor sharing through its reviews of agency delegation requests.

**Recommendation:** To implement the policy concerning shared telecommunications systems, the Administrator of General Services

should direct the Information Resources Management Service to ensure that information identifying which agencies might share systems is acquired and used.

**Status:** Action not yet initiated. GSA plans to identify agency resources suitable for sharing by other agencies and publish a description of these resources in a regulatory bulletin.

**Recommendation:** To implement the policy concerning shared telecommunications systems, the Administrator of General Services should direct the Information Resources Management Service to obtain additional information where the potential for sharing exists between the requesting agency and other agencies. This information should include: (1) which telecommunications requirements of these agencies can be met by a new, shared system; (2) the costs of existing services for all agencies involved and estimated costs for the requesting agency's proposed system; (3) physical requirements for the private branch exchange; and (4) how long the agencies will occupy their current locations.

**Status:** Action in process. GSA is changing its procedures for reviewing agency requests to acquire telecommunications resources to cover

the agency's consideration of sharing. The GSA-proposed regulation will require agencies to consider sharing other agencies' existing facilities before requesting authorization for exclusive-use service or facilities. The regulations have not yet been issued in final form.

**Recommendation:** To implement the policy concerning shared telecommunications systems, the Administrator of General Services should direct the Information Resources Management Service to mandate an evaluation and cost comparison when GSA determines that a shared system is feasible. In this evaluation, GSA should clarify the alternatives to the government, including agencies' claims of adverse impacts from sharing, and the most sensible alternative from a governmentwide viewpoint.

**Status:** Action in process. GSA is changing its procedure for reviewing agency requests to acquire telecommunications resources to cover the agency's consideration of sharing. The GSA-proposed regulation will require agencies to consider sharing other agencies' existing facilities before requesting authorization for exclusive-use service or facilities. The regulations have not yet been issued in final form.

**Executive Direction and Management**

**OPM Revolving Fund: Investigation Activities During Fiscal Years 1983 Through 1986**

GGD-87-81, 06/26/87

**Background**

GAO reviewed the Office of Personnel Management's (OPM) revolving fund to finance federal employee background investigations.

**Findings**

GAO found that: (1) the backlog of uncompleted investigations grew significantly from fiscal year (FY) 1982

to FY 1984, but decreased in FY 1986; (2) OPM did not hire sufficient investigators to keep current with agency investigation requests; (3) uncertainties about the OPM budget and personnel

ceilings caused delays in recruiting in the regions; and (4) although OPM has contracted with individuals and companies to increase its investigator staff, it was dissatisfied with the contractors' quality of work. GAO believes that OPM should not use fiscal constraints to justify its lack of investigative staff, since other agencies

reimburse it for all of its costs through the revolving fund.

### Open Recommendations to Agencies

**Recommendation:** The Director, OPM, should provide the investigative activity authority to hire and maintain an investigator staff at levels which would

improve the timeliness of background investigations and reduce the backlog to a manageable level.

**Status:** Action in process. Estimated completion date: 09/90. OPM reached its authorized level in FY 1989; however, the backlog is still high and OPM does not anticipate a great reduction in the backlog during FY 1990 due to a projected increase in work load.

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## Executive Direction and Management

# Managing IRS: Actions Needed to Assure Quality Service in the Future

GGD-89-1, 10/14/88

### Background

GAO evaluated the Internal Revenue Service's (IRS) management systems and administrative support functions to determine its effectiveness in: (1) preparing for the future; (2) providing quality service in an effective manner; (3) maintaining work-force quality during a period of rapid change; and (4) ensuring a strong system of clear management accountability for its actions.

### Findings

GAO found that: (1) the most critical long-term challenge IRS had was to effectively modernize its computer-based tax processing system, since the system was outdated and not capable of meeting the growing IRS work load; (2) IRS modernization efforts were slow due to ineffective management and changes in leadership; (3) although IRS had pursued four different proposed modernization plans, none had progressed beyond the planning stage because of a lack of leadership information resources management; (4) although IRS

designated a senior executive as the information resources focal point, he had other responsibilities that precluded him from devoting his full attention to this area; and (5) although IRS initiated a strategic management process to help set agencywide goals, establish mission priorities, and create a benchmark, it lacked effective methods to measure and monitor its progress toward achieving plan objectives, obtaining congressional concurrence, and ensuring consistency with its budget requests. GAO also found that: (1) IRS was concerned about its capacity to effectively deal with the public and attract and retain quality employees; (2) IRS could not offer salaries sufficiently competitive with the private sector to attract quality employees; (3) over half of the surveyed IRS senior executives would be eligible to retire before 1993, and 60 percent indicated that they would leave within a year of eligibility; (4) IRS spent considerable time and effort correcting tax return errors instead of preventing problems from reaching the public; and (5) although IRS initiated processes to improve its quality, it lacked the

sustained management commitment to maintain quality at a daily operating level. In addition, GAO found that: (1) IRS revenue and administrative accounting operations had internal control weaknesses that produced inaccurate and untimely information; and (2) although IRS has reinstated the National Office Review Program (NORP), the program's lack of independence and performance measures could hinder its effectiveness.

### Open Recommendations to Agencies

**Recommendation:** To enhance IRS efforts to effectively prepare for the future, the Commissioner of Internal Revenue should institutionalize the link between the Strategic Business Plan (SBP) and budget development. IRS needs to clearly establish priorities and make a concerted effort during the budget process to make decisions consistent with SBP strategies and priorities. Also, because IRS has not yet used SBP to formulate a budget, it

should formalize its procedures connecting the two.

**Status:** Action in process. Estimated completion date: 03/90. According to IRS, all budget initiatives are linked to SBP strategies and actions. The strategies and actions are prioritized and these priorities are used to formulate the budget.

**Recommendation:** To enhance IRS efforts to effectively prepare for the future, the Commissioner of Internal Revenue should assess the 1987 reorganization. This reassessment should be initiated in the fall of 1988, allowing the reorganization to be in place about a year.

**Status:** Action in process. Estimated completion date: 03/90. GAO and IRS are conducting a joint assessment of the reorganization. A GAO report will be issued upon completion.

**Recommendation:** To enhance IRS efforts to effectively prepare for the future, the Commissioner of Internal Revenue should examine service center and district office compliance roles.

**Status:** Action in process. According to IRS, several projects such as alternatives to a traditional service center study, Austin compliance center study, and compliance strategies in the 1990 study, are dealing with different facets of this issue.

**Recommendation:** To enhance SBP, the Commissioner of Internal Revenue should familiarize other key organizations with IRS plans. To facilitate the development and implementation of IRS action plans, IRS should explain and seek acceptance of its plans from the Department of the Treasury, the Office of Management and Budget (OMB), and its congressional oversight committees.

**Status:** Action in process. Estimated completion date: 03/90. According to IRS, this action has been completed with

the initial issuance of the SBP 1990 through 1994. The general management review follow-up review will validate this accomplishment.

**Recommendation:** To enhance SBP, the Commissioner of Internal Revenue should establish measures of accomplishment within the planning process. All SBP strategies should be supported by a set of clearly defined measures of accomplishment written in their supporting work plans. In addition, IRS also should use such measures to hold its executives and managers accountable for program performance.

**Status:** Action in process. Estimated completion date: 03/90. A new business review process that evaluates the extent to which an activity supports SBP is being developed and includes measurable critical success factors (CSF). This year's annual business plans will include CSF.

**Recommendation:** To enhance SBP, the Commissioner of Internal Revenue should implement an effective feedback mechanism to provide top executives with nationwide evaluative feedback implementation of SBP strategies, action plans, and accomplishments.

**Status:** Action in process. Estimated completion date: 03/90. According to IRS, the business review process under development will include feedback that measures and monitors progress toward plan objectives. Procedures that establish business reviews on a continuing basis will be published during 1990.

**Recommendation:** The Commissioner of Internal Revenue should consolidate below the Deputy Commissioner the responsibility and accountability for managing the IRS telecommunications program.

**Status:** Action in process. According to IRS, telecommunications functions (voice/data) in the national office were

consolidated into a new Telecommunications Division under the Assistant Commissioner for Computer Service. In the regions, they were consolidated under the Assistant Regional Commissioner for Data Processing.

**Recommendation:** The Commissioner of Internal Revenue should develop and implement, as a high-priority initiative, a strategy for providing additional technical training and expertise to the Deputy Commissioners and their senior management teams. In addition, the succession planning system should establish a career path to create a pool of technically qualified executives to meet future needs in critical senior-level technical positions.

**Status:** Action in process. Estimated completion date: 03/90. According to IRS, it has completed the first part of the recommendation by training all executives beginning in June and ending in September. The second part of the recommendation is ongoing and IRS has already advertised throughout the nation for executive candidates with information management skills.

**Recommendation:** The Commissioner of Internal Revenue should assess the current technology vision and information system strategy and initiatives for redesigning the tax processing system to ensure that they adequately support the objectives specified in SBP and accomplish the expected results.

**Status:** Action in process. According to IRS, the Information Systems Plan is a subject of SBP, is concurrent with SBP, and shares its same strategies, thereby achieving consistency.

**Recommendation:** In order to help correct the IRS accounting and financial systems problems and provide a sound basis for guiding its systems

development efforts, the Commissioner of Internal Revenue should develop an overall financial management improvement plan as part of SBP, to assist in setting priorities, fixing accountability and responsibility, monitoring financial systems operations and improvements, and providing a strategy for attracting and retaining accounting staff.

**Status:** Action in process. Estimated completion date: 03/90. According to IRS, the new fiscal year (FY) 1991 through 1995 financial management systems 5-year plan will be submitted to Treasury in August. Financial management improvements have been identified in FY 1991 SBP.

**Recommendation:** In order to help correct the IRS accounting and financial systems problems and provide a sound basis for guiding its systems development efforts, the Commissioner of Internal Revenue should arrange for IRS financial statements, prepared in accordance with Title 2 requirements, to be independently audited.

**Status:** Action in process. Estimated completion date: 10/91. According to IRS, work has begun to identify changes that will be needed in IRS financial statements to meet title 2 requirements. The internal audit created and filled a position to coordinate financial audit responsibilities.

**Recommendation:** In order to help correct IRS accounting and financial systems problems and provide a sound basis for guiding its systems development efforts, the Commissioner of Internal Revenue should monitor the Automated Accounting and Budget Execution System (AABES) to determine that its internal controls and accounting processes protect the government's interests.

**Status:** Action in process. Estimated completion date: 03/90. According to IRS, several actions are underway to

improve the monitoring of AABES. Operating accounting stations are alerted to any unusual conditions in monthly statements, while senior management is advised of any serious recurring operating problems.

**Recommendation:** In order to help correct the IRS accounting and financial systems problems and provide a sound basis for guiding its systems development efforts, the Commissioner of Internal Revenue should designate a project director to manage day-to-day efforts to develop the Automated Financial System (AFS) and ensure that sufficient staff resources are devoted to the project.

**Status:** Action in process. Estimated completion date: 03/90. According to IRS, a project office with a GM-15 project manager is being established who will report directly to the Assistant Commissioner. The AFS section in finance is being transferred to this office and four new staff positions will be added.

**Recommendation:** In order to help correct the IRS accounting and financial systems problems and provide a sound basis for guiding its systems development efforts, the Commissioner of Internal Revenue should identify present and future staffing needs for accounting operations and look into alternatives for filling staffing requirements in this area, such as seeking increased salary levels for accountants, complementing their ranks with contractor staff, and expanding a career path for employees doing accounting work.

**Status:** Action in process. Estimated completion date: 03/90. According to IRS, current staffing needs for accounting operations service-wide will be identified and specific actions such as extension of special salary rates in selected geographical areas will be

developed by September 1989 to address those needs.

**Recommendation:** In order to help correct the IRS accounting and financial systems problems and provide a sound basis for guiding its systems development efforts, the Commissioner of Internal Revenue should require, in the long term, that a comprehensive cost accounting system be developed to account for all IRS costs and identify them with the organizational components and functions to which they relate.

**Status:** Action in process. Estimated completion date: 01/94. According to IRS, detailed requirements for the accounting module of AFS were completed last year. The accounting module of AFS is scheduled for implementation in April 1992. Cost tracking on a project basis will be implemented 6 months after that.

**Recommendation:** To ensure that the quality improvement process is maintained and adopted as a means of doing business, the Commissioner of Internal Revenue should build quality into IRS services using preventive and quality assurance approaches.

**Status:** Action in process. According to IRS, a number of efforts are underway to ensure that quality improvement is maintaining preventive approaches built into the culture. These include: (1) strategic initiatives on quality; (2) a strategy that addresses quality planning, control, and improvement; (3) annual business plans including critical success factors on quality; and (4) testing a quality planning prototype.

**Recommendation:** To ensure that the quality improvement process is maintained and adopted as a means of doing business, the Commissioner of Internal Revenue should develop an agencywide performance measurement

system containing measures of quality, timeliness, and efficiency that are consistently used throughout the organization.

**Status:** Action in process. Estimated completion date: 06/90. According to IRS, in addition to the SBP and business review efforts, the quality initiatives have focused on developing critical success factors specific to quality efforts in key program areas. By June 1990, standards for quality, efficiency, and timeliness will be developed. Completion of the measurement system will follow development of the standards.

**Recommendation:** To ensure that the quality improvement process is maintained and adopted as a means of doing business, the Commissioner of Internal Revenue should develop reward and recognition systems for quality management.

**Status:** Action in process. Estimated completion date: 03/90. According to IRS, revisions to IRM 0451, Incentive Awards, that enable awards for quality improvements efforts have been completed, but are tied to team negotiations. National labor negotiations have been completed and local negotiations are just beginning.

**Recommendation:** The Commissioner of Internal Revenue should coordinate human resource planning efforts through establishing an agencywide human resources plan. This plan should be an integral part of SBP.

**Status:** Action in process. Estimated completion date: 03/90. According to IRS, the Assistant Commissioner for Health Resource Management and Support (HRMS) will develop a comprehensive human resources management plan that will interface with SBP, consolidate all human resources management initiatives, and lead to development of an integrated human resources management information system.

**Recommendation:** The Commissioner of Internal Revenue should establish an agencywide strategy to develop, accumulate, and use information on employee quality throughout the IRS human resource management processes.

**Status:** Action in process. Estimated completion date: 03/90. According to IRS, in conjunction with the development of the Human Resource Management Plan, a system will be developed to define IRS human resource quality problems.

**Recommendation:** The Commissioner of Internal Revenue should reformulate the current human resource management evaluation strategy to explicitly link it to the new agencywide human resources plan. The evaluation strategy should provide effective feedback to management on the status of planned actions.

**Status:** Action in process. Estimated completion date: 03/90. According to IRS, this will be included in the development of the human resource management plan, specifically the integrated management information system.

**Recommendation:** The Commissioner of Internal Revenue should strengthen the information systems project approval process by requiring the identification of human resource requirements and issues when the project receives conceptual approval. These requirements should be specified in the prospectus for all projects.

**Status:** Action in process. Estimated completion date: 03/90. According to IRS, after receiving HRMS input and concurrence, the Information Systems Division will publish the formal requirements for considering human resource issues in the Information Systems Project Manager's Guide.

**Recommendation:** The Commissioner of Internal Revenue should require the

Assistant Commissioner for Human Resource Management and Support to comment on the human resource systems project prospecti and make any recommendations believed to be appropriate regarding the human resource issues involved, including the need for an HRMS liaison.

**Status:** Action not yet initiated. No action has been initiated by the agency at this time.

**Recommendation:** The Commissioner of Internal Revenue should integrate results of the executive attribute study into executive succession planning system design. Because succession planning will be initiated before executive attributes have been fully defined, IRS must ensure that the results of this research, which could have an impact on the entire system, are subsequently integrated into the new planning system.

**Status:** Action in process. Estimated completion date: 07/90. According to IRS, a three-step approach is planned that includes: (1) incorporating the outputs and competencies from the attributes study into position descriptions; (2) prioritization of executive attributes; and (3) development of an individual progression plan.

**Recommendation:** To strengthen the effectiveness of the major IRS evaluation processes, the Commissioner of Internal Revenue should improve IRS annual, nationwide assessments of its field operations.

**Status:** Action in process. Estimated completion date: 03/90. According to IRS, work is progressing on developing a business review process to replace the NORP process that will evaluate the extent to which an office supports SBP.

**Recommendation:** To strengthen the effectiveness of the major IRS evaluation

processes, the Commissioner of Internal Revenue should improve NORP.

**Status:** Action in process. Estimated completion date: 03/90. According to IRS, as part of the annual business review process, critical success factors are being developed to provide uniform expectations and evaluation among all regions.

**Recommendation:** To make the NORP process more useful to IRS top management, the Commissioner of Internal Revenue should implement an annual IRS-wide NORP assessment schedule as soon as possible. This schedule should provide top executives with IRS-wide assessments to be used in annual budget proceedings.

**Status:** Action in process. Estimated completion date: 03/90. According to IRS, procedures that establish business reviews on a continuing basis will be published by October 1, 1989.

**Recommendation:** To make the NORP process more useful to IRS top management, the Commissioner of Internal Revenue should develop detailed, standard NORP guidelines outlining minimum evaluation scope and methodology and addressing functional as well as cross-functional issues.

**Status:** Action not yet initiated. There have been no comments as to the status of this recommendation by IRS.

**Recommendation:** To make the NORP process more useful to IRS top management, the Commissioner of Internal Revenue should use performance measures agreed upon throughout the organization for NORP.

**Status:** Action in process. Estimated completion date: 03/90. According to IRS, critical success factors which incorporate performance measures are being developed and will be applied uniformly to all regions.

**Recommendation:** To make the NORP process more useful to IRS top management, the Commissioner of Internal Revenue should provide a full-time management function to ensure consistent evaluation, appropriate independence, and sustained leadership. This evaluation function should also synthesize NORP and Regional Office Review Program (RORP) results to identify programmatic and cross-functional issues of nationwide importance.

**Status:** Action in process. Estimated completion date: 03/90. According to IRS, the service will provide sufficient leadership resources. The Deputy Assistant Commissioner (Planning, Finance, and Research) has been designated Business Review Executive on a continuing basis as a collateral responsibility.

**Recommendation:** To make the NORP process more useful to IRS top management, the Commissioner of Internal Revenue should ensure relative independence to enhance the credibility of NORP results to outside groups and to avoid duplication with other management analyses functions.

**Status:** Action in process. Estimated completion date: 03/90. According to IRS, the service will provide sufficient leadership resources. The Deputy Assistant Commissioner (Planning, Finance, and Research ) has been designated Business Review Executive on a continuing basis as a collateral responsibility.

**Recommendation:** To make the NORP process more useful to IRS top management, the Commissioner of Internal Revenue should employ rigorous follow-up procedures to ensure prompt and sufficient implementation of NORP recommendations.

**Status:** Action in process. Estimated completion date: 03/90. According to IRS, the business review process will

include thorough followup on recommendations. Procedures will be published in FY 1990.

**Recommendation:** To strengthen the effectiveness of the major IRS evaluation processes, the Commissioner of Internal Revenue should improve the regional office review process.

**Status:** Action in process. Estimated completion date: 10/90. According to IRS, following successful implementation of the business reviews of regions by the national office, they will be extended to regional evaluation of district officers, service centers, etc. Procedures for regional reviews will be published by October 1, 1990.

**Recommendation:** To ensure that both the Regional Commissioners, the primary RORP customers, and IRS senior management receive sufficient information on field performance, the RORP process should employ NORP measures and consistent IRS-wide methodology. This will require: (1) using the same performance measures and evaluation standards applied in NORP; (2) maintaining RORP with an appropriate level of independence; and (3) developing a coordinated NORP/RORP evaluation plan nationwide.

**Status:** Action in process. Estimated completion date: 10/90. According to IRS, following successful implementation of the business reviews of regions by the national office, they will be extended to regional evaluation of district officers, service centers, etc. Procedures for regional reviews will be published by October 1, 1990.

**Recommendation:** To make the NORP process more useful to IRS top management, the Commissioner of Internal Revenue should balance IRS-wide/local needs with the need for a

more structured RORP process to feed into NORP evaluations.

**Status:** Action in process. Estimated completion date: 10/90. According to IRS, this will be included when a district/service center methodology based on the business review process is developed.

**Recommendation:** To make the NORP process more useful to IRS top management, the Commissioner of Internal Revenue should improve independent evaluation coverage.

**Status:** Action not yet initiated. No action on this recommendation has been initiated by the agency at this time.

**Recommendation:** To improve the usefulness of the IRS internal audit activities, the Commissioner of Internal Revenue should independently evaluate strategic management and NORP efforts. This should include reviewing the effectiveness of business plan strategies and their supporting action plans, the implementation of strategic initiatives, and the extent to which SBP is driving IRS budget decisions.

**Status:** Action in process. Estimated completion date: 03/90. According to IRS, the strategic management process has already been incorporated into the universe of activities, functions, and programs subject to audit coverage. Audit of the IRS budget formulation

process and its relationship to the SBP is in progress.

**Recommendation:** To improve the usefulness of the IRS internal audit activities, the Commissioner of Internal Revenue should provide staff and funds for broader internal audit coverage.

**Status:** Action in process. Estimated completion date: 10/90. According to IRS, the FY 1989 internal audit received an additional 62 part-time equivalents and was exempted from the across-the-board budget cuts. IRS requested similar staff increases for FY 1990 and FY 1991 if they fit within the service's overall plans.

## Executive Direction and Management

# Telecommunications Privacy: GSA's Planned FTS 2000 Telephone Record Controls Appear Reasonable

IMTEC-89-6, 12/23/88

## Background

In response to a congressional request, GAO examined the General Services Administration's (GSA) plans to provide privacy and security for users of the Federal Telecommunications System (FTS) 2000.

## Findings

GAO found that GSA plans to: (1) provide security and privacy protection over FTS 2000 telephone call-detail records that is reasonable and consistent with the provisions of the Privacy Act and the Freedom of Information Act; (2) limit the number of people handling call-detail data to safeguard against unauthorized access and unintentional disclosure; (3) restrict access to the computer systems that generate and

maintain call-detail records; (4) conduct periodic audits of security compliance to ensure that the FTS 2000 contractor controls information access; and (5) provide other security measures to ensure the integrity of the call-detail record data base. GAO also found that GSA: (1) established a committee to consider whether it should issue rules dealing with the privacy aspects of call-detail records; (2) contracted for a report on privacy and security arrangements regarding preparation and processing of FTS 2000 records; and (3) could implement, at the request of a customer and for a fee, a procedure to selectively search and strip data identifying called numbers from the call-detail records.

## Open Recommendations to Agencies

**Recommendation:** In order to establish the basis for a policy on the releasability of call-detail data appropriate to the circumstances of FTS 2000, the Director, Office of Management and Budget (OMB): (1) as part of the responsibilities under the Privacy Act and the Paperwork Reduction Act, should review the extent to which telephone call-detail records should be protected from disclosure and the circumstances under which they should be released; and (2) with the assistance of GSA and the Department of Justice, should explore various alternatives and, if applicable, propose legislation or issue clarifying guidance for the treatment of such records.

**Status:** Action in process. OMB is working with GSA and Justice on the Federal Telecommunications Privacy Advisory Committee to review the

policies for protecting and releasing call-detail records. However, this action has been delayed due to timing and involvement of new managers and

unresolved technical aspects on the new FTS 2000. When new managers are confirmed, action will proceed.

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## Executive Direction and Management

# Immigration: Data Not Sufficient for Proposed Legislation

PEMD-89-8, 12/28/88

### Background

In response to a congressional request, GAO reported on the availability and adequacy of data needed to meet reporting requirements under S. 2104, which would revise numerical immigration limitations and require the Attorney General to report: (1) annually on the effects of immigration; and (2) every 3 years on the need to revise immigration limitations.

### Findings

GAO found that: (1) although there are quantitative data relevant to conduct the required studies, the data are inadequate to meet the proposed reporting requirements; (2) alien demographic and

legal status data were frequently unavailable; (3) there were only limited data on the impact of immigration on resources, the environment, and foreign policy; (4) some data, such as the decennial census, could be used only once a decade to meet the S. 2104 reporting requirements; and (5) there are no current or planned data that could be technically adequate for cause-and-effect immigration analyses. GAO believes that the S. 2104 reporting requirements could be met through augmentation of existing data bases or through additional data collection by: (1) integrating different data sources within the Immigration and Naturalization Service (INS); (2) expanding INS data collection to include more immigrant demographic data; (3)

encouraging states with large immigrant populations to develop compatible data bases; and (4) improving emigration data.

### Open Recommendations to Congress

**Recommendation:** Congress should remove from proposed legislation the linkage between impact measures and the process of periodic review of the numerical limits. However, if Congress views this linkage as critical, then a variety of steps should be undertaken to strengthen immigration data. A number of federal agencies could be involved in such a data improvement effort.

**Status:** Action not yet initiated.

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## Executive Direction and Management

# Managing the Government: Revised Approach Could Improve OMB's Effectiveness

GGD-89-65, 05/04/89

### Background

GAO assessed the Office of Management and Budget's (OMB) recent and long-term performance in providing leadership and promoting improvements in executive branch management.

### Findings

GAO found that: (1) the OMB governmentwide management improvement effort, known as Reform 88, has achieved success in some areas, but a lack of sustained direction, poor

implementation strategies, and limited integration with the budget process have hindered progress in many other areas; (2) OMB concentration on short-term consequences has resulted in long-term problems; (3) OMB made some

improvements in debt and credit management, but complex problems remain and nontax delinquencies rose from \$15 billion in fiscal year (FY) 1982 to \$32 billion in FY 1988; (4) legislation and OMB efforts have improved the government's financial management systems, but contracting and procurement reform have been unsuccessful; (5) OMB failure to integrate its management and budget operations has limited its ability to provide management leadership; (6) the OMB A-76 program has encountered significant agency resistance, and many agencies did not know whether A-76 was a contracting program or a program to improve efficiency; (7) 75 percent of government procurement executives and 87 percent of industry officials surveyed believed that the Office of Federal Procurement Policy (OFPP) provided inadequate leadership; and (8) although management improvement progress is most likely when the President and Congress agree on broad reform objectives, OMB has generally opposed management legislation proposed by Congress and has had limited success in generating congressional support for its proposals.

### Open Recommendations to Congress

**Recommendation:** Congress should engage OMB in a dialogue on approaches to its management responsibilities with a view toward building consensus on actions needed to ensure that results are achieved in resolving critical management problems. To facilitate discussion, Congress should consider statutorily requiring that OMB continue its practice of preparing an annual report on the state of federal management and submitting it with the President's budget. Such a report can be of value in hearings on OMB management leadership agenda and the resources it would require.

**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** The Director, OMB, should work with the Director of the Office of Personnel Management (OPM) to reinstate the OPM leadership role and outreach efforts. OPM needs to provide agencies with training and to support agencies' efforts to develop measures of productivity, quality, and timeliness.  
**Status:** Action not yet initiated.

**Recommendation:** The Director, OMB, should phase out the multiple agency reporting requirements for productivity improvement information and concentrate the monitoring of the agencies' initiatives through the use of productivity information in the budget review process.  
**Status:** Action not yet initiated.

**Recommendation:** The Director, OMB, should better link productivity improvement with the budget process by having the management staff's productivity specialists provide increased assistance to examiners.  
**Status:** Action not yet initiated.

**Recommendation:** In devising a more flexible strategy for implementing the A-76 program, OMB should initially focus on a few key agencies in addition to the Department of Defense that are more likely candidates for contracting activities and work to build expertise within those agencies for managing and doing the necessary analytical work.  
**Status:** Action not yet initiated.

**Recommendation:** In devising a more flexible strategy for implementing the A-76 program, OMB should work through the budget process to set broad goals for agencies to achieve greater efficiencies. Agencies should be allowed latitude to decide what mix of processes, including

contracting out, they want to use to achieve efficiency goals. To avoid any confusion by the agencies on whether A-76 is a contracting-out program or a program to achieve management efficiency, perhaps A-76 should be removed from OFPP. This step could place all programs designed to achieve management efficiencies in one organizational area of OMB.  
**Status:** Action not yet initiated.

**Recommendation:** In devising a more flexible strategy for implementing the A-76 program, OMB should have its A-76 technical staff work primarily with the budget divisions to help provide overall guidance and direction to the agencies and critique agency submissions and plans. This will better ensure an integrated OMB approach and maximize the use of limited staff resources that have been greatly diluted by trying to implement the program on a governmentwide basis.  
**Status:** Action not yet initiated.

**Recommendation:** In devising a more flexible strategy for implementing the A-76 program, OMB should present its plan, when developed, to the key congressional committees and begin to work early to ensure Congress' acceptance.  
**Status:** Action not yet initiated.

**Recommendation:** The Director, OMB, should charge the OMB budget divisions with explicit responsibility for overseeing agency implementation of selected management improvement efforts, evaluating the effectiveness of the management of individual agencies and programs, and ensuring that corrective action is taken to solve identified problems.  
**Status:** Action not yet initiated.

**Recommendation:** The Director, OMB, should take steps to either increase or

supplement staff resources. Options to consider to meet the work-load demands include: (1) increasing permanent examiner staff; (2) increasing staffing in the special studies divisions or the technical management staff fully dedicated to supporting examiner management oversight; and (3) using reimbursable interagency details to supplement permanent examiner staff during peak budget review periods.  
**Status:** Action not yet initiated.

**Recommendation:** The Director, OMB, should charge OMB management staff with: (1) working as a team with the budget divisions to identify agency management issues and assess progress; (2) working with the agencies to identify important crosscutting management issues and establish needed policies; and (3) conducting special projects addressing management issues of presidential interest.  
**Status:** Action not yet initiated.

**Recommendation:** The Director, OMB, should enlist the departmental Deputy Secretaries to identify and resolve

crosscutting policy and program management problems.  
**Status:** Action not yet initiated.

**Recommendation:** The Director, OMB, should enlist the Assistant Secretaries for Administration to address the administrative management issues of common concern.  
**Status:** Action not yet initiated.

**Recommendation:** The Director, OMB, should enlist the Inspectors General to help identify emerging problems and evaluate the government's progress toward addressing its many management issues and to provide suggestions for improvement.  
**Status:** Action not yet initiated.

**Recommendation:** The Director, OMB, should engage in regular, early contact with Congress both to advance needed management legislation and to keep Congress informed about the status and priorities of the administration's efforts. The annual management report could be useful in this regard.  
**Status:** Action not yet initiated.

**Recommendation:** The Director, OMB, should secure presidential support for undertaking, in conjunction with the agencies and Congress, an active management program aimed at improving the agencies' capacities to perform their programmatic missions effectively and efficiently. Specifically, OMB will require presidential support for its efforts to oversee, as part of the budget process, agency implementation of a limited number of key policy, program, and administrative management issues.  
**Status:** Action not yet initiated.

**Recommendation:** The Director, OMB, should consider the need for establishing a second Deputy Director to enhance the time and attention the OMB top management team can give to strengthening its management leadership role and working with Cabinet heads and their top managers on critical policy implementation and program delivery issues.  
**Status:** Action not yet initiated.

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## Executive Direction and Management

# Computer Security: Virus Highlights Need for Improved Internet Management

IMTEC-89-57, 06/12/89

### Background

Pursuant to a congressional request, GAO reviewed the November 1988 Internet computer virus incident.

### Findings

GAO found that: (1) the Internet virus infected up to 6,000 computers within

hours after it appeared, clogging systems and disrupting most of the nation's major research centers; (2) university computer experts eradicated the virus at most sites within 2 days; (3) the virus caused lost computer processing and staff time, but no permanent damage; (4) a few changes to the virus program could have resulted in widespread damage and compromise of sensitive or

private information; (5) the incident highlighted such vulnerabilities as the lack of an Internet focal point for addressing security issues, security weaknesses at some sites, and problems in developing, distributing, and installing software fixes; and (6) agencies and groups have taken such actions as creating computer emergency response centers and issuing ethics statements.

GAO also found that factors hindering prosecution of computer-virus-type incidents included the lack of federal statutes specifically directed at computer-virus-type incidents and the technical nature of computer-virus-type cases.

### Open Recommendations to Agencies

**Recommendation:** The President's Science Advisor, Office of Science and Technology Policy (OSTP), should coordinate, through the Federal Coordinating Council on Science,

Engineering, and Technology, the establishment of an interagency group to serve as an Internet security focal point. This group should include representatives from the federal agencies that fund Internet research networks and should: (1) provide Internet-wide policy, direction, and coordination in security-related areas to help ensure that the vulnerabilities highlighted by the recent incidents are effectively addressed; (2) support efforts already underway to enhance Internet security and, where necessary, assist these efforts to ensure their success; (3) develop mechanisms for obtaining the

involvement of Internet users, systems software vendors, industry and technical groups, such as the Internet Activities Board, and the National Institute of Standards and Technology and the National Security Agency, the government agencies with responsibilities for federal computer security; and (4) become an integral part of the structure that emerges to manage the National Research Network. **Status:** Recommendation valid/action not intended. OSTP has not decided upon action, but does not intend to follow this recommendation.

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## Executive Direction and Management

# Paperwork Reduction: Mixed Effects on Agency Decision Processes and Data Availability

PEMD-89-20, 09/07/89

### Background

Pursuant to a congressional request, GAO reviewed the Office of Management and Budget's (OMB) efforts to minimize the burden that information requests placed on the public, focusing on: (1) how OMB handled agency requests for data collection and the timeliness and technical adequacy of its reviews; (2) how OMB policies and practices influenced agencies' decisions to gather information; and (3) the influence of agency and OMB actions on information availability.

### Findings

GAO found that: (1) OMB received over 20,000 information collection requests from 211 agencies between 1982 and 1987; (2) although OMB had a formal review process, its office staff did not consistently apply review policies; (3) the

inconsistencies stemmed from the use of varying criteria for determining priority reviews and little or no on-the-job training for new staff; (4) despite the variability in the review processes, OMB approved 95 percent of agency submissions; (5) 12 percent of the research approvals and 8 percent of the nonresearch approvals were formally modified and an unknown percentage were informally modified during negotiations between OMB and agencies; (6) although many agencies had perfect approval rates, about 7 percent of the agencies had persistent difficulties in obtaining approvals; (7) although OMB reviewed the majority of submissions within the mandated time limits, the median time for reviews increased; (8) many submissions had such technical inadequacies as low expected response rates, the potential for response bias, underreliance on conventional sampling

methodology, or inadequate questionnaire design; (9) OMB regulations and guidelines heavily influenced the processes that agencies used to make information-gathering decisions; (10) more than half of the managers interviewed stated that OMB reviews had a negative effect on their information collection; and (11) some agencies attempted to avoid OMB reviews through mechanisms that could decrease quality and increase information collection costs, while some agencies stopped collecting some data because of difficulties in the clearance process.

### Open Recommendations to Agencies

**Recommendation:** Given that many agencies have developed systematic procedures for reviewing data collection

requests, the Director, OMB, should employ existing authority to delegate primary review responsibility to the senior officials within designated agencies that have demonstrated capability. The performance of these agencies could be monitored through spot-checks conducted by OMB. For executive agencies with less effective internal means for procedural and technical review, OMB should help improve those means.

**Status:** Action not yet initiated.

**Recommendation:** OMB should enhance its guidance and assistance to agencies for improving the efficiency and quality

of their data collections through increased use of conventional sampling procedures, measures to improve response rates, safeguards to control response bias or estimate the bias, and more precise design of data collection instruments.

**Status:** Action not yet initiated.

**Recommendation:** To facilitate sound reviews within OMB, the Director, OMB, should develop an ongoing training program for the agency's paperwork review staff to ensure that technical and nontechnical criteria are appropriately and consistently applied to submissions.

**Status:** Action not yet initiated.

**Recommendation:** The Director, OMB, should augment the Office of Information and Regulatory Affairs' capacity to perform technical reviews of new and recurrent collections. Measures appropriate to this end may include expansion of technical staff and consultation with external experts.

**Status:** Action not yet initiated.

**Recommendation:** OMB should conduct its review of information collection requests concurrently with the public comment period for these requests.

**Status:** Action not yet initiated.

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## General Property and Records Management

# Government Civilian Aircraft: Central Management Reforms Are Encouraging but Require Extensive Oversight

GGD-89-86, 09/29/89

### Background

Pursuant to a congressional request, GAO followed up on earlier reviews of civilian agencies' management of their aircraft, focusing on: (1) Office of Management and Budget (OMB) and General Services Administration (GSA) oversight of civilian agency aircraft ownership and use; and (2) the continuing need for reform of agencies' aircraft management and use practices.

### Findings

GAO found that: (1) some agencies are still not justifying the cost-effectiveness of government ownership or administrative use of aircraft, as OMB policy required; (2) some usage practices did not appear justified by either cost or special mission requirements; (3) some agencies continued to permit spouses

and other nonofficial passengers to accompany top officials aboard government aircraft, which could expose the government to liability; (4) OMB clarified guidance on ownership and use of aircraft and established a leadership, technical assistance, and supporting oversight role for GSA; (5) OMB directed agencies to make special cost analyses to determine whether their aircraft were cost-effective compared to commercially available aircraft; (6) OMB and GSA actions provided a centralized management framework for reforming agencies' aircraft management; and (7) OMB and GSA need to continue their efforts to ensure that agencies comply with their guidance concerning ownership and use of aircraft.

### Open Recommendations to Agencies

**Recommendation:** The Director, OMB, should sustain efforts begun during the last administration to: (1) provide overall management leadership aimed at getting executive agencies to improve their management and use of aircraft; and (2) rely on GSA to provide technical leadership, assistance to agencies, and supporting oversight of agencies' aircraft operations and ensure that OMB, as well as GSA, devote the necessary staff to effectively oversee agencies' actual aircraft practices so that the ongoing reform efforts do not dissipate from lack of sustained attention as did those in 1983.

**Status:** Action in process.

**Recommendation:** The Director, OMB, should integrate the executive branch's aircraft oversight and enforcement efforts with the budget process and use the budget, the President's Council on Integrity and Efficiency, and individual inspectors general to oversee and enforce agencies' compliance with the aircraft ownership, operation, and administrative use requirements of Circulars A-76 and A-126.

**Status:** Action in process.

**Recommendation:** The Director, OMB, should establish a new deadline for completing the special A-76 aircraft justification cost studies and, in the meanwhile, issue the additional executive branch guidance for making such studies that had already been planned for later this year, to ensure that agencies have sufficient criteria and time to do the special studies properly. Agencies should be held accountable for meeting the new deadline, and the budget process should be used as leverage to ensure that the required studies are made and that agencies justify that their aircraft are needed and

cost-effective. Once agencies have completed the special A-76 cost studies, OMB should reevaluate the adequacy of the governmentwide guidance and agencies' data for making the studies, as well as the adequacy of the existing management controls in Circular A-126 over the use of government aircraft for routine administrative travel.

**Status:** Action in process.

**Recommendation:** The Director, OMB, should complete the planned transfer of the A-76 function from the Office of Federal Procurement Policy to the Management Directorate as soon as possible and consolidate all aircraft ownership, management, and use policies and guidance into Circular A-126.

**Status:** Action in process.

**Recommendation:** The Director, OMB, should establish an executive branch policy on the transportation of spouses and other nonofficial passengers that: (1) specifies when it is in the government's best interest for them to accompany officials aboard government aircraft,

which government officials are authorized to take spouses and other nonofficial passengers with them on domestic and overseas trips and under what circumstances, and who pays the costs of that transportation; and (2) limits the government's liability.

**Status:** Action in process.

**Recommendation:** The Acting Administrator, GSA, should provide the aviation management group the staff and other resources, as well as the top-level management support and organizational placement within GSA, that it needs to effectively fulfill its intended governmentwide leadership, technical assistance, and supporting oversight role in the aircraft area. This role should include: (1) implementing, overseeing, and fine-tuning the guiding aircraft ownership, management, and use policies; and (2) improving the completeness, reliability, and usefulness of the governmentwide aircraft management information system.

**Status:** Action in process.

## Legislative Functions

# Congressional Reports: Efforts To Eliminate or Modify Reporting Requirements Need To Be Improved

AFMD-88-4, 04/19/88

### Background

GAO reviewed the procedures that the Office of Management and Budget (OMB) and five executive branch agencies used to compile and present a legislative proposal for modifying or eliminating 240 congressional reporting requirements.

### Findings

GAO found that: (1) as of fiscal year 1985, there were approximately 3,300 recurring reporting requirements, which cost agencies about \$240 million; and (2) although OMB used agency recommendations to develop a legislative proposal to modify or eliminate 240 reporting requirements, Congress only changed or rescinded 23. GAO also found

that: (1) agencies did not sufficiently communicate with Congress either before or after submitting the proposal; (2) most of the justifications presented did not adequately demonstrate the need to eliminate or modify the reporting requirements; and (3) agencies did not use existing reports management processes to ensure that the

recommendations they made satisfied congressional information needs.

### Open Recommendations to Agencies

**Recommendation:** The Administrator of General Services should amend the Code

of Federal Regulations to include congressional reporting requirements in executive agencies' recurring evaluation of reporting needs.

**Status:** Action in process. Estimated completion date: 06/90. The General Services Administration (GSA) will be issuing regulations to require executive

agencies to perform recurring evaluations of congressional reports. The initial regulation was expanded by GSA and rejected by OMB. GSA resubmitted a new proposal, but OMB asked GSA for an extension on its reply. GSA now expects to have a regulation published by June 1990.

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## Legislative Functions

# U.S. Government Printing Office: Materials Management Service's Charges for Handling Paper and Materials

GGD-88-108, 08/08/88

### Background

In response to a congressional request, GAO examined the operations of the Government Printing Office's (GPO) Materials Management Service, to determine: (1) the propriety of the Service's handling charges from the standpoint of generally accepted accounting principles; (2) whether the charges were equitable to the level of service provided; (3) whether the cost centers were adequate to properly determine and allocate costs; and (4) ways to reduce operating expenses.

### Findings

GAO found that: (1) the number of cost centers was adequate to record and accumulate costs; (2) the Service properly and accurately assigned direct costs to the centers; (3) the Service did not properly and accurately assign some allocated costs under the engineering service charges and building expense accounts; (4) the Service did not always allocate building space assignments according to the centers' actual occupancy and square footage; (5) GPO last reviewed space allocation rates in

1965; (6) although the Service levied a 35-percent handling charge on all customers buying paper and materials from inventory and a 6-percent handling charge on direct shipments, it levied no charges for other items; and (7) GPO could not provide specific data to support these rates.

### Open Recommendations to Agencies

**Recommendation:** The Public Printer, GPO, should direct the Office of the Comptroller to review all allocation bases used to distribute costs to Materials Management Service cost centers. During this review, the basis for allocating costs in the engineering services and the buildings expense accounts should receive special attention.

**Status:** Action in process. GAO is following up on this report in the fall of 1989 as part of a Joint Committee on Printing (JCP) request. GAO was unable to obtain the current status as of November 7, 1989, but expects to do so within 1 month.

**Recommendation:** The Public Printer, GPO, should direct the Office of the Comptroller to evaluate the validity of the present handling charges for issues from inventory and direct shipments of paper and materials from vendors, make any necessary adjustments, and make such evaluations on a periodic basis.

**Status:** Action in process. GAO is following up on this report in the fall of 1989 as part of a JCP request. GAO was unable to obtain the current status as of November 7, 1989, but expects to do so within 1 month.

**Recommendation:** The Public Printer, GPO, should direct the Office of the Comptroller to develop handling charges applicable to recovery of costs of the Materials Management Service's services provided to users of procurement services not now subject to a handling charge.

**Status:** Action in process. GAO is following up on this report in the fall of 1989 as part of a JCP request. GAO was unable to obtain the current status as of November 7, 1989, but expects to do so within 1 month.

## Legislative Functions

# Legislative Mandates: State Experiences Offer Insights for Federal Action

HRD-88-75, 09/27/88

## Background

In response to a congressional request, GAO reviewed state and federal attempts to deal with legislative mandates imposed on lower levels of government, focusing on: (1) their processes for estimating the mandates' cost impacts; and (2) states' reimbursement practices for such costs.

## Findings

GAO found that: (1) although the cost estimates improved Congress' understanding of state and local costs, they had little effect on five of eight bills it reviewed because legislators were more concerned with programs and policy issues than with state and local costs; (2) at the state level, cost estimates had a significant impact if the states prepared them early in the legislative process; (3) 14 states reimbursed local governments for state-mandated costs; (4) four of seven of those states deterred legislators from passing unfunded mandates through reimbursement

requirements; (5) in three states, reimbursement requirements had little impact on legislative mandates; and (6) only one state had appropriated sufficient funding to defray local costs. GAO believes that the federal government could focus attention on the impact of federal legislation on state and local costs by providing estimates for key bills prior to full committee reports and biennial reports to increase legislators' awareness of mandated costs.

## Open Recommendations to Congress

**Recommendation:** Congress may wish to ask the Congressional Budget Office to prepare state and local cost estimates for selected proposed legislation scheduled for subcommittee or full committee markup. Consultation with state and local government interest groups could help legislators identify significant mandate legislation warranting these estimates. Committees and members should also consider requesting estimates for floor

amendments with potentially significant effects on state and local costs. Committees and members should request estimates on appropriation and tax bills that are identified as potentially affecting state and local costs. **Status:** Action not yet initiated.

## Open Recommendations to Agencies

**Recommendation:** The Advisory Commission on Intergovernmental Relations should prepare a biennial report on the total estimated state and local costs of new mandates contained in legislation passed by each Congress. **Status:** Action not yet initiated. Commission action is still pending completion of ongoing research on related topics. GAO has discussed this matter with the staff of the Intergovernmental Subcommittee, House Committee on Government Operations, which expects to be conducting oversight hearings on the Commission in the near future.

## Legislative Functions

# Financial Disclosure: Legislative Branch Systems Improved but Can Be Further Strengthened

GGD-89-103, 09/08/89

### Background

Pursuant to a legislative requirement, GAO evaluated the effectiveness of the legislative financial disclosure process, focusing on whether: (1) individuals accurately and timely filed their required reports; (2) the House and Senate committees took steps to obtain overdue reports; (3) the committees reviewed the reports to ensure that individuals properly filled them out and, if in error, whether the corrections were timely; and (4) the committees made the reports available to the public.

### Findings

GAO found that: (1) the House and Senate have made substantial progress in improving their financial disclosure systems, detecting and reducing reporting errors, improving followup on overdue reports, issuing clarified forms and instructions, and developing report review checklists, which resulted in overall improved filing compliance; (2) although political candidate filing improved since 1981, about one-half of the candidates for the House and Senate filed late or did not file in 1986; (3) although both the House and Senate procedures for reviewing reports were effective in detecting apparent errors, the House did not review requested corrections and while the Senate reviewed requested corrections, it did not always ensure timely corrections; (4) both the House and Senate made disclosure reports available to the public, but did not always clarify whether the reports were subject to change as a

result of committee reviews; and (5) although the House reviewed some reports prior to release, the Senate did not, and the Senate notified the public that reports could be amended, but the House did not.

### Open Recommendations to Congress

**Recommendation:** To improve filing compliance among House, Senate, and legislative agency employees, the Senate Ethics Committee and the Senate Disbursing Office should work together to revise procedures for more quickly identifying all new Senate employees who must file and notifying them of requirements to file.

**Addressee:** Senate Select Committee on Ethics

**Status:** Action not yet initiated.

**Addressee:** Senate: Disbursing Office

**Status:** Action not yet initiated.

**Recommendation:** To improve filing compliance among House, Senate, and legislative agency employees, the House Ethics Committee should require financial disclosure reporting from all employees compensated at or above the GS-16 salary level for more than 60 days during a calendar year as long as they continue to be employed on May 15 of the following year.

**Status:** Action not yet initiated.

**Recommendation:** To deal with the late filing and nonfiling among candidates, the House and Senate Ethics Committees should request state election

offices to notify candidates of filing requirements and promptly provide names of candidates to the committees for followup.

**Addressee:** Senate Select Committee on Ethics

**Status:** Action not yet initiated.

**Addressee:** House Select Committee on Ethics

**Status:** Action not yet initiated.

**Recommendation:** To deal with the late filing and nonfiling among candidates, the House and Senate Ethics Committees should adopt policies of publicizing, at an appropriate time, the names of candidates who file late or refuse to file.

**Addressee:** Senate Select Committee on Ethics

**Status:** Action not yet initiated.

**Addressee:** House Select Committee on Ethics

**Status:** Action not yet initiated.

**Recommendation:** The House should develop procedures for referring nonfiling candidates to the Department of Justice for consideration of enforcement action.

**Status:** Action not yet initiated.

**Recommendation:** The House and Senate Ethics Committees should explore options for obtaining legislative agencies' assistance in improving filing compliance of their employees. For example, the committees could ask for agencies to assist in tracking filing timeliness by their employees and following up when reports are overdue.

**Addressee:** Senate Select Committee on Ethics

**Status:** Action not yet initiated.

**Addressee:** House Select Committee on Ethics

**Status:** Action not yet initiated.

**Recommendation:** To ensure that the public has accurate financial disclosure reports, the Chairman of the House Ethics Committee should implement procedures to ensure that timely and correct amendments are made to

financial disclosure reports that the Committee has found to be in error.

**Status:** Action not yet initiated.

**Recommendation:** To strengthen its report review procedures, the Senate Ethics Committee should track the status of requested amendments until they are received and approved to improve the timeliness of the amendments.

**Status:** Action not yet initiated.

**Recommendation:** The House and Senate Ethics Committees should work with the Office of Records and Registration and the Office of Public Records, respectively, to institute a procedure for notifying the public that the reports are undergoing committees' reviews and are subject to change.

**Addressee:** Senate Select Committee on Ethics

**Status:** Action not yet initiated.

**Addressee:** House Select Committee on Ethics

**Status:** Action not yet initiated.

## Other General Government

# District of Columbia: P.L. 94-142 Compliance and Management of Youth Services Administration

GGD-86-131, 09/12/86

### Background

In response to a congressional request, GAO monitored the District of Columbia's (D.C.) efforts to comply with the Education for All Handicapped Children Act's requirements relating to juvenile delinquents, specifically aspects of the D.C. Youth Services Administration's (YSA) payroll, contracting, and personnel functions.

staffing, and poor scheduling; (3) DHS and YSA failed to adhere to key internal controls designed to ensure proper contract review, monitoring, and payment; and (4) many YSA employees did not have position descriptions that accurately described their current duties and responsibilities, due to noncompliance with personnel regulations and procedures.

managers are complying with contracting and payroll policies and procedures.

### Findings

GAO found that: (1) the D.C. Department of Human Services' (DHS) lack of management oversight and control of YSA resulted in considerable overtime expenditures, noncompliance with contracting procedures, and inaccurate position descriptions; (2) 22 percent of the YSA personal services budget for fiscal years (FY) 1983 through 1985 was charged to overtime expenses which were caused by noncompliance with internal controls, insufficient

### Open Recommendations to Agencies

**Recommendation:** The Mayor of D.C. should ensure that YSA is managed in an effective, efficient, and economical manner by directing the Director, DHS, and the Commissioner on Social Services to ensure that DHS, Social Service, and YSA managers follow D.C. and DHS contracting and payroll policies and procedures.

**Status:** Action in process. The City Administrator advised GAO that DHS

**Recommendation:** The Mayor of D.C. should ensure that YSA is managed in an effective, efficient, and economical manner by directing the Deputy Mayor for Operations to exercise sufficient oversight regarding the activities of the Director, DHS, and the Commissioner on Social Services, by ensuring that an independent audit is conducted next year of YSA payroll and contracting functions.

**Status:** Action in process. In September 1988, the City Administrator advised that the recommended audit of YSA payroll and contracting functions will be completed around the end of 1989.

**Recommendation:** The Mayor of D.C. should ensure that YSA is managed in an effective, efficient, and economical manner by directing the Deputy Mayor

for Operations to exercise sufficient oversight regarding the activities of the Director, DHS, and the Commissioner on Social Services, by ensuring that an independent audit of YSA FY 1984 and 1985 contracts is conducted for the purpose of identifying disallowable and un-supportable costs.

**Status:** Action in process. The City Administrator advised that the

recommended audit of 1984 and 1985 contracts should be completed by the end of 1989.

**Recommendation:** The Mayor of D.C. should ensure that YSA is managed in an effective, efficient, and economical manner by directing the Director, D.C. Office of Personnel, to immediately begin a classification survey of all YSA

positions and implement a schedule to review each position at least once in each 3-year period.

**Status:** Action in process. A survey and update of YSA staff classification is in process. Two classification specialists have been assigned to YSA to review and develop or update position descriptions, as warranted.

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## Other General Government

# Affirmative Action: Social Security Can Do More To Improve Blacks' Representation in Its Work Force

HRD-87-2, 01/02/87

## Background

In response to a congressional request, GAO discussed: (1) the effect of the affirmative action plan at Social Security Administration (SSA) headquarters on the representation of blacks in some job series; (2) how SSA developed and implemented affirmative action plans; and (3) whether SSA planning and reporting complied with Equal Employment Opportunity Commission (EEOC) requirements.

## Findings

GAO found that: (1) although the overall ratio of blacks employed at SSA headquarters increased from 1982 to 1985, black men were generally underrepresented in the organizational components and job series reviewed; (2) SSA did not fully comply with affirmative action requirements in compiling and analyzing race and sex profile data for each stage of the selection process to fill vacant positions; (3) SSA did not fully implement an agency-wide affirmative-action plan because lower-level plans did not address

the same mainstream job series; (4) SSA has not issued a report on its planned study to identify artificial barriers to the advancement of underrepresented groups in the work force; and (5) components' annual accomplishment reports did not include information on minority skills development activities.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Health and Human Services should direct the Commissioner of Social Security to bring the affirmative action program into compliance with EEOC directives by requiring that SSA compile race and sex profile data for all stages of the internal selection process, including data on all qualified applicants, best-qualified candidates, and selectees for job vacancies.

**Status:** Action in process. Data continues to be collected on competitive, as well as noncompetitive vacancy announcements. Processing has been delayed due to system modifications. Added analysis will begin when system

requirements are finalized at the end of 1989.

**Recommendation:** The Secretary of Health and Human Services should direct the Commissioner of Social Security to request SSA organizational components to include data in the annual accomplishment reports on skills development activities, such as individual development plans, bridge position reassignments, and training opportunities for targeted underrepresented minority groups.

**Status:** Action in process. Estimated completion date: 12/89. According to the GAO liaison at SSA headquarters, a formal action plan and status report on this recommendation have been drafted and will be sent to GAO by December 1989.

**Recommendation:** The Secretary of Health and Human Services should direct the Commissioner of Social Security to bring the affirmative action program into compliance with EEOC directives by requiring that SSA identify and act to reduce or eliminate artificial

barriers that adversely affect the advancement of underrepresented minority groups.

Status: Action taken not fully responsive. According to SSA Civil Rights and Equal Employment

Opportunity Office officials, no additional barrier analysis studies were conducted during FY 1989.

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## Other General Government

# Federal Evaluation: Fewer Units, Reduced Resources, Different Studies From 1980

PEMD-87-9, 01/23/87

### Background

In response to a congressional request, GAO provided information on the recent changes in the status of program evaluation activities in the civil executive departments and agencies, specifically: (1) the current level of program evaluation activity in the executive branch; and (2) changes that occurred between 1980 and 1984.

### Findings

GAO found that, between 1980 and 1984: (1) the total number of units in civil departments and agencies engaging in program evaluation activities decreased by 26 percent; (2) fiscal resources decreased by 37 percent and personnel decreased by 22 percent; (3) fewer evaluation units were in operation and both budgetary and human resources

decreased, especially for those departments with block grant programs; (4) only about 20 percent of the units with continued evaluation activity reported any legislative set-aside funding for evaluation; (5) internal budget allocations did not compensate for set-aside reduction, and tended to decrease more rapidly than the set-asides themselves; and (6) despite the decreases in units, funding levels, and professional staff, evaluation studies decreased by only 3 percent. GAO also found that: (1) evaluation units increased their internal staff work on less expensive studies and non-technical reports and reduced the number of costlier, more time-consuming studies by external evaluators; (2) program managers and top agency officials were the primary recipients of evaluation studies; and (3) findings from the studies were not easily available to Congress and the public.

### Open Recommendations to Congress

**Recommendation:** Congress should determine whether the agencies under its jurisdiction are developing and reporting the information needed by committees for their oversight responsibilities. This would include periodic reviews to ensure that agencies are fulfilling legislated mandates for the provision of evaluative information. To ensure the availability of information required for oversight purposes, it might be necessary to specify, in law or accompanying committee reports, additional set-asides, mandated studies, or improved dissemination of evaluation findings.

Status: Action not yet initiated.

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**Other General Government**

**DC Government: Problems Have Created Delays in Constructing Educational Facilities at Lorton**

GGD-88-1BR, 10/23/87

**Background**

In response to a congressional request, GAO reviewed the status of \$12.3 million in appropriated funds intended for constructing permanent educational and vocational facilities at the District of Columbia's (D.C.) Lorton Prison complex, to determine if D.C. spent the funds in accordance with congressional intent.

**Findings**

GAO found that: (1) although the D.C. Department of Public Works (DPW) assigned the projects a high priority, construction progress was slow; (2) planning for the facilities' construction was developed near the end of the fiscal year; (3) a departmental reorganization

that led to the establishment of DPW disrupted its ability to give the projects adequate management attention; (4) the contract procurement process was lengthy; (5) DPW did not adequately oversee construction activities; and (6) DPW did not ensure continuity of program management. GAO also found that DPW has initiated action to: (1) improve overall departmental operations; (2) strengthen its inspection activities; and (3) improve contract processing.

**Open Recommendations to Agencies**

**Recommendation:** Recognizing that the Director of DPW has taken action to

improve departmental operations, the Mayor, after allowing sufficient time for corrective measures to be implemented, should direct the City Administrator to have an independent assessment made of the effectiveness of the operational improvements.

**Status:** Action in process. Estimated completion date: 06/90. DPW has hired additional inspectors, established an Engineering Branch for inspectors, filled the Division Chief of Project Management slot, and established bimonthly internal coordination meetings. The City Administrator reaffirmed the intent to conduct an independent assessment after sufficient time has elapsed for full implementation.

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**Other General Government**

**Bank Powers: Issues Related to Repeal of the Glass-Steagall Act**

GGD-88-37, 01/22/88

**Background**

In response to a congressional request, GAO provided information on issues concerning the expansion of banks' securities powers through repeal of the Banking Act of 1933 (Glass-Steagall) and the ramifications of eliminating or extending the moratorium on expansion of bank powers.

**Findings**

GAO found that repeal of the act could: (1) benefit consumers in terms of lower prices and better services; and (2) create a need for regulatory oversight and legislation to protect consumers and enhance the safety and soundness of banking and commercial institutions. GAO believes that: (1) to protect consumer interests, it will be necessary

to gradually phase out the act's restrictions while ensuring adequate capitalization, requiring a bank holding company structure, and increasing regulatory oversight; and (2) extending the moratorium would be unfair to other lending institutions that are not protected by the act's provisions.

**Open Recommendations to Congress**

**Recommendation:** If Glass-Steagall is repealed, Congress should organize extended activities in a holding company rather than in the bank. The holding company organizational form provides the bank and the deposit insurance fund with the highest degree of insulation from potential risks.  
**Status:** Action not yet initiated.

**Recommendation:** Congress should increase resources for banking and securities industry regulators in order to preserve safety and soundness and protect consumer interests. The necessary increases in resources could be obtained by raising fees and premiums for banks that have securities affiliates, or by instituting a new fee for examinations of holding companies

engaged in both banking and securities activities.  
**Status:** Action not yet initiated.

**Recommendation:** If Glass-Steagall is repealed, Congress should prohibit undercapitalized holding company parents from engaging in extended activities.  
**Status:** Action not yet initiated.

**Recommendation:** If Glass-Steagall is repealed, Congress should require the holding company to act as a source of strength to its bank components.  
**Status:** Action not yet initiated.

**Recommendation:** If Glass-Steagall is repealed, Congress should stipulate that banks be allowed to lend to their securities affiliates, but that all such transactions be conducted on an arm's-length basis.  
**Status:** Action not yet initiated.

**Recommendation:** Congress should allow some transactions between affiliates, but only on an arm's-length basis, in order to adequately satisfy the liquidity needs of securities firms that are affiliated with banks. If necessary, sections 23A and 23B should be strengthened to provide additional regulatory resources as may be necessary for supervision and enforcement. Congress should also consider increasing the penalties for infractions of sections 23A and 23B.  
**Status:** Action not yet initiated.

**Recommendation:** Congress should require the bank holding company to act as source of strength to the bank. Moreover, if the holding company avoids that responsibility, Congress should consider making the holding company financially liable for any losses by the insurance fund.  
**Status:** Action not yet initiated.

**Other General Government**

**International Banking: Supervision of Overseas Lending Is Inadequate**

NSIAD-88-87, 05/05/88

**Background**

Pursuant to a congressional request, GAO assessed the Department of the Treasury's Office of the Comptroller of the Currency's (OCC), the Federal Reserve System's (FRS), and the Federal Deposit Insurance Corporation's (FDIC) supervision of U.S. banks' international lending, focusing on the agencies': (1) compliance with the International Lending Supervision Act of 1983; and (2) actions in response to 1982 GAO recommendations.

**Findings**

GAO found that the agencies: (1) required an inadequate reserve of \$2.3 billion for foreign loans; (2) restricted use of their reserving authority to value-impaired loans, which constituted less than 2 percent of loans to less-developed countries; (3) required inadequate reserves for those loans; and (4) did not require reserves for loans rated as other transfer risk problems (OTRP) or substandard. GAO also found that the agencies' Interagency Country Exposure Review Committee (ICERC): (1) accurately ranked countries in terms of

debt-servicing problems; (2) did not forecast the possible debt-servicing problems in countries with weak loans, although it rated 23.8 percent of its loans as weak; (3) used an inaccurate mathematical model in its ratings; and (4) did not promptly communicate with banks regarding weak ratings or debtor countries' probable debt-servicing problems. In addition, GAO found that the agencies' examiners did not adequately: (1) consider country risk and exposure concentrations in capital adequacy assessments; (2) examine bank compliance with required reserves,

accounting procedures for profits from loan rescheduling fees, and public disclosure requirements; (3) review the accuracy of banks' country exposure reports of international loans; (4) review banks' country exposure management systems; or (5) comment on weak assets or highlight significant foreign-owned bank assets.

**Open Recommendations to Agencies**

**Recommendation:** The Comptroller of the Currency and the Chairmen of the Board of Governors of the Federal Reserve System and FDIC should instruct their ICERC representatives to require reserves for bank loans rated OTRP, substandard, and value-impaired.

**Addressee:** Department of the Treasury: Office of the Comptroller of the Currency

**Status:** Recommendation valid/action not intended. The agencies believe that reserves for OTRP and substandard loans are not needed because banks have voluntarily increased general reserves and substantially increased regulator's measure of banks capital.

**Addressee:** Federal Reserve System: Board of Governors

**Status:** Recommendation valid/action not intended. Instead of requiring reserves for OTRP and substandard, bank supervisors have encouraged banks to increase their overall resources available to stem future losses. Increasing reserves does not affect the banks' level of total resources.

**Addressee:** Federal Deposit Insurance Corporation

**Status:** Recommendation valid/action not intended. The agencies believe that specific reserves for OTRP and substandard loans are not needed because banks have voluntarily increased general reserves and substantially increased regulator's measure of banks capital.

**Recommendation:** The Comptroller of the Currency and the Chairmen of the Board of Governors of the Federal Reserve System and FDIC should instruct their ICERC representatives to use secondary market price data, or if unavailable, statistically estimated proxies, as the primary consideration in setting reserve requirements.

**Addressee:** Department of the Treasury: Office of the Comptroller of the Currency

**Status:** Action taken not fully responsive. The agency believes that secondary market prices should not be the primary consideration in setting reserve requirements because: (1) volume on this market is small and does not measure fair market consideration; and (2) factors other than credit value affect secondary market prices. However, ICERC does consider secondary market price data, but not as a primary consideration.

**Addressee:** Federal Reserve System: Board of Governors

**Status:** Recommendation valid/action not intended. The agency believes that secondary market prices should not be the primary consideration in setting reserve requirements because these prices reflect little about the ultimate collectibility of LDC loans. Secondary market prices basically reflect sales by banks exiting the business of lending to developing countries. However, ICERC does consider secondary market price data.

**Addressee:** Federal Deposit Insurance Corporation

**Status:** Recommendation valid/action not intended. The agency believes that secondary market prices are not necessarily indicative of debt serviceability and should not be the primary consideration in setting reserve requirements. Supervisory and managerial judgement should determine reserve requirements using secondary market prices and other factors. However, ICERC does consider

secondary market price data, but not as a primary consideration.

**Recommendation:** The Comptroller of the Currency and the Chairmen of the Board of Governors of the Federal Reserve System and FDIC should instruct their ICERC representatives to revise the rating scale so that ICERC can forecast the nonimminent development or elimination of debt-servicing problems.

**Addressee:** Department of the Treasury: Office of the Comptroller of the Currency

**Status:** Recommendation valid/action not intended. OCC does not believe that ICERC ratings should be used or regarded as forecasts of debt-servicing problems.

**Addressee:** Federal Reserve System: Board of Governors

**Status:** Recommendation valid/action not intended. The Board does not believe that it is appropriate for it to speculate as to which foreign borrowers with correctable problems will fail to take appropriate action. Examination reports are given to banks which note concentrations of debt owed by a country with weaknesses.

**Addressee:** Federal Deposit Insurance Corporation

**Status:** Recommendation valid/action not intended. FDIC believes that the purpose of the ratings is not meant to be a statistical exercise in the prediction of actual debt-servicing problems. Rather the intent is to highlight large loan concentrations which are owed by countries with a high potential for incurring debt-servicing problems.

**Recommendation:** The Comptroller of the Currency and the Chairmen of the Board of Governors of the Federal Reserve System and FDIC should instruct their ICERC representatives to communicate: (1) weak ratings to banks owning significant amounts of this debt

immediately after ICERC meetings; and (2) the probability of future debt-servicing problems when ratings are communicated to banks.

**Addressee:** Department of the Treasury: Office of the Comptroller of the Currency

**Status:** Action taken not fully responsive. OCC believes that these ratings are more appropriately used to evaluate a bank's exposure in relation to potential debt-servicing problems. GAO is concerned that the communication of weak ratings immediately after ICERC meeting could lead the banks to regard the ratings as forecasts. However, ratings are communicated to some banks when they request the rating.

**Addressee:** Federal Reserve System: Board of Governors

**Status:** Action taken not fully responsive. The Board believes that if it informs banks of countries with weak ratings along with lower-rated countries, banks may misconstrue this list as an inclusive listing of countries which a government agency has deemed as poor credit risks. However, weak ratings are informally communicated to banks when they request the rating.

**Addressee:** Federal Deposit Insurance Corporation

**Status:** Action taken not fully responsive. FDIC believes that communication to banks of the weak ratings may cause weak countries to be regarded as being poor credit risks when the intent is to highlight risk diversification concerns given the potential for debt-servicing problems in these weak countries. However, weak ratings are communicated to banks when they request the rating.

**Recommendation:** The Comptroller of the Currency and the Chairmen of the Board of Governors of the Federal Reserve System and FDIC should instruct their ICERC representatives to request the Federal Reserve Bank of

New York (FRB-NY) to find a better alternative to the present screen.

**Addressee:** Department of the Treasury: Office of the Comptroller of the Currency

**Status:** Action in process. OCC supports FRB-NY efforts to seek alternatives to, and implement changes in, the screen of economic indicators. FRB-NY is actively looking at alternatives to the present screen.

**Addressee:** Federal Reserve System: Board of Governors

**Status:** Action in process. The Board states that FRB-NY frequently reviews the screen, used to categorize countries in the initial stages of the screening process, to determine whether changes can be made on a cost-effective basis. FRB-NY reports that it is in the process of studying alternative models in place of the screen. FRB-NY is actively looking at alternatives to the present screen.

**Addressee:** Federal Deposit Insurance Corporation

**Status:** Action in process. FRB-NY is in the process of studying alternatives to the screen. FRB-NY is actively looking at alternatives to the present screen.

**Recommendation:** The Comptroller of the Currency and the Chairmen of the Board of Governors of the Federal Reserve System and FDIC should develop standards to ensure that examiners consider and document country risk and exposure concentrations in their assessments of capital adequacy.

**Addressee:** Department of the Treasury: Office of the Comptroller of the Currency

**Status:** Action in process. When substantive, OCC examiners will include in report comments its evaluation of the influence of country risk and exposure concentrations on capital adequacy. This assessment will be documented in the workpapers, although not more often than annually.

**Addressee:** Federal Reserve System: Board of Governors

**Status:** Action in process. FRB-NY, which supervises most of the state member banks with significant international lending exposure, has developed comprehensive examination procedures for country risk and has reviewed these procedures as a result of the GAO study. The Board sent a letter to the other Federal Reserve Banks concerning these procedures along with a request to review procedures.

**Addressee:** Federal Deposit Insurance Corporation

**Status:** Action in process. FDIC is reviewing its existing procedures and documentation requirements. A new revision to the manual is expected to be official shortly.

**Recommendation:** The Comptroller of the Currency and the Chairmen of the Board of Governors of the Federal Reserve System and FDIC should require examiners to determine and routinely document banks' compliance with requirements concerning required reserves, accounting for fees, and public disclosure.

**Addressee:** Department of the Treasury: Office of the Comptroller of the Currency

**Status:** Action in process. As part of OCC compliance examination procedures, conducted on a biannual basis in banks with more than \$1 billion in assets, examiners will determine and document required reserves, fee accounting, and public disclosure compliance.

**Addressee:** Federal Reserve System: Board of Governors

**Status:** Action in process. FRB-NY, which supervises most of the state member banks with significant international lending exposure, has developed comprehensive examination procedures for country risk and has reviewed these procedures as a result of

the GAO study. The Board sent a letter to the other Federal Reserve Banks concerning these procedures along with a request to review procedures.

**Addressee:** Federal Deposit Insurance Corporation

**Status:** Action in process. FDIC is reviewing its existing procedures and documentation requirements. A new revision to the manual is expected to be official shortly.

**Recommendation:** The Comptroller of the Currency and the Chairmen of the Board of Governors of the Federal Reserve System and FDIC should ensure that examiners review and document the accuracy of country exposure reports.

**Addressee:** Department of the Treasury: Office of the Comptroller of the Currency

**Status:** Action not yet initiated. OCC believes that the accuracy of country exposure reports is verified and documented biannually under existing compliance examination procedures.

**Addressee:** Federal Reserve System: Board of Governors

**Status:** Action in process. FRB-NY, which supervises most of the state member banks with significant international lending exposure, has developed comprehensive examination procedures for country risk and has reviewed these procedures as a result of the GAO study. The Board sent a letter to the other Federal Reserve Banks concerning these procedures along with a request to review procedures.

**Addressee:** Federal Deposit Insurance Corporation

**Status:** Action in process. FDIC is reviewing its existing procedures and documentation requirements. A new

revision to the manual is expected to be official shortly.

**Recommendation:** The Comptroller of the Currency and the Chairmen of the Board of Governors of the Federal Reserve System and FDIC should require examiners to review and document the adequacy of banks' country exposure management systems.

**Addressee:** Department of the Treasury: Office of the Comptroller of the Currency

**Status:** Action in process. On a biannual basis, OCC examiners will assess the adequacy of the bank's country exposure examination systems.

**Addressee:** Federal Reserve System: Board of Governors

**Status:** Action in process. FRB-NY, which supervises most of the state member banks with significant international lending exposure, has developed comprehensive examination procedures for country risk and has reviewed these procedures as a result of the GAO study. The Board sent a letter to the other Federal Reserve Banks concerning these procedures along with a request to review procedures.

**Addressee:** Federal Deposit Insurance Corporation

**Status:** Action in process. FDIC plans to review its procedures in this area, although it believes that its examiners do review the adequacy of bank country exposure management systems.

**Recommendation:** The Comptroller of the Currency and the Chairmen of the Board of Governors of the Federal Reserve System and FDIC should develop standards to ensure that

examiners highlight exposures in examination reports.

**Addressee:** Department of the Treasury: Office of the Comptroller of the Currency

**Status:** Action taken not fully responsive. When examination reports are prepared, OCC examiners will include a schedule listing cross-border exposures by country when the aggregate exposure exceeds 1 percent of capital. This schedule will not be required more frequently than annually. OCC has not assured GAO that these listings will occur in a prominent place in the report or in a letter to the banks' board of directors.

**Addressee:** Federal Reserve System: Board of Governors

**Status:** Action in process. FRB-NY has developed comprehensive examination procedures for country risk and has reviewed these procedures as a result of the GAO study. The Board sent a letter to the other Federal Reserve Banks concerning these procedures, along with a request to review procedures in the light of GAO findings.

**Addressee:** Federal Deposit Insurance Corporation

**Status:** Action not yet initiated. Not checked with regularity; no new section is planned in the new revision to the manual.

**Recommendation:** The Comptroller of the Currency should require OCC examiners to comment on and document that they reviewed country risk as do FRS and FDIC.

**Status:** Action in process. Corrective actions on other GAO recommendations will result in periodic comment on and documentation of country risk reviews.

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**Other General Government**
**Banking: Government Check-Cashing Issues**

GGD-89-12, 10/07/88

**Background**

Pursuant to a legislative requirement, GAO studied the difficulties recipients have in cashing government checks, focusing on: (1) banks' check-cashing policies; (2) nondepositors' options for cashing government checks; (3) characteristics of recipients who do not have bank accounts; and (4) government responses to check-cashing issues.

**Findings**

GAO found that: (1) nondepositors cashed government checks at banks, check-cashing centers, grocery and other stores, and through friends or relatives; (2) check-cashing fees varied considerably and were generally unregulated; (3) urban area banks were less likely than rural area banks to cash nondepositors' checks, citing unreimbursed expenses, crowded lobbies, and potential fraud; (4) low-income

individuals without bank accounts were most likely to experience check-cashing problems; (5) 75 percent, 50 percent, and 14 percent of families receiving government checks for Aid to Families with Dependent Children, Supplemental Security Income (SSI), and Social Security, respectively, did not have bank accounts; (6) these families cited high service charges, minimum balance requirements, mistrust of banks, and inconvenient hours and locations for not having bank accounts; and (7) federal, state, and local government efforts to facilitate government check cashing include use of electronic technology transfer, direct deposit of checks into bank accounts, and use of automatic teller machines.

**Open Recommendations to Congress**

**Recommendation:** If Congress determines that recipients of certain

government checks should not bear costs associated with the cashing of government checks or should be assured of a low-cost option, Congress may wish to consider encouraging methods that utilize plastic cards and electronic funds transfer technology.

**Status:** Action in process.

**Recommendation:** Congress may wish to consider requiring the Department of Agriculture, the Department of Health and Human Services, and the Department of the Treasury, in consultation with state and local governments and banking and consumer groups, to assess the present delivery methods for all government benefits and to seek to develop coordinated delivery systems that would better meet the needs of recipients as well as reduce governmental delivery costs.

**Status:** Action not yet initiated.

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**Other General Government**
**Congressional Award Program: Problems at the National Level Must Be Solved if the Program Is To Progress**

AFMD-89-14, 11/14/88

**Background**

Pursuant to a legislative mandate, GAO: (1) audited the financial records of the Congressional Award Foundation, a nonprofit corporation the Congressional Award Board established to carry out its

daily operations; and (2) evaluated the effectiveness of the Board's Congressional Award Program, a locally administered program intended to promote youth initiative, achievement, and excellence.

**Findings**

GAO found that, at the local level: (1) the program steadily increased its number of local councils and medal earners; (2) program volunteers and participants generally expressed

satisfaction with the program; and (3) councils thoroughly reviewed and verified applications for medal eligibility and raised the minimal financial support they needed to sustain operations. GAO also found that the Board and the Foundation: (1) had difficulty raising adequate private-sector funding and needed a congressional appropriation to sustain operations; (2) exercised ineffective controls over expenses and missed opportunities to reduce costs; (3) did not comply with financial control provisions; (4) experienced several management problems affecting successful program operation, including extended position vacancies, ineffective consultants, low meeting attendance, poor problem identification and resolution, inactive Board committees, lack of resolution follow-up, and lack of role definition for the Foundation; and (5) had not yet implemented the program's scholarship feature, which could greatly increase public awareness and private funding.

### Open Recommendations to Agencies

**Recommendation:** The Chairman, Congressional Award Board, should direct the Board to: (1) clearly define the Foundation's role in writing; (2) determine the number and type of staff needed to carry out the Foundation's duties; and (3) identify the other resources needed to fulfill the Foundation's role and select a director who is capable of leading the Foundation in this role.

**Status:** Action taken not fully responsive. The new director was named in June 1989. The amount of staff and the role of the Foundation still needs to be determined. The organization is preoccupied with trying to raise operating funds. While a new director was selected, nothing else is planned toward responding to this recommendation.

**Recommendation:** The Chairman, Congressional Award Board, should direct the Board to determine whether committees formed in the past are still relevant to current Board needs. For those that are, the Board should: (1) ensure that they have written mission statements; and (2) redesignate Board members to serve on them.

**Status:** Action taken not fully responsive. Executive and search committees have been formed and put into operation. More committees need to be established. The Board chairman does not intend to prepare written mission statements.

**Recommendation:** The Chairman, Congressional Award Board, should direct the Board to: (1) work with the congressional leadership to fill vacant Board positions with qualified, dedicated individuals who will make time available for program work; and (2) assess the performance of current Board members and determine the desirability of their continued participation.

**Status:** Action taken not fully responsive. Four individuals have been proposed to congressional leadership for Board membership. More vacancies still need candidates. The Foundation director is working with congressional leaders offices. No assessment of Board members is intended.

**Recommendation:** The Chairman, Congressional Award Board, should require the Board to become more actively involved in fundraising. A concerted effort should be made to develop and implement a plan to successfully raise contributions from private-sector organizations.

**Status:** Action in process. The Board has made and continues to make efforts to raise funds. A plan has been drafted, but has not been approved yet.

**Recommendation:** The Chairman, Congressional Award Board, should

direct the Board to develop and implement a plan to pay off all existing debts. The possibility of seeking forgiveness for these debts, making them interest-free, and working out long-term repayments should be explored.

**Status:** Action in process. Forgiveness was obtained on over \$325,000 in debts. The Board must obtain funds to pay off the remainder of debts. All long-term debt has been forgiven. While much of the old debts were paid off, new ones have been incurred.

**Recommendation:** The Chairman, Congressional Award Board, should direct the Board to require the Board's Treasurer to more actively carry out the responsibilities specified for that position in the Foundation's bylaws. In the future, the Treasurer should review Foundation expenditures and approve all reimbursements of the Foundation Director's expenses before they are made. Further, the Treasurer should evaluate and recommend to the Board whether any expenses paid for the Director after 1985 should be repaid to the Foundation.

**Status:** Action taken not fully responsive. The Treasurer has been inactive since the GAO report was issued. No action has been taken to remove or replace the Treasurer. A decision was made not to have the Director repay any money. The Board Treasurer is inactive and no effort is being made to change the situation.

**Recommendation:** The Chairman, Congressional Award Board, should direct the Board to develop appropriate guidelines for carrying out the scholarship feature of the program and implement them as soon as funds are available to award scholarships.

**Status:** Action taken not fully responsive. The Board decided that, since there was no money for scholarships, it was not worthwhile to

develop guidelines for the scholarship feature of the program. A plan was prepared by a Board member. The Board voted to table any action on the plan indefinitely. Money problems make implementation unlikely.

**Recommendation:** The Chairman, Congressional Award Board, should direct the Board to expand program publicity and target it to reach potential program participants and supervisors.

**Status:** Recommendation valid/action not intended. Other priorities have come before this. Lack of funds has caused the Board to forego any expansion of publicity efforts.

**Recommendation:** The Chairman, Congressional Award Board, should direct the Board to take the actions necessary to ensure that the Board and Foundation are brought into full compliance with authorizing legislation

and bylaw provisions and that full compliance is maintained.  
**Status:** Action in process. Annual reports were issued. Most of the debt, including all long-term liabilities, has been eliminated. The remainder of debts need to be retired. Required annual reports have been submitted. However, debt is still being carried over to the next fiscal year in violation of authorizing legislation.

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## Other General Government

# Troubled Financial Institutions: Solutions to the Thrift Industry Problem

GGD-89-47, 02/21/89

## Background

In response to a congressional request, GAO discussed: (1) the benefits and disadvantages of merging the Federal Deposit Insurance Corporation (FDIC) and the Federal Savings and Loan Insurance Corporation (FSLIC); and (2) actions needed to restore the deposit system's financial health.

## Findings

GAO believes that: (1) the current strategy for resolving insolvent institutions is costly and does not consider the total cost to the government of resolving insolvent thrifts; (2) to help restore the deposit insurance system to financial health and prevent repetition of the savings and loan crisis, FSLIC should take control of insolvent thrifts until they can be effectively rehabilitated, merged, or liquidated; (3) FSLIC should be separated from the Federal Home Loan Bank Board (FHLBB) and reorganized to allow it to impose higher capital requirements and

compel other reforms; (4) FSLIC should isolate unhealthy thrifts so that they cannot compete with adequately funded institutions; (5) the thrift industry should bear as much of the cost of resolving the savings and loan crisis as possible; (6) if Congress decides that the rest of the deposit industry should pay the remaining cost, it should spread that burden as evenly as possible to avoid placing certain industry sectors at a competitive disadvantage; and (7) a merger of FDIC and FSLIC would merely divert needed FDIC resources to cover FSLIC costs.

## Open Recommendations to Congress

**Recommendation:** To help ensure that the situation that has befallen FSLIC is not repeated within the deposit insurance system, Congress should direct appropriate agencies to establish consistency in regulation and supervision of banks and thrifts in matters that have a material effect on

the government's exposure to deposit insurance losses.

**Status:** Action in process.

**Recommendation:** Congress and the deposit insurance agencies, in consultation with federal and state chartering agencies, should pursue a more comprehensive reform agenda after FSLIC funding needs are met and the other recommendations implemented.

**Status:** Action in process.

**Recommendation:** Congress should authorize FSLIC to undertake short-term borrowing for liquidity purposes to enable FSLIC to move as quickly as possible to resolve problem cases.

**Status:** Action in process.

## Open Recommendations to Agencies

**Recommendation:** FHLBB should form a task force of regulators and insurance officials to assess the quality of assets in

insolvent thrifts for purposes of deciding which thrifts should be rehabilitated, merged, or liquidated.

**Status:** Action in process. FIRREA established the Resolution Trust Corporation to implement a strategic plan developed by the Oversight Board. The Board's plan, to be developed by December 31, 1989, will include policies for assessing asset quality of insolvent institutions.

**Recommendation:** FHLBB, FSLIC, FDIC, and the Federal Reserve Bank Board should strengthen capital adequacy requirements and their enforcement.

**Addressee:** Federal Home Loan Bank Board; Federal Savings and Loan Insurance Corporation

**Status:** Action in process. FIRREA requires FDIC and banking agencies to develop uniform accounting standards for determining capital ratios and report on and explain differences in requirements to Congress by August 1990.

**Addressee:** Federal Home Loan Bank Board

**Status:** Action in process. FIRREA requires a report and an explanation of the differences by August 1990.

**Addressee:** Federal Deposit Insurance Corporation

**Status:** Action in process. FIRREA will require a report and an explanation of the differences by August 1990.

**Addressee:** Federal Reserve System; Board of Governors

**Status:** Action in process. FIRREA will require a report and an explanation of differences by August 1990.

**Recommendation:** FDIC and FSLIC, in consultation with federal and state chartering agencies, should pursue a more comprehensive reform agenda after FSLIC funding needs are met and the other recommendations implemented.

**Addressee:** Federal Home Loan Bank Board; Federal Savings and Loan Insurance Corporation

**Status:** Action in process. Treasury is conducting a study in consultation with FDIC on reforms needed. The study is due by February 1991.

**Addressee:** Federal Deposit Insurance Corporation

**Status:** Action in process. Treasury is conducting a study in consultation with FDIC on reforms needed. The study is due by February 1991.

**Recommendation:** The Board of Governors of the Federal Reserve System (FRS) should develop a specific proposal for clearly defining holding company financial responsibility for insured depository institutions.

**Status:** Action taken not fully responsive. FIRREA applied source of strength principle only to depository institutions and subsidiaries of the holding company. This recommendation should remain open pending further FRS action.

**Recommendation:** FHLBB, FSLIC, FDIC, and the Federal Reserve Board should improve their supervisory capability.

**Addressee:** Federal Deposit Insurance Corporation

**Status:** Action in process. FDIC continues to add or redeploy staff to handle increased responsibilities granted by FIRREA.

**Addressee:** Federal Reserve System; Board of Governors

**Status:** Action in process. FRS continues to reevaluate size, deployment, and compensation for the supervisory function.

**Recommendation:** FHLBB, FSLIC, FDIC, and the Federal Reserve Board (FRB) should undertake efforts to enhance the effectiveness of the related risk control infrastructure in the private sector.

**Addressee:** Federal Deposit Insurance Corporation

**Status:** Action in process. By August 1990, FDIC, Treasury, and FRB must implement rules governing real estate appraisal procedures and provide for uniform definitions of capital ratios for audit purposes.

**Addressee:** Federal Reserve System; Board of Governors

**Status:** Action in process. By August 1990, FDIC, Treasury, and the Board must implement rules governing real estate appraisal procedures and provide for uniform definitions of capital ratios for audit purposes.

## Other General Government

# Check Collection: Competitive Fairness Is an Elusive Goal

GGD-89-61, 05/12/89

### Background

In response to a legislative requirement, GAO assessed private banks' ability to compete with Federal Reserve banks in providing check collection services, focusing on: (1) the Federal Reserve System's exemption from the imposition of presentment fees; (2) the impact of the imposition of presentment fees on check collection system efficiency; and (3) whether the Federal Reserve System required check clearinghouses to provide services to the Federal Reserve banks and whether those banks should pay check clearinghouses for any such services.

### Findings

GAO found that: (1) the Federal Reserve uses its authority to deviate from state laws governing private banks to advance check collection system efficiency; (2) Reserve banks require paying banks to make payment on the same day Reserve banks present checks and without charging fees, to make check payments that Reserve banks have not endorsed, and to make payment on checks Reserve banks present after the customary presentment time; (3) collecting banks need to match Reserve bank collection terms, including choosing which customers they serve, to be competitive; (4) Reserve banks do not have the authority to unilaterally vary from state check collection laws; (5) collecting banks negotiate agreements with other banks for check presentment and payment terms, which usually entail the collecting banks paying presentment fees to the paying banks; (6) presentment fees increased bank check collection costs

from 18 to 40 percent; and (7) although banks join clearinghouses to facilitate check exchanges among banks, they still negotiate arrangements to present checks to banks outside the clearinghouse. GAO also found that the: (1) differences between the collecting and Reserve banks' abilities to present checks are not essential for the safety, soundness, or efficiency of the check collection system; and (2) Federal Reserve had not developed criteria for evaluating competitive fairness, making it difficult to deal with potential conflicts of interest between its roles as a competitor and payment system overseer.

### Open Recommendations to Agencies

**Recommendation:** The Board of Governors should clarify existing policies and procedures covering the Federal Reserve commitment to competitive fairness. Specifically, the Board of Governors should define its commitment to competitive fairness by explicitly adopting the principle that collecting banks should have the same abilities as Reserve banks to collect on checks unless fulfillment of payments system safety, soundness, or efficiency objectives indicate Reserve banks should take on unique abilities.

**Status:** Action in process. An industry advisory panel has been formed to review issues.

**Recommendation:** The Board of Governors should clarify existing policies and procedures covering the Federal Reserve commitment to competitive

fairness. Specifically, the Board of Governors should require Federal Reserve officials, when deliberating on regulatory, price, and service changes, to identify any practical and legal differences between Reserve and collecting banks that may hinder collecting banks' ability to effectively offer competing check collection services. For differences that are found, Federal Reserve officials should provide the Board with proposals for eliminating the differences or an explanation of why continuation of those differences are necessary to promote the safety, soundness, or efficiency of the payments system. Full disclosure of the basis for decisions should be made to the public. **Status:** Action in process. The Federal Reserve informed GAO that it was clarifying and refining its procedures for reviewing price and service changes, particularly with regard to the competitive equity of such changes, to ensure they were thoroughly and consistently evaluated.

**Recommendation:** The Board of Governors should clarify existing policies and procedures covering the Federal Reserve commitment to competitive fairness. Specifically, the Board of Governors should require Federal Reserve officials to closely oversee prices on products that cannot be offered by collecting banks on an equal basis to ensure that markups are not unreasonable and to make public disclosure of what those markups are. **Status:** Action not yet initiated. The Federal Reserve has not informed GAO of any intended action on this recommendation.

**Recommendation:** The Board of Governors should clarify existing policies and procedures covering the Federal Reserve commitment to competitive fairness. Specifically, the Board of Governors should require Federal Reserve officials to develop a forum for hearing disagreements raised by private-sector participants over changes made by the Federal Reserve that may result in the private sector being precluded from effectively offering competing check collection services.

**Status:** Action in process. The Federal Reserve informed GAO that it was expanding its existing procedures to address potential conflicts caused by the Board's multiple roles and would be specifying what actions a complainant could take and how the Federal Reserve would proceed upon receipt of complaints on competitive issues.

**Recommendation:** The Board of Governors should, consistent with the recommended policy and procedural changes, develop a revised,

comprehensive same-day-payment proposal that both balances the interest of paying collecting banks and eliminates differences in presentment abilities between Reserve and collecting banks that are not necessary for safety, soundness, or efficiency of the payments system.

**Status:** Action in process. The Federal Reserve informed GAO that it is pursuing the development of a workable same-day payment proposal, as recommended, with members of private industry.

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## Other General Government

# Failed Thrifts: Allegations at FirstSouth Receivership in Little Rock, Arkansas

GGD-89-98, 06/16/89

## Background

Pursuant to a congressional request, GAO investigated four allegations of wrongdoing concerning a Federal Savings and Loan Insurance Corporation (FSLIC) receivership.

## Findings

GAO found that the receivership: (1) had an invalid contract with a former receivership property manager to appeal property taxes, since the managing officer exceeded her authority in entering the contract, and the contractor charged for work he performed while still a receivership employee; (2) improperly restricted a property auction to employees and did not determine fair market value for the property; (3) approved a loan to a debtor with other loans in default, although, contrary to allegations, the loan was secured by an escrow account; and (4) did not violate procedures in obtaining insurance from

a debtor whose loan was in default, since no law or regulation precluded such contracting. GAO also found that: (1) the Federal Home Loan Bank Board's (FHLBB) Office of Inspector General (OIG) closed its investigation regarding the former employee's contract, stating that it could not apply federal conflict-of-interest statutes to receivership employees, since they were not federal employees; (2) FHLBB OIG did not investigate the restricted auction, since it did not believe that the action violated any laws or regulations; and (3) FSLIC suspended the receivership's managing officer pending further review of the contract with the former employee.

## Open Recommendations to Agencies

**Recommendation:** The Chairman, FHLBB, should instruct the Executive Director, FSLIC, to appoint as federal employees those receivership employees

who carry out federal functions under direct federal supervision.

**Status:** Action not yet initiated. FSLIC has created 42 federal positions in regional offices and will consider appointing more employees involved with receiverships as federal employees.

**Recommendation:** The Chairman, FHLBB, should instruct the Executive Director, FSLIC, to make no further payments to the former FirstSouth Receivership property manager for any work billed absent additional information that the work was not substantially completed while he was employed by the receivership and absent clear evidence of a benefit to the receivership.

**Status:** Action in process. At exit conference, agency officials stated that no further payment would be made to the former property manager. GAO is awaiting formal confirmation of this decision.

**Recommendation:** The Chairman, FHLBB, should instruct the Executive Director, FSLIC, to take action to recover funds paid to the former FirstSouth Receivership property manager under the invalid contract for work he did or for which he was responsible as a receivership employee. **Status:** Action in process. Agency officials told GAO that they would look into recovering payments already made to the former property manager. GAO is awaiting the results of their efforts.

**Recommendation:** The Chairman, FHLBB, should instruct the Executive Director, FSLIC, to take action to recover the property disposed of inappropriately at the employee auction. **Status:** Action in process. FHLBB is looking into recovering property inappropriately disposed of at auction. GAO is awaiting the results of FHLBB efforts.

Director, FSLIC, to adopt a policy on the circumstances and conditions under which receiverships can and cannot do business with debtors in default. **Status:** Action not yet initiated. FHLBB is in agreement with the recommendation, but no action taken yet.

**Recommendation:** The Chairman, FHLBB, should instruct the Executive

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## Other General Government

# Futures Market: Automation Can Enhance Detection of Trade Abuses But Introduces New Risks

IMTEC-89-68, 09/07/89

## Background

Pursuant to a congressional request, GAO provided information on the: (1) potential benefits in using the Chicago futures exchanges' planned automated systems to detect or prevent trade practice abuses; (2) potential vulnerabilities associated with using automated systems in conjunction with or in place of the current trading process; and (3) Commodity Futures Trading Commission's (CFTC) activities in assessing automated exchange systems.

## Findings

GAO found that: (1) although the exchanges were developing automated order routing systems and researching the use of hand-held trading terminals to improve the open-outcry trading process, the extent to which the systems would detect trading abuses was unknown; (2) the systems would provide improved timing data for customer

orders, but could not determine the timing and trading sequences of floor traders' personal trading; (3) although the planned systems had the potential to better control trading abuses, the systems introduced risks that the exchanges planned to address to ensure correct transaction processing, responsive operations, and secure and continuous operations; and (4) although CFTC responsibilities included assessment of the exchanges' automated systems, CFTC did not conduct or set guidelines for technical assessments of the systems' capabilities to control trade abuses and automation risks, since it did not have the technical resources for such assessments.

## Open Recommendations to Agencies

**Recommendation:** The Chairman, CFTC, should acquire the necessary expertise to technically assess the systems planned by the futures

exchanges. Such assessments should include analyses of proposed technical solutions and alternatives to ensure that the futures exchanges design, develop, and implement systems that maximize the automation's potential to control trade practice abuses. CFTC should also assess the risks of using the exchanges' automated systems to ensure that they are adequately controlled.

**Status:** Action not yet initiated.

**Recommendation:** To acquire the expertise needed for such assessments, CFTC should consider: (1) obtaining its own technical resources; (2) requiring exchanges to have independent technical assessments performed on their systems under guidelines set by CFTC; or (3) creating a technical advisory committee consisting of government and private-sector representatives to advise CFTC on the relative merits and risks associated with using automated systems to better detect or prevent trade practice abuses. **Status:** Action not yet initiated.

Other General Government

Futures Markets: Strengthening Trade Practice Oversight

GGD-89-120, 09/07/89

Background

Pursuant to a congressional request, GAO assessed the Commodity Futures Trading Commission's (CFTC) and futures exchanges' effectiveness in deterring, detecting, and punishing trade practice abuses.

Findings

GAO found that: (1) futures exchanges did not always independently, precisely, and completely time all trades; (2) improved trade timing could eliminate trading information manipulations that give noncompetitive trades the appearance of competitive execution; (3) although the exchanges attempted to reconstruct trade sequences through audits, control weaknesses existed in each exchange that allowed dishonest brokers opportunities to manipulate timing; (4) the exchanges planned to develop electronic audit trail systems to record transactions using hand-held terminals, but they did not plan full implementation for over a year and did not know the extent to which they would use the systems to control abuses; (5) although CFTC reviewed the exchanges' surveillance programs, it did not review system documentation, test screening

programs to determine whether the systems operated as intended, or require independent documentation assessments; (6) the number and severity of disciplinary actions varied by exchange but generally increased between 1984 and 1989; and (7) CFTC used investigative and disciplinary action information to judge specific exchange decisions, but did not formally analyze trends or compare results across exchanges, since there were no uniform definitions to classify actions involving floor trade practice abuses.

Open Recommendations to Agencies

Recommendation: CFTC should direct the exchanges to independently, precisely, and completely time each trade and specify a time frame for meeting this requirement. Timing should be independent of the other trading data supplied by floor participants. Time recording should include the precise time the broker receives and records as executed each order, as well as the precise execution of times of noncustomer trades. CFTC should give the exchanges flexibility in deciding how to meet the requirement, but should also establish firm implementation dates.

Status: Action not yet initiated.

Recommendation: CFTC should require exchanges to maintain complete documentation of automated surveillance systems.

Status: Action not yet initiated.

Recommendation: CFTC should expand its reviewing and testing of exchange automated surveillance systems, or require that they be independently reviewed and tested, to determine whether they are operating as intended.

Status: Action not yet initiated.

Recommendation: CFTC should establish milestones for completing definitions of trade practice violations and trade practice investigations so that they can be consistently differentiated from other types of rule violations and so that the definitions are uniform across exchanges.

Status: Action not yet initiated.

Recommendation: CFTC should begin making formal trend and comparative analyses of exchange investigations and disciplinary actions.

Status: Action not yet initiated.

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**Other General Government**

# DOD Revolving Door: Processes Have Improved but Post-DOD Employment Reporting Still Low

NSIAD-89-221, 09/13/89

## Background

Pursuant to a congressional request, GAO reviewed the Department of Defense's (DOD) implementation and enforcement of disclosure laws requiring certain former DOD employees to report any subsequent employment with certain DOD contractors.

## Findings

GAO found that: (1) about 6,600 former military officers and civilian employees holding industrial security clearances worked for defense contractors during fiscal years (FY) 1986 and 1987; (2) the disclosure laws exempted about 20 percent of those former mid- and high-level DOD personnel from reporting their defense-related employment, since they did not work with major defense contractors; (3) only 1,450 of the 4,900 nonexempt former employees reported their defense-related employment; (4) DOD could not determine the compliance rate of former employees who did not have security clearances; (5) DOD did not take all of the

administrative enforcement actions available to it to enforce former employees' compliance with reporting requirements; (6) DOD reviewed the reports it received and certified them if it did not identify conflicts of interest; (7) most reports generally complied with reporting requirements, although former employees did not always honor DOD requests for additional information; and (8) DOD regulations required former employees to report whether they worked on major defense systems while at DOD and at the defense contractor, but DOD did not provide space on its reporting form for such information.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should direct the Standards of Conduct Office to take more aggressive enforcement action to increase compliance with the reporting requirement. This should include: (1) developing a methodology for determining who is required to report,

such as individuals who meet the reporting criteria but do not hold a security clearance; (2) following up to the extent deemed necessary for those who fail to report; and (3) as a means of demonstrating DOD commitment to enforcing the law, giving serious consideration to imposing fines against those who, after being directly informed of their obligation to report, still fail to do so.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of Defense should direct the Standards of Conduct Office to: (1) modify the reporting form to provide space for individuals to report positively or negatively whether they worked on major defense systems while at DOD or at the defense contractor; (2) clarify the reporting instructions to specify that negative reporting is also required; and (3) begin enforcing the requirement that former employees provide this information on their reporting form.

**Status:** Action not yet initiated.

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**Other General Government**

**Import Duties: Assessment of Duties on Unfairly Priced Imports Not Reviewed**

GGD-89-124, 09/29/89

**Background**

Pursuant to a congressional request, GAO reviewed the Customs Service's and Commerce Department's administration of antidumping and countervailing duty assessment procedures, focusing on: (1) whether Commerce is effectively using Customs duty estimates to assess the established amounts; and (2) Customs' reporting accuracy and the content of the Commerce-established duties.

**Findings**

GAO found that: (1) about 30 percent of the commodity entries it reviewed had reporting discrepancies, largely because of Customs data entry problems; (2) because of reporting errors, Commerce did not effectively review Customs' duty assessments; (3) Customs officials expressed their intention to improve report accuracy through automation improvements; (4) Customs plans to

establish a task force to consolidate guidance on reporting procedures; and (5) Customs officials were not reporting data needed for verifying duty settlement amounts, but neither agency studied the feasibility of collecting those data.

**Open Recommendations to Agencies**

**Recommendation:** To enhance the administration of antidumping duty and countervailing duty laws, the Secretary of Treasury should direct the Commissioner, Customs Service, to ensure that accurate reports are provided to Commerce. In doing so, Customs should implement existing plans, such as instituting computerized control checks, and test the reports' accuracy after these changes to determine whether further improvements are needed.  
**Status:** Action not yet initiated.

**Recommendation:** To enhance the administration of antidumping duty and countervailing duty laws, the Secretaries of Commerce and the Treasury should designate a team from their agencies to determine the feasibility of collecting additional data needed to review antidumping and countervailing duty settlements.

**Addressee:** Department of the Treasury  
**Status:** Action not yet initiated.

**Addressee:** Department of Commerce  
**Status:** Action not yet initiated.

**Recommendation:** To enhance the administration of antidumping duty and countervailing duty laws, the Secretary of Commerce should establish procedures for using Customs' reports, to the extent possible, to ensure that the established amount of estimated antidumping and countervailing duties are assessed on individual entries.  
**Status:** Action not yet initiated.

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**Tax Administration**

**IRS and SSA Can Improve the Verification and Recording of Data Provided by Self-Employed Taxpayers**

GGD-85-21, 05/28/85

**Background**

GAO reviewed processing of self-employment earnings information to determine whether the Internal Revenue

Service (IRS) and the Social Security Administration (SSA) are properly processing such information and crediting it to taxpayers' accounts.

**Findings**

Workers are required to report self-employment earnings on a form known as schedule SE. IRS processes the

schedule, collects any social security taxes that are due, and reports the information to SSA, which credits earnings information to individuals' social security accounts. GAO found that, while the system is functioning well, IRS and SSA could: (1) increase the amount of self-employment earnings that get properly credited; and (2) more accurately account for due taxes. GAO also found that: (1) IRS does not always detect errors in computing self-employment earnings on SE schedules; (2) IRS does not verify wage amounts reported by self-employed persons who report other earned income, which causes underpayments of social security taxes; (3) IRS could help SSA correctly credit earnings to individuals' social security accounts by ensuring that, whenever it corrects social security numbers (SSN) on tax returns, corrected numbers are provided to SSA; and (4) SSA and IRS need to establish better control over SE schedules to help ensure that all self-employed persons are receiving credit for self-employment earnings.

**Open Recommendations to Agencies**

**Recommendation:** The Commissioner of Internal Revenue should identify and provide SSA, starting with the 1980 processing year, with self-employment records showing different SSN for the same person or self-employment earnings that were not previously provided.

**Status:** Action in process. Estimated completion date: 12/90. A request was made for an abstract of the Returns Transaction File for tax years 1979 through 1982 for use by SSA. IRS stated that, because this action involves a major change to the master file, implementation is not expected to be completed until 1990.

**Recommendation:** The Commissioner of Social Security should use the self-employed persons' records with different SSN obtained from IRS to correct earnings accounts credited erroneously and those not previously credited.

**Status:** Action in process. Estimated completion date: 12/90. SSA stated that it provided IRS with a format in March

1987 so identified corrections can be processed. SSA is awaiting data from IRS to complete its actions.

**Recommendation:** The Commissioner of Social Security should credit the social security accounts of those self-employed individuals whose records were never processed and ensure that the trust funds are provided the correct tax amount from their earnings.

**Status:** Action in process. Estimated completion date: 12/90. SSA stated that it is awaiting final action by IRS before taking any action.

**Recommendation:** The Commissioner of Social Security should periodically conduct tests of the accuracy of self-employment earnings and identification data and work with IRS to resolve any problems that are identified.

**Status:** Action in process. Estimated completion date: 12/90. IRS and SSA agreed that some type of sampling could satisfy this recommendation. SSA stated that it developed specifications for a sample and provided the specifications to IRS.

**Tax Administration**

**IRS' Examination Selection System for Exempt Organizations' Unrelated Business Income**

GGD-85-64, 07/08/85

**Background**

GAO analyzed the Internal Revenue Service's (IRS) examination selection system for tax-exempt organizations earning unrelated business income (UBI).

**Findings**

GAO found that, although IRS assessed over \$41 million in additional tax and penalties upon UBI examinations in fiscal years 1981 through 1983, a substantial number of UBI examinations resulted in little or no additional tax revenue. GAO also found that IRS does not have sufficient information on UBI

tax noncompliance to understand the nature and magnitude of UBI noncompliance and develop profiles of highly noncompliant tax-exempt organizations engaging in UBI activity. Without such information, the current IRS selection system cannot focus on the most noncompliant tax-exempt UBI organizations, which regularly fail to

properly report UBI earnings or pay the UBI tax due. Because IRS data shows increasing UBI activity, high estimates of tax loss due to UBI nonreporting, and low yield from most current UBI examinations, IRS may want to focus on the UBI organizations with the highest potential for noncompliance. More targeting of highly noncompliant UBI organizations could aid in generating more revenue and increased compliance

and result in more effective use of resources.

### Open Recommendations to Agencies

**Recommendation:** The Assistant Commissioner of Internal Revenue for Employee Plans and Exempt Organizations should further analyze existing data on UBI tax examinations

to gain increased insight into the nature and magnitude of UBI noncompliance. **Status:** Action in process. Estimated completion date: 09/92. IRS is conducting a Taxpayer Compliance Measurement Program (TCMP), which would address this issue. No action is expected until the results of TCMP are back, which will not be until fiscal year (FY) 1992.

## Tax Administration

# Computer Security: Contingency Plans and Risk Analyses Needed for IRS Computer Centers

IMTEC-86-10, 03/27/86

### Background

GAO reviewed the Internal Revenue Service's (IRS): (1) plans for ensuring the continuity of its computer operations if any of its 12 computer centers were destroyed or significantly disabled for an extended period; and (2) efforts to implement a risk management program to assess and reduce potential threats to computer operations.

### Findings

GAO conducted its review at IRS headquarters, the IRS National Computer Center (NCC), and 4 of the 10 service centers that process tax returns and related documents. GAO found that IRS draft automatic data processing (ADP) plans are incomplete and its emergency measures are inadequate because: (1) NCC has no designated backup processing site; (2) computer capacity problems may make it impossible for one service center to back up another, as currently proposed; (3) IRS has not identified the most critical work-load functions; (4) IRS does not

always maintain backup tape files containing data and programs necessary to continue operations; and (5) testing to ensure the workability of ADP contingency plans has been limited. GAO also found that: (1) IRS has not periodically assessed potential risks to computer operations at its centers, although it has recently started a risk analysis program that it hopes to complete in 1987; (2) several IRS centers had physical security problems, making them susceptible to fire and smoke damage or to unauthorized entry after working hours; and (3) contingency plans at one center lacked adequate detail for emergency procedures.

### Open Recommendations to Agencies

**Recommendation:** The Commissioner of Internal Revenue should direct the Assistant Commissioner, Support and Services (for the Detroit Data Center), and the Assistant Commissioner, Returns and Information Processing (for all other computer centers), to expedite

efforts to develop, certify, and periodically test ADP contingency plans for all IRS computer centers according to the criteria and procedures set forth in the IRS Internal Revenue Manual and Office of Management and Budget (OMB) Circular A-130.

**Status:** Action in process. Estimated completion date: 09/90. IRS has completed a service-wide disaster recovery strategy report for its computing centers. Guidelines for preparing detailed contingency plans at each center are being drafted. Contingency plans are expected to be completed by September 1990.

**Recommendation:** The Commissioner of Internal Revenue should direct the Assistant Commissioner, Support and Services (for the Detroit Data Center), and the Assistant Commissioner, Returns and Information Processing (for all other computer centers), to expedite efforts to perform periodic risk analyses to: (1) aid in developing and maintaining effective ADP contingency plans; and (2) help assess the internal controls

environment, as required by the Federal Managers' Financial Integrity Act of 1982 and the OMB circular.

Status: Action in process. IRS has completed risk analyses at 11 of its 12

computer centers. The Martinsburg Computing Center (MCC) is preparing an action plan to address its risk analysis recommendations. The plan is needed for certification of the MCC risk analysis.

Although the plan has been requested by the Risk Analysis Branch, it has yet to receive the plan.

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## Tax Administration

# Tax Administration: Administrative Changes Could Lead to Earlier Resolution of Tax Disputes

GGD-86-75, 07/30/86

### Background

GAO examined the U.S. Tax Court's case load to determine whether the number of cases filed with the court could be reduced by settling more cases through the Internal Revenue Service's (IRS) appeals process, at less cost to the taxpayers and the government.

### Findings

GAO found that: (1) many taxpayers who initially bypassed the IRS internal appeals process and filed with the court eventually settled their cases out of court with the appeals division; (2) cases ultimately settled by IRS cost the government approximately \$1.2 million in court processing costs and taxpayers

\$268,200 in filing fees; (3) some of the processing and filing costs could have been eliminated had the cases been filed with IRS; and (4) more than one-third of the taxpayers did not fully understand the dispute resolution process before filing with the tax court. GAO believes IRS could do more to involve the appeals division in resolving cases by better informing taxpayers about the process and encouraging them to go to the appeals division before filing with the court.

### Open Recommendations to Agencies

Recommendation: The Commissioner of Internal Revenue should revise the

language of the 30-day letter, various IRS publications, and the information on the appeal procedures given to taxpayers by IRS auditors and revenue agents. These changes should: (1) emphasize the advantages of going to the appeals division before filing with the tax court; and (2) point out that, even if taxpayers bypass the appeals division, the cases will still be assigned to it for attempted settlement.

Status: Action in process. Estimated completion date: 12/89. IRS revised Publication No. 556. It stated that the language of Publication No. 5 has been approved and should be published in December 1989.

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## Tax Administration

# Tax Administration: Tip Income Reporting Can Be Increased

GGD-86-119, 09/30/86

### Background

In response to a congressional request, GAO reviewed the Internal Revenue

Service's (IRS) efforts to improve tip income reporting and the impact of the Tax Equity and Fiscal Responsibility

Act's (TEFRA) tip income reporting requirements on both the food and

beverage industry and tip income reporting.

### Findings

GAO found that: (1) of the four IRS regions it visited, two were more active and successful in pursuing tip income nonreporting than the others; (2) tip income reporting has increased since the implementation of the new TEFRA reporting requirements; (3) food and beverage employers indicated that implementation of these new reporting requirements was not as costly as they originally projected; and (4) IRS districts used varying procedures in administering the TEFRA provision, which allowed employers a rate reduction from the reporting of 8 percent of gross receipts, which could

result in inequitable treatment of taxpayers.

### Open Recommendations to Agencies

**Recommendation:** To enhance IRS efforts to improve compliance with the requirements for reporting tip income, the Commissioner of Internal Revenue should formulate and implement an overall strategy for identifying and reducing tip income nonreporting. In formulating this strategy, the Commissioner should, in conjunction with providing TEFRA tip income information to the regional and district offices: (1) identify and evaluate, for IRS-wide applicability, those detection techniques and tools which have been

proven effective in conducting tip income reporting projects and communicate this information to all IRS regions and districts; and (2) design and implement an overview and evaluation process to monitor the progress of tip enforcement activities, identify potential problem areas, and devise the actions needed to deal with them.

**Status:** Action in process. Estimated completion date: 12/89. The IRS study has been completed and the report forwarded to Treasury for comment. Treasury requested further analysis of the study results and revisions in the report. The Assistant Commissioner (Planning, Finance and Research) has revised the report to include the additional analysis. The report was forwarded to Treasury for its review.

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## Tax Administration

# Computer Capacity: IRS Must Better Estimate Its Computer Resource Needs

IMTEC-87-5BR, 11/03/86

### Background

Pursuant to a congressional request, GAO: (1) determined the status and progress of the Internal Revenue Service's (IRS) Capacity Enhancement for the Processing System (CEPS) procurement; and (2) analyzed the need for and timing of CEPS, which IRS designed to upgrade or replace its large mainframe computers.

### Findings

IRS believed that, with CEPS, its existing mainframe computers would have sufficient capacity to process taxpayer information and update computer files beyond 1989. IRS later

decided to postpone upgrading and identified a series of initiatives which it felt would extend the existing mainframe computers' usefulness. GAO found that the Department of the Treasury endorsed the IRS decision to abandon CEPS in favor of: (1) adopting the initiatives; and (2) combining the procurement strategy of CEPS with the planned Tax System Redesign (TSR). GAO believes that: (1) the existing mainframes will have the capacity to handle IRS tax processing work loads through at least mid-1991, assuming that no large unexpected increase in work loads occurs and IRS effectively carries out its planned initiatives; (2) the IRS initiative to constrain annual work-load

growth to 8 or 10 percent could be difficult to achieve because IRS plans to install new equipment and introduce new on-line applications that could increase demand for tax account information; and (3) if IRS does not successfully implement its initiatives, it could experience capacity problems at its larger service centers as early as mid-1988. GAO also believes that: (1) without a work-load analysis and a continuing analysis of current system utilization, IRS will not have adequate assurance that its initiatives are working and could unexpectedly find itself short of computer capacity when it implements TSR; and (2) such an unexpected shortage could have a devastating

impact on operations, as was evidenced in the 1985 tax filing year.

### Open Recommendations to Agencies

**Recommendation:** Because of the importance of the mainframe computers to IRS ability to accomplish its mission and the need for continued improvement

in its investment decisions on these critical computer resources, the Commissioner of Internal Revenue should develop and maintain comprehensive work-load data for current and planned automatic data processing (ADP) requirements.

**Status:** Action in process. Estimated completion date: 01/90. IRS hired a private consulting firm to help

determine the relationship between physical work load and computer work load. IRS intends to complete a study of current work loads processed on its mainframes by January 1990. IRS also developed a strategy to annually collect data on planned ADP requirements. IRS is in the process of collecting this data.

## Tax Administration

# Tax Administration: IRS Can Improve Its Collection Procedures for Taxpayers Living Overseas

GGD-87-14, 12/12/86

### Background

GAO: (1) evaluated Internal Revenue Service (IRS) collection policies and procedures as they relate to taxpayers using Army Post Office (APO) and Fleet Post Office (FPO) addresses; and (2) identified alternatives for needed improvements in the APO/FPO collection process.

### Findings

GAO found that: (1) IRS domestic offices, which are responsible for handling APO/FPO collection cases, are not in the best position to deal effectively with overseas taxpayers; (2) telephone and personal contact, which are two essential tools for dealing with delinquent taxpayers, are generally not available to domestic offices to resolve overseas collection cases; and (3) the IRS Foreign Operation District, which has collection responsibility for overseas taxpayers other than those with APO/FPO addresses, has offices overseas and is experienced in dealing, through both

telephone and personal contact, with U.S. taxpayers living in foreign countries.

### Open Recommendations to Agencies

**Recommendation:** The Commissioner of Internal Revenue should assign responsibility for APO/FPO collection cases to the Assistant Commissioner (International).

**Status:** Action in process. Estimated completion date: 03/90. The Deputy Commissioner has approved an internal recommendation that responsibility for APO/FPO collection cases, as well as other responsibilities relating to APO/FPO taxpayers, be assigned to the Assistant Commissioner (International).

**Recommendation:** The Commissioner of Internal Revenue should require APO/FPO taxpayers to file their tax returns at the Philadelphia Service Center.

**Status:** Action in process. Estimated completion date: 03/90. The Deputy

Commissioner has approved centralization of APO/FPO returns at the Philadelphia Service Center. Process has been delayed because returns are currently processed in 10 service centers, and establishment of a centralized data base is not possible, according to IRS, under current processing procedures.

**Recommendation:** The Commissioner of Internal Revenue should arrange for access to the Defense Manpower Data Center's information base.

**Status:** Action in process. Estimated completion date: 03/90. IRS has arranged for a quarterly match of delinquent taxpayers with the Defense Manpower Data Center's data base to obtain more current address information. Implementation of that match has been delayed until the IRS Computer Services office can make the systemic changes needed to facilitate that match. According to Computer Services, that work has been delayed because of other commitments.

**Tax Administration**

**Tax Administration: IRS Can Improve on the Success of Its Problem Resolution Program**

GGD-88-12, 12/22/87

**Background**

Pursuant to a congressional request, GAO evaluated the Internal Revenue Service's (IRS) Problem Resolution Program (PRP), focusing on: (1) its work load and effectiveness; (2) the impact of computer systems; and (3) implementation of prior GAO recommendations.

**Findings**

GAO found that the special assistance work load increased 800 percent between 1979 and 1985, because of: (1) computer problems that resulted in late refunds or erroneous notices; (2) unclear verbal and written communications with taxpayers; and (3) the normal system's inability to resolve taxpayers' problems. GAO also found that taxpayers' satisfaction increased significantly after they

received special assistance. In addition, GAO found that IRS: (1) staff frequently failed to identify or timely refer taxpayers to PRP; (2) did not direct taxpayers to call their district office's toll-free telephone line instead of writing to service centers; (3) methodology for evaluating program effectiveness did not provide sufficient information for comprehensive systemwide assessment and improvement; and (4) case-coding system failed to effectively detect the common causes of taxpayer problem inquiries.

**Open Recommendations to Agencies**

**Recommendation:** The Commissioner of Internal Revenue should improve the usefulness of the PRP questionnaire follow-up effort by: (1) including

questions on when contacts were made to assess how well IRS employees are identifying special assistance cases; (2) including questions addressing the reasons for taxpayers' repeated contacts with IRS; (3) revising the question assessing taxpayer satisfaction to avoid prompting taxpayers to give a positive response; (4) monitoring and evaluating the appropriateness of service center and district office decisions to exclude certain taxpayers from follow-up; and (5) obtaining a more statistically projectable response rate.

**Status:** Action in process. Estimated completion date: 04/90. IRS contracted with Price-Waterhouse to determine the best survey approach to use in obtaining customer feedback. The Internal Revenue Manual will also be revised to require at least an annual review of PRP cases exempted from followup.

**Tax Administration**

**Tax Administration: Opportunities Exist for Improving IRS' Administration of Alien Taxpayer Programs**

GGD-88-54, 04/11/88

**Background**

Pursuant to a congressional request, GAO studied the: (1) extent to which legal aliens complied with tax filing requirements; and (2) effectiveness of Internal Revenue Service (IRS) programs

aimed at identifying and collecting legal aliens' income taxes.

**Findings**

GAO found that IRS: (1) lacked sufficient information to measure the extent to which legal aliens complied with

requirements, or the effectiveness of its compliance efforts; (2) advised aliens of tax requirements, including the need to obtain a tax compliance certificate, through a publication it distributed to aliens as they entered the country; (3) did not monitor these requirements, but

relied on aliens to voluntarily comply; (4) did not receive sufficient information from the Immigration and Naturalization Service (INS) concerning nonresident aliens; (5) did not administer its alien compliance programs according to its procedures; (6) has not designated specific district office personnel to coordinate compliance efforts; (7) used an unrevised and outdated withholding agent contact letter to obtain information regarding some aliens' income; and (8) declined to further investigate 59 GAO-identified cases of possible noncompliance, citing the potential costliness of further efforts.

**Open Recommendations to Agencies**

**Recommendation:** The Commissioner of Internal Revenue should begin collecting the kinds of management information needed to assess the effectiveness of its alien compliance efforts. That information should include, but not necessarily be limited to, the: (1) number of tax compliance certificates issued and the amount of tax collected as a result of that process; (2) number of alien leads received from INS and the results

obtained; (3) results that derive from final tour accountings; and (4) overall program costs and tax revenues associated with IRS administration of its alien compliance efforts.

**Status:** Action in process. Estimated completion date: 03/90. IRS has completed an alien compliance study using leads obtained from INS. This study will provide information on the extent of alien noncompliance which, in turn, will provide the basis for deciding whether a broader study is warranted. Data from the study is being analyzed. A management information system has been designed to control alien leads from INS and to determine costs and benefits.

**Recommendation:** The Commissioner of Internal Revenue should arrange with the Department of State to have U.S. embassies distribute information on the potential tax obligations of aliens, including, where applicable, the need to obtain a tax compliance certificate.

**Status:** Action in process. Estimated completion date: 03/90. Meetings between IRS and State have been held. A U.S. Tax Guide for Aliens has been mailed to embassies and consulates. IRS has proposed that State make other data

available. State has agreed with IRS to display a poster at embassies and consulates to alert aliens to their responsibilities. According to IRS, implementation has been delayed due to problems with funding and designing the poster.

**Recommendation:** The Commissioner of Internal Revenue should obtain from INS the kinds of information necessary to better meet IRS nonresident alien information needs. This might include the possibility of INS revising Form I-171C to include additional information that would be useful to IRS or sending Form I-129B to IRS.

**Status:** Action in process. Estimated completion date: 03/90. INS and IRS have agreed to exchange additional information. INS is automating the process that produces the basic data that has been shared with IRS. Form I-171C will be obsolete. INS will provide IRS with a tape of information previously included on I-171C and will make programming changes to accommodate IRS needs when the automation effort is up and running.

**Tax Administration**

**Tax Administration: Investigating Illegal Income—Success Uncertain, Improvements Needed**

GGD-88-61, 04/25/88

**Background**

In response to a congressional request, GAO reviewed the Internal Revenue Service's (IRS) Special Enforcement Program (SEP), which IRS uses to investigate tax law violations and potential taxable income related to illegal activities, to identify: (1) the law

enforcement results and tax revenues generated from program operations; and (2) management improvements that could enhance program operations.

**Findings**

GAO found that: (1) since 1980, SEP efforts have resulted in fewer discontinued investigations, more indictments, and more convictions; (2) of the SEP cases closed in fiscal year 1985, 47 percent resulted in tax-related convictions, 68 percent of those

convictions resulted in jail sentences, 42 percent resulted in criminal fines, and 38 percent of those investigated were major criminals; (3) IRS referred 55 percent of the cases closed in 1985 and 64 percent of the cases closed in 1982 for tax assessment examinations; (4) IRS collected \$11.2 million of the \$37.6 million in assessed taxes, interest, and penalties, \$2.2 million of which was on illegal-source income; (5) 76 percent of the 509 cases included inaccurate or incomplete management information that resulted in misleading reports; (6) IRS officials inconsistently interpreted what constituted grand jury information; and (7) 7 of 8 district officers had no management system to ensure

interdivisional coordination and prompt civil action on closed criminal cases.

### Open Recommendations to Agencies

**Recommendation:** To improve the management of SEP operations, the Commissioner of Internal Revenue should collect management information relating to key program objectives, and identify the tax revenues generated by SEP cases.

**Status:** Action in process. Estimated completion date: 08/90. IRS formed a task force to review its reporting system. The task force recommended that the Criminal Investigative Division begin

capturing information on civil tax assessed and collected on each criminal investigation. Implementation is scheduled for August 1990.

**Recommendation:** To improve the management of SEP operations, the Commissioner of Internal Revenue should establish a district office program to monitor the civil actions taken by various IRS components on closed criminal cases.

**Status:** Action in process. Estimated completion date: 08/90. IRS is reviewing plans established by several regions and will consolidate the best aspects of each plan before implementing a nationwide system.

## Tax Administration

# Tax Administration: IRS Could Reduce the Number of Unproductive Business Nonfiler Investigations

GGD-88-77, 05/24/88

### Background

Pursuant to a congressional request, GAO reviewed the Internal Revenue Service's (IRS) efforts to detect business nonfilers, focusing on ways IRS could reduce the number of unproductive investigations.

### Findings

GAO found that, of 1,976 business nonfiler investigations IRS closed in fiscal year 1987: (1) 298, or 15 percent, involved cases in which IRS erroneously issued multiple employer identification

numbers (EIN) to businesses which filed their returns under only one EIN; and (2) 369, or 19 percent, involved cases in which businesses did not follow IRS regulations to file returns even though they owed no taxes. GAO also found that, in 317 cases, or 16 percent, IRS did not accurately update its master file with the results of its investigations.

### Open Recommendations to Agencies

**Recommendation:** To reduce the number of unproductive nonfiler investigations, the Commissioner of

Internal Revenue should adopt additional research techniques, such as using variations of the business name and the actual signature name on the return, and actively pursue the receipt of forms to identify businesses with previously issued EIN.

**Status:** Action in process. Estimated completion date: 07/90. IRS added additional research procedures to the Internal Revenue Manual and plans new follow-up procedures to secure the receipt of forms to identify businesses with previously issued EIN. IRS revised the implementation date to July 1990.

## Tax Administration

# Internal Revenue Service: Need to Improve the Revenue Accounting Control System

IMTEC-88-41, 06/17/88

## Background

GAO reviewed the Internal Revenue Service's (IRS) Revenue Accounting Control System (RACS) to: (1) determine the extent to which IRS automated its revenue accounting procedures; (2) assess RACS analysis and reporting capability; and (3) obtain IRS plans for improving RACS.

## Findings

GAO found that RACS was inefficient and susceptible to errors because: (1) IRS had to manually enter, balance, and reconcile the RACS account files with information in files maintained in other IRS systems, which resulted in errors in classifying tax revenues; (2) RACS did not have the capability to identify categories of errors that occurred repeatedly, or analyze the growing accounts-receivable balance; and (3) at the time RACS became operational, IRS was reluctant to modify other systems to interface with it and did not think that some balancing functions were necessary. GAO also found that IRS: (1) recognized the problems and initiated a

two-stage approach to improve RACS; (2) established computer tape interfaces with another automated system to record transactions affecting revenue receipts; (3) planned additional tape interfaces to reduce the need for manual data input; (4) drafted a proposal to replace RACS with a fully operational system by 1992 and to consolidate and automate all manual subsidiary files into one computer system by 1995; (5) planned to redesign the entire tax processing system, including revenue accounting functions, but did not determine how the functions would fit into the overall redesign; and (6) had not determined the requirements for data interchange, balancing and reconciling, and reporting, or identified the changes needed to ensure compatibility between the replacement systems and other systems.

## Open Recommendations to Agencies

**Recommendation:** In reviewing the IRS plan for replacing RACS, the Commissioner of Internal Revenue should ensure that it is supported by a

thorough requirements and compatibility analysis that clearly specifies actions to reduce manual data input, reduce manual balancing and reconciliation, and improve RACS capability to identify and track errors. **Status:** Action in process. Estimated completion date: 01/92. The planned enhancement of RACS is now scheduled for completion in 1992 and will reduce or eliminate manual data input, manual balancing and reconciliation, and will be designed to improve identification and tracking of errors.

**Recommendation:** In reviewing the IRS plan for replacing RACS, the Commissioner of Internal Revenue should ensure that it is supported by a thorough requirements and compatibility analysis that identifies changes needed to ensure compatibility between RACS and other automated systems with which it interacts. **Status:** Action in process. Estimated completion date: 01/93. Automation of feeder systems which currently interface with RACS will be phased in between November 1989 and January 1993.

**Tax Administration**

**Tax Administration: IRS' Service Centers Need to Improve Handling of Taxpayer Correspondence**

GGD-88-101, 07/13/88

**Background**

In response to a congressional request, GAO discussed the Internal Revenue Service's (IRS) efforts to improve its handling of taxpayer correspondence to determine whether the IRS Adjustments/Correspondence Branches: (1) accurately and clearly correspond with taxpayers; and (2) comply with administrative procedures.

**Findings**

GAO reviewed a random sample of IRS cases involving correspondence and found that: (1) about half of the correspondence contained correct, complete, and clear information; (2) 31 percent contained critical errors involving incorrect adjustments and unresponsive letters to taxpayers; (3) 16 percent contained noncritical problems involving unclear or incomplete letters or incomplete actions; and (4) in 68 percent of the cases, IRS personnel failed to comply with administrative procedures requiring them to send

acknowledgement letters and interim responses to taxpayers. GAO also found that IRS: (1) planned to implement a new computer system in 1990 which would facilitate the selection of appropriate responses to taxpayer inquiries; (2) lacked specific information on the quality of its cases involving correspondence; and (3) had difficulty retaining examiners because of the strict requirements and lack of advancement.

**Open Recommendations to Agencies**

**Recommendation:** The Internal Revenue Service should ensure that the system being developed to help tax examiners compose responses to taxpayer inquiries: (1) allows examiners to review letters after they have been composed; and (2) facilitates the preparation of responsive answers to taxpayer correspondence involving more than one inquiry.

**Status:** Action in process. Estimated completion date: 01/91. IRS expects that

the new automated correspondence system will satisfy the requirements specified in this recommendation. IRS plans to test the system in 1989 and implement it in early 1991.

**Recommendation:** The Internal Revenue Service should determine whether the qualifying requirements, the quality and quantity performance standards, and the opportunity for advancement for the

Adjustments/Correspondence Branch tax examiner position need to be revised.

**Status:** Action in process. Estimated completion date: 03/90. IRS is assessing the qualifying requirements for tax examiners to see if changes would have a bearing on quality. Quality and quantity standards are being tested. The feasibility of a pass/fail test for new examiners is being explored. An upgraded journeyman level (GS-8) position is under consideration within IRS and a number of centers are trying this new level for the more difficult cases.

## Tax Administration

# Tax Administration: IRS' Abusive Tax Shelter Efforts Need Improvement

GGD-88-69, 07/25/88

### Background

In response to a congressional request, GAO examined the Internal Revenue Service's (IRS) legislatively mandated efforts to curtail abusive tax shelters, focusing on the effectiveness of: (1) the tax shelter registration abusive shelter detection team programs in identifying abusive tax shelters; and (2) IRS efforts to administer penalties.

### Findings

GAO found that: (1) the registration program did not provide district examination personnel with enough information to identify abusive tax shelters or to initiate investigations; (2) the detection team program did not provide district personnel with selection criteria to properly identify the types of shelter cases considered potentially subject to penalties; (3) although Congress raised the penalty to deter promotion and sale of abusive tax shelters from 10 percent to 20 percent of the gross income derived or to be derived from the shelter, promoters continued to have financial incentives for promoting abusive shelters; (4) although IRS assessed some penalties for persons who knowingly aided or abetted tax shelter abuses, it could have assessed more penalties if the law required a lesser burden of proof; (5) IRS either overlooked or incorrectly computed the penalties in 16 of 29 cases GAO reviewed in three districts; (6) IRS computational errors totalled \$4.2 million in penalty underassessments; and (7) most of the errors occurred because IRS lacked

penalty guidance, internal controls to ensure appropriate penalties, and procedures to detect errors and oversights and ascertain compliance with regulations.

### Open Recommendations to Congress

**Recommendation:** To reduce the financial incentive for promoting abusive tax shelters, Congress should modify Internal Revenue Code (IRC) section 6700 to significantly increase the penalty above the current 20 percent of gross income derived, or to be derived, by any party involved with the promotion or sale of an abusive shelter.  
**Status:** Action not yet initiated.

**Recommendation:** To reduce the financial incentive for promoting abusive tax shelters, Congress should modify IRC section 6701 to reduce the level of proof from knowingly to "knows or reasonably should have known" that the investor would understate tax liability to ensure all abusive shelters are subject to penalty for aiding and abetting.  
**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** To improve the efficiency and effectiveness of the abusive shelter identification programs, the Commissioner of Internal Revenue should require organizers of registered shelters to provide the shelter prospectus

and offering documents to their respective IRS district offices at the time of registration.

**Status:** Recommendation valid/action not intended. IRS does not believe it is beneficial to require submission of the prospectus and/or offering documents as part of the registration process. Therefore, IRS is not planning to implement this recommendation. From further review, GAO determined that the registrations dropped from about 14,000 in 1985, before the Tax Reform Act, to about 3,000 in 1988, after the act.

**Recommendation:** To improve the efficiency and effectiveness of the abusive shelter identification programs, the Commissioner of Internal Revenue should require districts to review those documents in deciding whether to initiate an examination to determine if the shelter is subject to penalty.  
**Status:** Recommendation valid/action not intended. From additional work, IRS has restructured its program by expanding its identification teams to cover all compliance issues resulting from the Tax Reform Act of 1986. Unless the type or volume of abusive tax shelters that surface after act implementation reverses the decline, IRS will not implement the recommendation.

**Recommendation:** To improve the efficiency and effectiveness of the abusive shelter identification programs, the Commissioner of Internal Revenue should develop and periodically update national selection criteria that can be

used by IRS service center detection teams and district examination personnel to identify the tax shelter returns most likely to contain a gross overvaluation of an asset or false or fraudulent statements.

**Status:** Recommendation valid/action not intended. From additional work, IRS has restructured its program by expanding its identification teams to cover all compliance issues resulting from the act. Unless the type or volume of abusive tax shelters that surface after act implementation reverses the decline, IRS will not implement the recommendation.

**Recommendation:** To improve the efficiency and effectiveness of the abusive shelter identification programs, the Commissioner of Internal Revenue should maximize the use of computers to identify and thus reduce cases for detection team review.

**Status:** Recommendation valid/action not intended. From additional work, IRS has restructured its program by expanding its identification teams to cover all compliance issues resulting from the act. Unless the type or volume of abusive tax shelters that surface after act implementation reverses the decline, IRS will not implement the recommendation.

**Recommendation:** To ensure that penalties are assessed when appropriate and computed correctly, and that enjoined parties comply with the terms of the injunctions, the Commissioner of Internal Revenue should: (1) develop clear and complete guidance for districts so that they know when and how shelter penalties are to be computed; and (2) follow up with districts after issuance to verify that the guidance is understood and correctly applied.

**Status:** Recommendation valid/action not intended. From additional work, IRS has restructured its program by expanding its identification teams to cover all compliance issues resulting from the act. Unless the type or volume of abusive tax shelters that surface after act implementation reverses the decline, IRS will not implement the recommendation.

**Recommendation:** To ensure that penalties are assessed when appropriate and computed correctly, and that enjoined parties comply with the terms of the injunctions, the Commissioner of Internal Revenue should develop and implement district internal control procedures that require supervisory review of all penalties and a quality assurance review of selected penalties to ensure that appropriate penalties have

been considered and accurately computed.

**Status:** Recommendation valid/action not intended. IRS is relying on its fine management quality assurance system to have group managers review all closed examination cases to, among other things, verify the accuracy of penalty calculations. Therefore, no further guidelines will be issued for the low volume of identified abusive tax shelter cases.

**Recommendation:** To ensure that penalties are assessed when appropriate and computed correctly, and that enjoined parties comply with the terms of the injunctions, the Commissioner of Internal Revenue should develop an effective program for monitoring enjoined parties' compliance with decrees and continue exploring opportunities to computerize monitoring when developing service center return identification criteria.

**Status:** Recommendation valid/action not intended. IRS is relying on its fine management quality assurance system to have group managers review all closed examination cases to, among other things, verify the accuracy of penalty calculations. Therefore, no further guidelines will be issued for the low volume of identified abusive tax shelter cases.

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## Tax Administration

# System Integrity: IRS Can Reduce Processing Errors With Better Controls and Information

IMTEC-88-25, 08/02/88

### Background

GAO assessed the Internal Revenue Service's (IRS): (1) controls for correcting errors in processing tax returns and

issuing refunds and notices; and (2) efforts to identify the causes of processing errors.

### Findings

GAO found that: (1) automated controls detected errors in 327 of the 389 IRS adjustment cases GAO reviewed, with

taxpayers causing 57 percent of errors, IRS coding and editing causing 29 percent, and IRS data conversion causing 36 percent; (2) in at least 281 cases, error resolution examiners did not properly correct the errors or follow IRS instructions to compare master file system data with return data; (3) data transcribers should have corrected 49 of the cases that examiners overlooked before sending them to the next processing phase; (4) IRS stopped and corrected incorrect refunds and tax-due notices in 306 cases, causing a 3- to 11-week delay in sending them out; (5) IRS sent incorrect refunds and tax-due notices in 86 cases, resulting in taxpayers receiving \$7 to \$5,000 more in refunds than IRS owed them and others receiving notices requiring them to pay \$1 to \$8,100 more than they owed; (6) the cost to correct these errors after initial processing was about \$4.00 per case, but only \$0.30 during the error resolution stage; (7) some IRS quality monitoring activities' management reports were inaccurate and untimely; and (8) service

center managers did not believe that the reports addressed certain management needs.

### Open Recommendations to Agencies

**Recommendation:** The Commissioner of Internal Revenue should require service center directors to implement a program to review tax returns corrected by the Error Resolution Units before sending them to the master files, as is being done by the Fresno and Kansas City Service Centers. Service center directors should have flexibility to adjust the percentage of returns reviewed to their units' performance.

**Status:** Action in process. Estimated completion date: 10/90. Implementation has been delayed. Current plans are to implement a review during fiscal year (FY) 1991.

**Recommendation:** The Commissioner of Internal Revenue should ensure that feedback on the nature and source of

errors identified in these reviews is provided promptly to the processing units responsible for missing or creating the errors, and to national office managers, so that both parties can take timely corrective action and thus help prevent future errors.

**Status:** Action in process. Estimated completion date: 10/90. Implementation has been delayed. Current plans are to implement a review during FY 1991.

**Recommendation:** The Commissioner of Internal Revenue should direct his staff to review the completeness, timeliness, and accuracy of management information produced by IRS quality monitoring and modify those reports that do not meet management needs.

**Status:** Action in process. Estimated completion date: 01/90. Most planned agency actions were completed as of May 1989. The Internal Revenue Manual will be revised for the January 1, 1990 publication.

## Tax Administration

# Tax Administration: Difficulties in Accurately Estimating Tax Examination Yield

GGD-88-119, 08/08/88

### Background

In response to a congressional request, GAO examined the Internal Revenue Service's (IRS): (1) computation of the revenue it actually realized as a result of its implementation of a revenue initiative, which added 2,500 to the examination staff; and (2) assumptions in estimating the yield derived from the increased staff.

### Findings

GAO found that: (1) since 1978, IRS has consistently underestimated the amount of additional taxes that its examination staff would recommend each year; (2) the annual underestimate averaged 28 percent over the period and ranged from about \$100 million in 1978 to about \$3.8 billion in 1986; (3) it was difficult for IRS to estimate the exact amount of revenue that it would generate by adding a

specific number of auditors in 1987, since it did not use all of the staff years Congress authorized; and (4) IRS used data from audits it closed in 1972 instead of current information in developing its estimates. GAO also found that: (1) to support its request for additional staff years, IRS expected to audit 120,000 more returns and assess \$829 million in additional taxes, penalties, and interest; (2) IRS calculated that it would generate \$847.5 million in assessed taxes,

penalties, and interest in 1987 as a result of the additional audit staff; (3) IRS based its calculation on an increase in staff that was more than double what actually occurred; and (4) IRS did not take into account the amount of potential revenue lost because it used experienced staff to train the new staff.

### Open Recommendations to Congress

**Recommendation:** Congress should consider requiring IRS to include in its annual budget submission information

on the actual amount of revenues derived from its audits.  
**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** The Commissioner of Internal Revenue should complete a systematic reexamination and validation of the IRS estimating process. This should include an analysis of the use of historical trends, updating of the audit tracking data used to compute assessment rates, validation of the

average yield assumptions, and writing procedures to demonstrate the quality controls used in the process.

**Status:** Action in process. Estimated completion date: 03/90. A group in IRS has drafted a report which apparently identifies problems with the IRS estimating process and describes corrective actions. The report has not yet been approved within IRS. Once it is, and GAO has had a chance to analyze it, it will have a better idea as to the IRS overall action plan.

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## Tax Administration

# Tax Administration: Availability and Completeness of Returns for Tax-Exempt Organizations

GGD-88-128, 09/30/88

### Background

In response to a congressional request, GAO reviewed Internal Revenue Service (IRS) procedures to determine whether: (1) IRS could locate and provide requested Form 990 annual information returns, which tax-exempt organizations filed; and (2) the Form 990 returns were complete.

### Findings

GAO analyzed 450 sample Form 990 returns and estimated that: (1) IRS could locate about 99 percent of requested returns if the requester provided the

name that the organization used to obtain its tax-exempt status; (2) IRS would provide about 95 percent of the requested returns, with the remaining returns in use internally; (3) 48 percent of Form 990 returns were missing one or more of the required supporting schedules, and 95 percent were incomplete, according to IRS criteria; and (4) although supporting schedules provided detailed information concerning such activities as fund-raising and payments to affiliates, IRS did not include them in its Incomplete Returns Program criteria.

### Open Recommendations to Agencies

**Recommendation:** The Commissioner of Internal Revenue should expand the criteria for the Incomplete Returns Program to ensure that missing Form 990 return supporting schedules are obtained from tax-exempt organizations.  
**Status:** Action in process. Estimated completion date: 03/90. New Forms 990-EZ and reviews of other forms and supporting schedules are being compiled. Management is considering the need for schedules or whether to standardize those that are required. This evaluation is to be completed by 1990.

**Tax Administration**

**Tax Administration: Improving IRS' Business Nonfiler Program**

GGD-89-39, 03/08/89

**Background**

GAO reviewed the Internal Revenue Service's (IRS) efforts to detect business tax nonfilers, focusing on whether: (1) state employment tax information data could aid IRS in investigating business nonfilers; and (2) IRS continued to send business tax forms to known invalid addresses.

**Findings**

GAO analyzed 201 selected businesses in California that IRS identified as potential nonfilers, and found that: (1) IRS could use California state employment tax information to verify businesses' statements about their employment tax liability and to estimate their federal employment tax liability; (2) the state's employment tax information could help IRS to quickly close investigations of nonfilers that

have little or no tax liability; (3) 21 of 100 businesses had 31 delinquent federal employment tax returns because they paid wages during periods for which they reported paying no wages; (4) IRS mailed publications to nonfilers with invalid addresses because a computer code that automatically generated mailing lists was still on the master file; and (5) it was unable to estimate the cost of the erroneous mailing because IRS did not track the numbers of publications forwarded to invalid addresses.

**Open Recommendations to Agencies**

**Recommendation:** The Assistant Commissioner for Collections should direct IRS collection staffs in the California district offices to use California state employment tax information in business nonfiler

investigations and explore similar opportunities for using other states' tax information in the business nonfiler program.

**Status:** Action in process. Estimated completion date: 12/89. IRS is examining how to obtain California employment tax data on a regular and, if possible, automated basis to assist in business nonfiler investigations.

**Recommendation:** The Assistant Commissioner for Collections should direct appropriate collection staff to work with computer services staff to correct the computer coding problem so that Publication 393 is not mailed to invalid addresses.

**Status:** Action in process. Estimated completion date: 12/89. IRS plans to determine what specific changes are needed to correct the problem of mailing Publication 393 to invalid addresses.

**Tax Administration**

**Tax Administration: Reducing Delays in the Pursuit of Tax Revenue on Closed Criminal Cases**

GGD-89-41, 03/16/89

**Background**

In response to a congressional request, GAO evaluated the Internal Revenue Service's (IRS) General Enforcement Program (GEP), focusing on the: (1) amount of civil tax assessed and

collected; and (2) IRS process for referring completed cases for civil action.

**Findings**

GAO reviewed selected GEP cases completed in fiscal year 1984, and found that IRS: (1) assessed about \$204 million in penalties on 2,470 criminal cases, and was still auditing another 408 cases; (2)

collected \$89 million, was actively attempting to collect an additional \$58 million, and determined that \$57 million was uncollectible; (3) failed to timely refer cases with the potential for criminal prosecution; (4) failed to timely authorize tax assessment or collection when criminal actions were completed, and failed to timely notify the IRS Chief Counsel so that it could initiate civil actions; and (5) lacked internal controls to track cases that could be referred for civil action.

**Open Recommendations to Agencies**

**Recommendation:** To better protect the collection of tax revenues on completed criminal prosecution cases, the Commissioner of Internal Revenue should establish appropriate internal control mechanisms in the Criminal Investigation Division to better ensure prompt notification to the Office of the Chief Counsel about actions taken on criminal prosecution cases and about

delays in the issuance of closing memoranda to authorize civil action on criminal prosecution cases.

**Status:** Action in process. Estimated completion date: 08/90. IRS is revising the Criminal Investigation Division's Case Management and Time Reporting System to track the status of cases subsequent to closure of the criminal case. The system will be piloted in January 1990, with implementation by August 1990.

**Tax Administration**

**Tax Policy: Status of IRS' Studies of the Refund Offset Program**

GGD-89-60, 04/25/89

**Background**

Pursuant to a legislative requirement, GAO studied the effects of the Internal Revenue Service's (IRS) Refund Offset Program on voluntary tax compliance, focusing on: (1) IRS improvements to its methodology; and (2) ways to make future studies more precise.

matched its offset and control groups on some tax characteristics, there was a risk of bias in its findings because it did not account for all relevant preexisting differences; and (5) IRS did not use updated information to measure the level of IRS enforcement action required to make taxpayers compliant and to assess whether noncompliance was temporary or permanent.

delinquent behavior. IRS plans to incorporate characteristics such as age and geographic location in follow-on studies. Date action will be completed is not known at this time.

**Findings**

GAO found that: (1) IRS improved its studies of the effects of offsetting refunds on taxpayer compliance by incorporating previous filing behavior into its analysis to establish patterns to compare with post-offset filing patterns; (2) the IRS methodology was limited because it did not consider whether the offset and control groups exhibited similar taxpayer compliance characteristics before the offsets; (3) although IRS improved the quality of its study data and its documentation of study programming requirements, some limitations remained; (4) although IRS

**Recommendation:** To improve future studies of the effect of the Refund Offset Program on compliance with tax laws, the Acting Commissioner of Internal Revenue should incorporate the most current taxpayer information. This will result in a better understanding of the magnitude of any noncompliance problem, enable IRS to measure the level of enforcement actions required to make taxpayers compliant, and provide a better basis to analyze the temporary versus permanent nature of compliance.

**Status:** Recommendation valid/action not intended. IRS disagrees with the recommendation and plans no action. IRS does not see the need to use updated taxpayer information because it believes its definition of noncompliance is consistent.

**Open Recommendations to Agencies**

**Recommendation:** To improve future IRS studies of the effect of the Refund Offset Program on compliance with tax laws, the Acting Commissioner of Internal Revenue should make the offset and control groups as comparable as possible. The studies should statistically control for prior tax-delinquent behavior and nontax characteristics, such as age and geographic location.

**Status:** Action in process. The IRS April 1989 report was controlled for prior tax-

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**Tax Administration**

**Tax Administration: State and Local Compliance With IRS' Information Reporting Requirements**

GGD-89-63, 05/04/89

**Background**

In response to a congressional request, GAO reviewed state and local governments' compliance with Internal Revenue Service (IRS) reporting requirements for payments made to independent contractors.

**Findings**

GAO found that: (1) most state and local governments' policies and procedures were not in full compliance with IRS requirements because they did not fully understand the requirements; (2) although the governments usually reported payments for such professional services as attorneys and consultants, they did not report payments for such services as construction, auto repairs, and janitorial services because they did not consider those services professional; (3) state and local governments only reported about 10 percent of the \$9 million in payments that they should have during 1985 and 1986; (4) IRS examined businesses' income tax returns, but did not monitor state and local governments' compliance with the reporting requirements; (5) IRS

contracted with the National Association of State Auditors, Comptrollers and Treasurers (NASACT) in 1988 to review information return procedures and compliance levels in six states; (6) the review showed that states' accounting systems that were not tailored to information reporting hampered compliance; (7) IRS reviewed local governments in California as part of a special project; and (8) IRS planned to provide all 50 states with a consolidated report on the NASACT reviews, along with a model review plan, and encourage them to do compliance reviews.

**Open Recommendations to Agencies**

**Recommendation:** The Commissioner of Internal Revenue should establish an IRS focal point to provide assistance to those state and local government officials needing further clarification or elaboration on their reporting requirements.

**Status:** Action in process. Estimated completion date: 12/89. IRS examination officials have initiated a plan to establish a focal point in IRS district

offices for state and local government officials to get help.

**Recommendation:** The Commissioner of Internal Revenue should encourage state and local audit agencies to routinely check the agencies they audit for information returns compliance.

**Status:** Action in process. Estimated completion date: 12/89. IRS plans to issue a revised state agency review plan that will recommend regular, ongoing compliance check requirements in state audit procedures.

**Recommendation:** The Commissioner of Internal Revenue should use the NASACT study of six states and the IRS reviews of California local governments to aid in the development of an IRS program for monitoring and enforcing state and local governments' information returns compliance.

**Status:** Action in process. Estimated completion date: 12/92. IRS plans to visit and coordinate with state officers responsible for information return compliance and to selectively examine certain states to assess and improve compliance.

**Tax Administration**

**ADP Modernization: IRS Needs to Assess Design Alternatives for Its Electronic Filing System**

IMTEC-89-33, 05/05/89

**Background**

Pursuant to a congressional request, GAO reviewed the Internal Revenue Service's (IRS) development of an electronic filing system, intended to streamline the tax processing system by using computers instead of the traditional paper forms for filing individual tax returns.

**Findings**

GAO found that IRS: (1) issued a task order to its automatic data processing (ADP) contractor to develop software for the electronic filing system; (2) implemented an interim system in several districts for the 1988 tax season, processing about 583,000 returns electronically; (3) believed that it processed the electronically filed returns faster and with fewer errors than paper returns; (4) was able to process the returns, although the software for a

major system component did not work as intended; (5) replaced the defective software prior to the 1989 tax season, but continued to experience similar problems; and (6) expected installation of new software in time for the 1990 tax season and proposed to enhance the interim system, rather than replace it. GAO also found that IRS: (1) in the task order, failed to clearly define critical performance requirements or allow adequate time for approving deliverables; (2) paid the contractor for the defective software; (3) took 4 months to reject the software but eventually paid the contractor for its installation; and (4) has not yet clearly identified its needs or evaluated the costs, benefits, and technical feasibility of alternative approaches.

**Open Recommendations to Agencies**

**Recommendation:** The Commissioner of Internal Revenue should validate the design approach for the nationwide electronic filing system before selecting and funding a system. At a minimum, IRS should: (1) clearly define system requirements for nationwide implementation, including determining how it will minimize the burgeoning, paper-intensive nature of the current system and accommodate the processing of tax-due returns; and (2) identify and analyze the costs and benefits of various alternatives for meeting the requirements for a nationwide system. **Status:** Action in process. Estimated completion date: 01/91. Electronic filing will be operational nationwide by the 1990 filing season, and system requirements have been clearly defined. The acceptance of balance-due returns is projected for the 1991 filing season.

**Tax Administration**

**ADP Modernization: IRS' Automated Examination System—Troubled Past, Uncertain Future**

IMTEC-89-54, 06/22/89

**Background**

Pursuant to a congressional request, GAO reviewed the Internal Revenue Service's (IRS) Automated Examination System (AES), intended to automate the

examination of income tax returns, focusing on: (1) IRS progress in developing and implementing AES; and (2) AES compatibility with the IRS Tax System Modernization effort, intended to

streamline tax processing through increased automation.

**Findings**

GAO found that IRS: (1) projected a total cost of \$77 million for AES development and implementation when it established the project in 1982; (2) significantly expanded the project in 1984 and 1985, projecting completion by 1989 at a total cost of \$1 billion; (3) spent about \$187 million on AES from its inception through fiscal year (FY) 1988; (4) due to management and direction problems, currently estimates project completion by 1995 at a total cost of \$1.8 billion; (5) currently projects AES benefits at \$16.2 billion over its 9-year life, down from a contractor estimate of \$42.7 billion in 1987; (6) has not convincingly demonstrated or verified any dollar benefits from the single currently operational AES component; (7) cited software development problems as the primary cause of AES cost overruns and schedule slippages; (8) developed AES independently from its Tax Modernization System effort, although

its plans to eventually integrate AES into the system may require costly system modifications; (9) concurred with the Office of Management and Budget's reduction of its 1990 AES budget request from \$110 million for continued development and operations and maintenance to \$19.5 million for operations and maintenance only; and (10) believes that AES should not be abolished and plans to restructure the project and seek increased funding in the FY 1991 budget.

**Open Recommendations to Agencies**

**Recommendation:** In light of AES troubled past, before additional investments are made in this project, the Commissioner of Internal Revenue should establish a sound and consistent methodology for estimating its benefits. To validate this methodology and measure the success of further development efforts, estimated benefits

should be compared with actual benefits achieved as components of the system are deployed, and the Commissioner should make this comparison available to Congress as part of the agency's annual budget submission.

**Status:** Action in process. IRS plans to hire a contractor to establish a method of evaluating productivity and tracking actual usage and impact.

**Recommendation:** In view of the unresolved questions concerning AES integration with Tax System Modernization, the Commissioner of Internal Revenue should develop a strategy to enable AES to function effectively with other components of the modernized system. In particular, IRS should determine how AES standards for data structures can be made consistent with the standards of other systems within the modernization effort.

**Status:** Action in process. ISD plans to develop such a strategy during fiscal year (FY) 1990.

**Tax Administration**

**Tax Policy: Insufficient Information to Assess Effect of Tax Free Education Assistance**

GGD-89-76, 06/23/89

**Background**

Pursuant to a congressional request, GAO: (1) evaluated data that the Department of the Treasury used to assess the effect of section 127 of the Internal Revenue Code; and (2) assessed the availability and reliability of 11 data elements relating to section 127.

**Findings**

GAO found that: (1) in June 1988, Treasury concluded that section 127

should not be extended; (2) in reaching its conclusion, Treasury relied on information that, although the best available, was insufficient to support its conclusion, since the data came from surveys that were not specifically focused on gathering data to evaluate the success of section 127, had low response rates, or were not representative of the population being surveyed; (3) in 1984, Congress enacted a reporting requirement to provide a basis for assessing the section, but the

required information was not sufficiently specific; and (4) the 11 data elements would be useful in assessing the section, but none of them were available from reliable sources.

**Open Recommendations to Congress**

**Recommendation:** Congress can decide to not reinstate the expired section 127 or to reinstate it permanently or temporarily. If the decision is to

reinstate it, Congress may want to revise the reporting requirement to better assess the provision's effects. This could be done by requiring information on the salary level of participants and the

average benefit at each salary level. To help make any further assessment of the section, Congress could also specify that the data be reported for a sufficient

length of time to adequately measure any effects.  
**Status:** Action taken not fully responsive.

**Tax Administration**

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

GGD-89-94, 08/21/89

**Background**

Pursuant to a congressional request, GAO reviewed the Internal Revenue Service's (IRS) collection of 100-percent penalties, assessed as 100 percent of the amount of withheld taxes which businesses failed to pay.

**Findings**

GAO found that IRS: (1) sent 100-percent penalty cases directly to revenue agents for collection, bypassing its Automated Collection System (ACS), which provided more efficient case management and more timely and effective collection of other delinquent taxes and penalties; (2) in March 1989, successfully tested ACS for processing 100-percent penalty cases in two districts, finding that the improved computerized recordkeeping, telephone technology, and management control made for more efficient use of resources and revenue agents; (3) spent an average of \$247 to close, via revenue agents, 100-percent penalty cases, while it spent only \$57 on cases processed through ACS; (4) did not maintain financial information investigating agents obtained from businesses for collection agents' subsequent use for levying purposes; (5) did not enter such information into ACS; (6) in about 9 percent of 793 cases, collected an

incorrect amount of money to satisfy the delinquencies, due to inadequate accounting and internal controls; (7) lacked adequate documentation to determine whether it had under- or over-collected some of the penalties; and (8) was in the initial stage of developing procedures to monitor accounts receivable for 100-percent penalty cases.

**Open Recommendations to Agencies**

**Recommendation:** To ensure that IRS uses collection resources more efficiently, the Commissioner of Internal Revenue should establish a milestone for completing as quickly as possible service-wide implementation of procedures for processing 100-percent penalty cases through ACS.

**Status:** Action not yet initiated.

**Recommendation:** To help ensure that IRS uses collection resources as efficiently as possible, the Commissioner of Internal Revenue should revise the Internal Revenue Manual to conform to the stated practice of obtaining financial information when responsible parties are identified during initial investigations and it is appropriate to do so.

**Status:** Action not yet initiated.

**Recommendation:** To help ensure that IRS uses its collection resources as efficiently as possible, the Commissioner of Internal Revenue should establish appropriate controls to ensure that levy sources obtained during the 100-percent penalty investigations are documented in the IRS computerized levy source file so that they are readily available during the collection phase.

**Status:** Action not yet initiated.

**Recommendation:** To help ensure that IRS uses its collection resources as efficiently as possible, the Commissioner of Internal Revenue should develop a procedure to ensure that financial statements obtained during the investigations are available on the ACS computerized data base to facilitate processing of 100-percent penalties through ACS.

**Status:** Action not yet initiated.

**Recommendation:** To improve accounting and internal controls, the Commissioner of Internal Revenue should establish milestones for: (1) completing the development of procedures to systematically provide collection employees with the information needed to accurately determine the status of delinquencies; and (2) developing a way to more

accurately report the accounts receivable balance as it relates to 100-percent penalties. **Status:** Action not yet initiated.

**Tax Administration**

**Tax Policy: Options for Civil Penalty Reform**

GGD-89-81, 09/06/89

**Background**

Pursuant to a congressional request, GAO analyzed changes to the civil penalty provisions of the Internal Revenue Code proposed in a congressional bill and an Internal Revenue Service (IRS) report, focusing on whether the economic value of the penalty, its potential coverage, and its assessment criteria could effectively motivate taxpayer compliance and deter noncompliance.

**Findings**

GAO found that: (1) both the legislation and IRS report recommended changes to restructure and better rationalize the existing penalty system; (2) the existing penalty system was not time-sensitive, since it penalized late filers by the same amount regardless of when they submitted their returns; (3) although both the legislation and IRS report proposed a new compliance incentive to encourage more prompt information return filing, eliminating the penalty for underreporting taxable income on information returns could weaken the compliance effort; (4) although both proposals made penalty provisions more consistent and better coordinated penalties to avoid overly harsh assessments against taxpayers, they needed to provide for more equitable treatment of similarly situated taxpayers; and (5) the federal tax deposit penalty may not effectively promote

compliance because of complex program regulations.

**Open Recommendations to Congress**

**Recommendation:** To support the statutory requirement that all taxpayers timely file a tax return, Congress should establish a time-sensitive failure-to-file penalty that would be assessed against all delinquent taxpayers regardless of whether or not they had a tax liability, unless the failure is due to reasonable cause.

**Status:** Action not yet initiated.

**Recommendation:** Congress should retain an underreporting penalty similar to the existing presumptive negligence penalty, but that would be subject to abatement for reasonable cause. With regard to penalty rates, Congress should consider setting higher rates than the House bill or reducing the threshold of understated tax liability that would trigger the substantial understatement penalty to at least partly restore the economic value of the penalties.

**Status:** Action not yet initiated.

**Recommendation:** To bolster taxpayer confidence in the fairness and equity of these penalties, Congress should add the following changes: (1) eliminating stacking of the accuracy/conduct penalties; (2) targeting the application of the negligence penalty; (3) establishing reasonable cause as the

abatement/waiver criterion, except for fraud; and (4) statutorily defining substantial authority.

**Status:** Action not yet initiated.

**Recommendation:** Congress should increase the monetary value of return preparer penalties to improve their economic deterrent value and use a two-tier penalty, with the first tier consisting of negligence and the second tier consisting of willful understatement or intentional disregard.

**Status:** Action not yet initiated.

**Recommendation:** Congress should not establish a statute of limitations, as in the case of fraud.

**Status:** Action not yet initiated.

**Open Recommendations to Agencies**

**Recommendation:** To simplify administration, IRS should treat all types of information returns consistently. Within that context, all caps should be eliminated, there should be a single abatement criterion, magnetic media filing thresholds should be set administratively, and only returns exceeding thresholds should be penalized.

**Status:** Action not yet initiated.

**Recommendation:** Making information return penalties time-sensitive is a good idea; however, IRS should administratively set the penalty dates.

Further, to promote voluntary correction of returns, penalties should not be

assessed against payors who voluntarily correct their returns.

Status: Action not yet initiated.

## Tax Administration

# Tax Administration: Missing Independent Contractors' Information Returns Not Always Detected

GGD-89-110, 09/08/89

## Background

Pursuant to a congressional request, GAO reviewed whether Internal Revenue Service (IRS) examinations effectively identified businesses that failed to file information returns for payments made to independent contractors.

## Findings

GAO found that: (1) IRS examinations of business tax returns did not effectively identify businesses that failed to file required information returns on contractor payments; (2) revenue agents did not identify an estimated 1,261 information returns that businesses should have filed, involving \$6.2 million in payments; (3) IRS revenue agents examined only about 2 percent of the 11 million business income tax returns filed annually; (4) the limited examinations and ineffective compliance checks could result in extensive business noncompliance with information return

requirements; (5) IRS did not stress the importance of these checks because such other issues as overstated deductions and unreported income took higher priority during examinations; (6) because IRS managers did not enforce workpaper standards that required agents to document the scope and depth of the checks, they did not know the extent of the revenue agent's checks; (7) current IRS compliance check procedures were specific; (8) agents did not use available data to do better compliance checks; and (9) data were not always generated in time to assist revenue agents because of competing priorities for computer processing time.

## Open Recommendations to Agencies

**Recommendation:** To improve IRS compliance checks of information return reporting requirements, the Commissioner of Internal Revenue should require that field managers and

quality reviewers stress the importance of doing compliance checks, enforce workpaper standards, and assess the effectiveness of the checks.

Status: Action not yet initiated.

**Recommendation:** To improve IRS compliance checks of information return reporting requirements, the Commissioner of Internal Revenue should establish minimum requirements for revenue agents to follow in doing compliance checks.

Status: Action not yet initiated.

**Recommendation:** To improve IRS compliance checks of information return reporting requirements, the Commissioner of Internal Revenue should require that the payor master file data summarizing businesses' information return filings be made available to, and be used by, revenue agents when doing compliance checks.

Status: Action not yet initiated.

# General Science, Space, and Technology

## Satellite Data Archiving: U.S. and Foreign Activities and Plans for Environmental Information

RCED-88-201, 09/29/88

### Background

Pursuant to a congressional request, GAO reviewed U.S. and international environmental satellite data archiving activities and plans.

### Findings

GAO found that: (1) the National Oceanic and Atmospheric Administration (NOAA), the National Aeronautics and Space Administration (NASA), and the U.S. Geological Survey (USGS) are primarily responsible for archiving environmental satellite data; (2) the agencies expect a significant

future increase in satellite data and, to varying degrees, have begun planning for the expected increase; (3) NOAA is examining the possibility of private firms taking over its archiving functions; (4) NASA is planning on significant technological advances and interagency cooperation to archive the data; and (5) possible future reductions in archiving funding could reduce USGS archiving activities. GAO also found that: (1) since 1977, Japan, France, India, and a group of 13 European countries have launched at least 9 environmental satellites; and (2) several countries have plans to launch at least 30 additional

environmental satellites between 1988 and 1997.

### Open Recommendations to Congress

**Recommendation:** Considering that the Department of Commerce has not requested or provided funds for creating the National Satellite Land Remote Sensing Data Archive and that officials told GAO that they do not anticipate doing so in the future, Congress, if it still wants the archive to be created, may wish to provide specific funding for the archive.

**Status:** Action in process.

## General Science and Basic Research

### Patent Policy: Recent Changes in Federal Law Considered Beneficial

RCED-87-44, 04/16/87

### Background

Pursuant to a congressional request, GAO reviewed federal agency implementation of three recent patent policy changes and their impact on universities, small businesses, and other nonprofit organizations.

### Findings

GAO noted that federal agencies are in the process of implementing legislative amendments that: (1) change title rights

to inventions that nonprofit organizations and small businesses develop with federal funds; (2) extend title rights to federal contractors to inventions they developed with federal funds; and (3) establish a Statutory Invention Registration (SIR) procedure to reduce the federal patent inventory. GAO found that implementation of these amendments was delayed because the Department of Commerce disagreed with the Department of Energy (DOE) over proposed regulations affecting DOE

government-owned, contractor-operated facilities. GAO also found that: (1) the amendments have been significant in stimulating business sponsorship of university research and the removal of licensing restrictions on nonprofit organizations; (2) the Small Business Innovation Research program and lower maximum capital gains tax rates had an equal or greater impact on small business research and innovation efforts; and (3) DOE plans to issue a regulation establishing criteria and procedures for

large business contractors to retain title rights to some or all of their inventions.

### Open Recommendations to Agencies

**Recommendation:** The Secretaries of Defense and Energy should encourage the use of SIR by recognizing SIR in their incentive awards programs.

**Addressee:** Department of Defense  
**Status:** Action in process. Estimated completion date: 03/90. The Navy incorporated SIR into its incentive award program through Civilian Personnel Instruction 451.9, dated August 11, 1988, and the Air Force incorporated SIR through Air Force Regulation 900-4, dated July 23, 1987. Publication of Army Regulation 672-20,

which incorporates SIR, has been delayed.

**Addressee:** Department of Energy  
**Status:** Action in process. Estimated completion date: 03/90. DOE Order 3450.1A on incentive awards was published for coordination. Comments on DOE draft Order 3450.1A on incentive awards are being reviewed before the final order is issued.

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## General Science and Basic Research

# Laboratory Accreditation: Requirements Vary Throughout the Federal Government

RCED-89-102, 03/28/89

### Background

Pursuant to a congressional request, GAO examined federal government programs' laboratory accreditation requirements to determine whether any had overlapping requirements which could be streamlined.

### Findings

GAO found that: (1) a National Institute for Standards and Technology (NIST) study identified 13 federal agencies with 38 laboratory accreditation programs; (2) accreditation typically involved evaluation of organizational information, quality control, personnel, facilities and equipment, testing methods, recordkeeping, test reports, and proficiency testing, although programs required differing degrees of specificity; (3) the programs, which typically involved different fields of laboratory

testing, generally did not overlap, although there was some overlap between the NIST National Voluntary Laboratory Accreditation Program and the Federal Communications Commission (FCC) Description of Measurement Facilities Program; (4) programs differed in their accreditation application requirements, with 70 percent requiring both paperwork and on-site reviews; (5) laboratory officials believed that some of the programs' requirements were burdensome; (6) most programs did not separate accreditation costs from other expenses, since they believed that accreditation was only a small part of the complete program; (7) only two programs charged fees for participation in their programs; (8) laboratory officials believed that accreditation at the national level provided greater credibility for their services and was of growing importance

to international trade and U.S. competitiveness; and (9) one accreditation program had bilateral agreements with several countries to recognize each country's accredited laboratories.

### Open Recommendations to Agencies

**Recommendation:** The Director, Office of Management and Budget (OMB), should examine federal accreditation programs to determine whether user fees can and should be appropriately charged.

**Status:** Action in process. Estimated completion date: 12/89. OMB is currently soliciting information from various agencies on the potential for charging user fees. OMB would like to incorporate any potential savings into the fiscal year 1991 budget.

**Space Flight**

**Space Shuttle: Follow-up Evaluation of NASA's Solid Rocket Motor Procurement**

NSIAD-89-89, 05/23/89

**Background**

Pursuant to a congressional request, GAO reviewed the National Aeronautics and Space Administration's (NASA): (1) plans to establish and maintain competition in the future procurement of space shuttle solid rocket motors; and (2) quality assurance and industrial safety programs at its contractor's solid rocket motor manufacturing plant.

**Findings**

GAO found that: (1) NASA provided for full and open competition in the initial contract award and protected its option to compete future contracts for advanced motor production; (2) to maintain competition, NASA will require either government ownership of the manufacturing plant or transfer of ownership to the government or another contractor; (3) government ownership of the plant will facilitate, but not guarantee, future competition; (4) NASA and its contractor have improved quality assurance; (5) the contractor has reduced industrial safety hazards at its motor manufacturing plant, but NASA and the

Air Force continue to identify hazards and violations and have applied financial penalties as an incentive for the contractor to resolve recurring problems; (6) the Air Force has not performed all needed independent safety inspections of shuttle motor manufacturing facilities due to a lack of personnel; and (7) in 1989, NASA plans to contract with its current contractor for an additional 142 redesigned motors at an estimated cost of \$2.3 billion, but may have overestimated the number of motors needed.

**Open Recommendations to Congress**

**Recommendation:** Congress may wish to obtain periodic status reports from NASA on its efforts to maintain competition in the program.  
**Status:** Action not yet initiated.

**Open Recommendations to Agencies**

**Recommendation:** The Administrator, NASA, should require the Director,

Marshall Space Flight Center, to prepare an economic analysis as part of its efforts during contract negotiations to update requirements for redesigned solid rocket motors.

**Status:** Action in process. NASA has begun the economic analysis. The expected completion date is uncertain as contract negotiations will not begin until late 1989.

**Recommendation:** The Administrator, NASA, and the Secretary of the Air Force should determine safety inspection staffing requirements at the Thiokol plant.

**Addressee:** Department of the Air Force  
**Status:** Action in process. Estimated completion date: 12/89. The Contract Management Division headquarters has reviewed the staffing at the Thiokol Air Force Plant Representative Office (AFPRO) and upgraded one position to a GS-13. AFPRO is currently interviewing applicants for this position, which has been vacant since May 1988. AFPRO is to select one of the candidates and report his selection to DOD/IG headquarters by mid-November 1989.

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**Space Science, Applications, and Technology**

**Space Operations: NASA Efforts to Develop and Deploy Advanced Spacecraft Computers**

IMTEC-89-17, 03/31/89

**Background**

In response to a congressional request, GAO provided information on: (1) the capabilities of existing National Aeronautics and Space Administration (NASA) spacecraft computers; (2) NASA and Department of Defense (DOD) programs to develop advanced, general-purpose, space-qualified computers; and (3) the type of primary onboard computer system NASA planned to use for the space station.

**Findings**

GAO found that: (1) most NASA onboard computers were outdated when the spacecraft were launched because NASA chose them early in the development process to allow sufficient time for

integration, modification for the space environment was difficult, NASA used older and less powerful systems, and launch delays further outdated the computers; (2) NASA was monitoring DOD research and development programs to avoid duplication of effort and help meet future space mission needs; (3) NASA began funding its own research in advanced spacecraft computer technologies to incorporate DOD-developed equipment into NASA spacecraft; and (4) although NASA was trying to incorporate newer technology in the space station, the time lag problem would still exist, because the station's primary computer would be 10 years old if the station were launched in 1995.

**Open Recommendations to Agencies**

**Recommendation:** The Administrator, NASA, should consider further strengthening the agency's ongoing activities by establishing an independent expert panel to comprehensively examine the process by which advanced spacecraft computers are developed and deployed, and determine the further steps that could be taken to shorten the process. At the discretion of the Administrator, members of the panel could be gathered from appropriate federal agencies, the scientific community, and private industry.  
**Status:** Action in process. The expert panel is in the process of preparing its report to the Administrator, NASA.

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**Space Science, Applications, and Technology**

**Space Operations: NASA's Communications Support for Earth Orbiting Spacecraft**

IMTEC-89-41, 04/07/89

**Background**

Pursuant to a congressional request, GAO reviewed the National Aeronautics and Space Administration's (NASA) plans for providing emergency backup communications support for earth-orbiting spacecraft.

**Findings**

GAO found that NASA: (1) before implementation of its space-based Tracking and Data Relay Satellite System (TDRSS), primarily relied on its worldwide network of ground stations to provide communications support; (2) phased out 13 ground network stations between 1980 and 1985 as it deployed

TDRSS, and planned to phase out 4 more, pending successful on-orbit testing; and (3) originally believed that three special substations and three remaining ground stations could provide adequate backup communications support for spacecraft emergencies, but later requested Goddard Space Flight Center to review the four planned

closings, citing concerns about how the closures could endanger future missions, the ground stations' other activities, and transmission of scientific data. GAO also found that: (1) Goddard did not perform a risk assessment, but affirmed its belief that the closings posed an extremely low risk of spacecraft loss or damage; (2) Goddard maintained that TDRSS was intended solely for emergency backup support for spacecraft safety and functioning, and not for transmission of scientific data; (3) spacecraft averaged 2.2 malfunctions annually, with most

malfunctions resulting in little or no permanent damage to the spacecraft; and (4) NASA planned to construct a replacement for its ground terminal which was most critical to the operational reliability of earth orbiting spacecraft, based on concerns about the reliability of the original terminal.

### **Open Recommendations to Agencies**

**Recommendation:** The Administrator, NASA, should ensure that: (1)

appropriate risk analyses are performed and documented for present and future earth-orbiting spacecraft missions before the four ground stations located at Guam, Hawaii, Santiago, and Ascension Island are closed; (2) plans for support for launches of expendable vehicles are finalized before the Ascension Island station is closed; and (3) a plan is developed to provide support for Small Explorer Missions in equatorial orbits. **Status:** Action in process. NASA is in the process of developing a plan to support small explorer missions.

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## Cancer Treatment: National Cancer Institute's Role in Encouraging the Use of Breakthroughs

PEMD-89-4BR, 10/20/88

### Background

In response to a congressional request, GAO examined the role that the National Cancer Institute (NCI) plays in promoting physicians' utilization of breakthroughs in cancer therapies.

### Findings

GAO found that: (1) problems existed at many points in the process that breakthrough treatments take to reach cancer patients; (2) NCI had difficulties in coordinating its position on recommended treatments, so that physicians sometimes received many or

conflicting responses to requests for advice on treatments; (3) NCI efforts at disseminating information on new treatments to physicians had limited success; and (4) many cancer patients did not receive what NCI considered state-of-the-art treatment because physicians often did not adopt treatments even after they received information concerning them.

### Open Recommendations to Congress

**Recommendation:** Congressional committees that are concerned about

efforts to promote the adoption of cancer treatment advances may want to consider steps to specifically mandate federal action. This could include directing NCI, or some other office created for this purpose, to undertake efforts to clearly identify and promote the use of cancer therapies that have been sufficiently proven to warrant being classified as recommended treatments.

**Status:** Recommendation valid/action not intended.

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## Breast Cancer: Patients' Survival

PEMD-89-9, 02/28/89

### Background

Pursuant to a congressional request, GAO assessed the extent to which the use of adjuvant chemotherapy changed the survival rates of premenopausal women with breast cancer which had spread to the lymph nodes.

### Findings

GAO found that: (1) in 1975, two studies concluded that adjuvant chemotherapy showed promise as an effective cancer treatment; (2) in 1985, medical experts reached a consensus that adjuvant

chemotherapy had demonstrated a significant increase in disease-free survival and a significant reduction in mortality in premenopausal women with breast cancer which had spread to the lymph nodes; (3) data from the National Cancer Institute's Surveillance, Epidemiology, and End Results program indicated that there was no statistically significant increase in the 1975 through 1985 survival rates of patients identified as most likely to benefit from adjuvant chemotherapy; and (4) lack of treatment, inadequate control conditions, difficulty in detecting therapy benefits, and

inadequate or inappropriate treatment could account for the lack of detectable improvement in survival rates.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Health and Human Services should initiate a study to determine why there has been no detectable improvement in the survival of premenopausal, node-positive breast cancer patients since the advent of chemotherapy in 1975. In light of the potential methodological obstacles

that such a study faces, the Secretary should seek expert advice on the feasibility of conducting the

recommended research and the study design most likely to provide valid conclusions.

Status: Action not yet initiated.

## Public Health: Centers for Disease Control Staffing for AIDS and Other Programs

HRD-89-65, 04/27/89

### Background

In response to a congressional request, GAO provided information on the Centers for Disease Control's (CDC) staff reallocation to support acquired immunodeficiency syndrome (AIDS) activities, and the impact of reallocation on other CDC public health programs.

### Findings

GAO found that: (1) CDC allocated about 416 staff years for AIDS activities for

fiscal year 1988, of which about 251 were diverted from other programs; (2) CDC estimated that it actually used about 489 staff years for AIDS activities in 1988; (3) between 1981 and 1988, CDC staff years for other programs decreased by about 1,250, while it increased its staffing for AIDS activities; (4) CDC did not track staff years by program activity, and could not accurately verify the actual time its staff spent on programs or activities; and (5) CDC believed that its staff reallocation did not impact other program or activities.

### Open Recommendations to Agencies

**Recommendation:** The Director, CDC, should devise a system to keep track of employees' actual time spent on each program or activity.

**Status:** Action not yet initiated. CDC concurred with the thrust of this recommendation, but it does not agree that agency managers need better program data to allocate resources.

## FDA Resources: Comprehensive Assessment of Staffing, Facilities, and Equipment Needs

HRD-89-142, 09/15/89

### Background

Pursuant to a congressional request, GAO assessed whether the Food and Drug Administration (FDA) had sufficient resources to meet its current and future responsibilities, focusing on its: (1) staffing requirements and staff recruitment and retention rates; and (2) laboratory, space, and equipment needs.

### Findings

GAO found that: (1) new legislation, public health crises, and product tampering incidents have significantly increased FDA responsibilities, but its staffing level has declined 7.5 percent since 1980; (2) although FDA estimated that it would need more than 2,000 positions to replace those lost and to handle its increased responsibilities, the

administration's fiscal year 1990 budget called for an FDA staffing level of about 1,800 less than those needs; (3) FDA lacked the uniformity in its internal management information systems to substantiate its staffing needs; (4) although FDA studied how to use its declining resources more efficiently and effectively, it neither assessed all of its activities to determine what to accomplish with its limited resources,

considered shifting work to other agencies or industry to accomplish its mandates, nor identified activities no longer needed; (5) FDA also had difficulties in filling senior-level positions because of pay and fringe benefits, inadequate office and laboratory space, and the high cost of living in the Washington, D.C., area; (6) FDA headquarters offices and laboratories, located in 23 facilities, were decentralized and dispersed across 7 sites throughout the Washington, D.C., area, and had inadequate electrical, heating and cooling, and waste disposal systems; (7) office space for staff at all levels was far below the amount prescribed in General Service Administration (GSA) standards and were so cramped in some cases that staff could only partially open some doors; (8) FDA and GSA both agreed that FDA needed to consolidate its activities in one location, which would cost between \$447 million and \$477 million, depending on the buildings already present at the chosen site; and (9) based on government equipment replacement criteria, FDA should have replaced 29 percent of its scientific equipment.

**Open Recommendations to Congress**

**Recommendation:** To provide a more accurate basis for determining FDA resource needs, Congress should require the Commissioner, FDA, to make an agencywide assessment to identify and prioritize its activities and responsibilities.

**Status:** Action not yet initiated.

**Open Recommendations to Agencies**

**Recommendation:** The Commissioner, FDA, should assess the agency's responsibilities and the staffing requirements to meet these responsibilities, based on present and future projections.

**Status:** Action not yet initiated.

**Recommendation:** The Commissioner, FDA, should determine the activities FDA can effectively undertake given a specified level of staffing increases (e.g., a 2-percent, 10-percent, or 15-percent increase over 1989).

**Status:** Action not yet initiated.

**Recommendation:** The Commissioner, FDA, should identify the management changes FDA would implement to match specified staffing levels with higher

priority responsibilities (e.g., consolidation, shifting of low-priority tasks to third parties).

**Status:** Action not yet initiated.

**Recommendation:** In order to effectively carry out the recommendations, the Commissioner, FDA, should determine the agencywide management information systems it will need to ensure that officials have the data to accurately assess: (1) FDA staff and resource needs; and (2) how well its mission is being carried out and how effectively current resources are being used. Due to the urgency of FDA problems, FDA should place a high priority on completing its comprehensive assessment.

**Status:** Action not yet initiated.

**Recommendation:** The Commissioner, FDA, should use the information it develops as a basis to assess its facility and equipment needs. This assessment would be intended to ensure that space, laboratory, and equipment plans are synchronized with the agency's concentration of staffing resources on higher priority activities. Furthermore, FDA should prepare a timetable for the staffing, systems, and management changes it will implement as a result of its assessment.

**Status:** Action not yet initiated.

**Consumer and Occupational Health and Safety**

**Pesticides: Need To Enhance FDA's Ability To Protect the Public From Illegal Residues**

RCED-87-7, 10/27/86

**Background**

In response to a congressional request, GAO reviewed the Food and Drug Administration's (FDA) activities to

protect the public from exposure to illegal pesticide residues in the domestic food supply under the Food, Drug, and Cosmetic Act, specifically its: (1)

monitoring of the nation's domestic food supply for illegal residues; and (2) efforts to prevent food containing illegal residues from reaching the market.

**Findings**

GAO noted that, since FDA could not monitor all food that might contain illegal pesticide residues, it designed its monitoring program to selectively spot-check a very small amount of domestically produced food and remove food that it found to contain illegal residues. GAO found that the FDA pesticide monitoring program has two major shortcomings because FDA does not: (1) regularly test food for a large number of pesticides that might be present in food, including a number of pesticides that, according to FDA,

require continuous or periodic monitoring because they are known as potential health hazards and are likely to be used; (2) prevent the marketing of most of the food that contains illegal pesticide residues; and (3) penalize growers who market food with illegal pesticide residues when FDA is unable to remove it from the market.

**Open Recommendations to Congress**

**Recommendation:** In view of the difficulties that FDA faces in trying to

use existing authorities to prevent the marketing of domestic food containing illegal pesticide residues and the need to provide a strong deterrent against such shipments, Congress may wish to give FDA legislative authority to assess civil penalties against growers of such food when it is not removed from the marketplace.

**Status:** Recommendation valid/action not intended.

**Consumer and Occupational Health and Safety**

**Medical Devices: Early Warning of Problems Is Hampered by Severe Underreporting**

PEMD-87-1, 12/19/86

**Background**

In response to a congressional request, GAO provided information on the communications network and its flow patterns for problems associated with medical devices that the Food and Drug Administration (FDA) has reviewed or approved for marketing, specifically: (1) how hospitals report problems that occur in the use of medical devices; (2) how hospitals, manufacturers, and FDA respond to these problems; and (3) how other federal programs monitor the safety of selected technologies and identify promising practices that FDA might apply to medical devices.

**Findings**

GAO found that: (1) hospitals were aware of most medical device problems; (2) 9 percent of the problems identified with the 10 devices GAO studied involved actual injuries; (3) wear or

deterioration of devices was the major cause of problems in one-third of the hospital reports, while other causes were defective components, design flaws, and improper use; (4) hospitals reported only 51 percent of identified medical device problems to such outside organizations as device manufacturers, distributors, and independent distributors; (5) hospitals made 83 percent of their reports orally and without documentation; (6) hospitals reported more manufacturer-related problems than user-related problems; (7) hospitals repaired or replaced defective components to avoid a recurrence of 85 percent of the problems they experienced; (8) 52 percent of the problems hospitals reported to manufacturers and distributors resulted in the repair or replacement of a failed device; (9) hospitals did not report problems to FDA, preventing an effective postmarketing surveillance

(PMS) system; and (10) 53 percent of surveyed health care professionals were not aware of the FDA system for reporting problems. GAO believes that: (1) the information loss will not improve significantly, despite a new rule that requires manufacturers to report to FDA problems that have caused or may cause injury or death, since hospitals fail to report many of those problems to the manufacturers; and (2) representative sampling would be an efficient way to obtain necessary monitoring information.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Health and Human Services should correct the underreporting of medical device problems by recommending that FDA explore the possibility of establishing a voluntary, PMS system

involving a representative sample of hospitals that would report directly to device manufacturers. This recommendation is made in light of the void of information on problems with medical devices, the potential harm to

people that could ensue, and recent developments indicating a more cooperative attitude by hospitals. **Status:** Action in process. A GAO follow-up study of implementation of medical device reporting was completed

February 1989 (PEMD-89-10). Legislation is under consideration by Congress to require medical device problem reporting by hospitals.

**Consumer and Occupational Health and Safety**

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

PEMD-88-14, 08/17/88

**Background**

In response to a congressional request, GAO examined the Food and Drug Administration's (FDA): (1) implementation of the premarket notification provision of the Medical Device Amendments of 1976; and (2) day-to-day operations in making its determinations of substantial equivalence.

**Findings**

GAO found that: (1) although FDA guidance for determining substantial equivalence was generally adequate and consistent with the less restrictive reading of the act, its description of performance assessment contained some ambiguities; (2) differences among the reviewing divisions within the Office of Device Evaluation (ODE) concerning manufacturer information suggested a lack of clear office-wide policy and coordination; (3) documentation of premarket notifications was inadequate to evaluate ODE compliance with formal review policy; (4) because of implementation problems, certain classes of medical devices did not meet requirements appropriate to their classification and FDA relied on premarket notifications to control

market access to them; and (5) FDA reliance on products marketed prior to 1976 to determine substantial equivalence could cause problems.

**Open Recommendations to Congress**

**Recommendation:** Congress may want to consider: (1) clarifying the extent to which FDA should evaluate, within the premarket notification process, the effects of technological changes in medical devices on their safety and effectiveness; and (2) developing alternative approaches to the regulation of devices currently placed in classes II and III that could accomplish the original purposes of the amendments. **Status:** Action in process.

**Recommendation:** Congress should amend the Federal Food, Drug and Cosmetic Act to make the determination of substantial equivalence relative to a currently marketed device rather than a predicate device. This can be accomplished by amending section 513(f)(1)(A)(ii) of the act (21 U.S.C. 360(c)(f)(1)(A)(ii)) to read as follows: "is substantially equivalent to a currently marketed device within such type regardless of when that currently

marketed device was introduced or delivered for introduction into interstate commerce, or..." **Status:** Action in process.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Health and Human Services should instruct the Commissioner, FDA, to establish a requirement that written documentation of the review and decisionmaking process be included in each premarket notification file. The extent of documentation should vary depending on the seriousness of the questions raised during the review. **Status:** Action in process. The Department of Health and Human Services (HHS) is in the process of implementing this recommendation.

**Recommendation:** The Secretary of Health and Human Services should instruct the Commissioner, FDA, to develop and implement processes, first for identifying scientific issues that require uniform treatment across the divisions of ODE, then for developing policies, and finally for ensuring that these policies are implemented in the review of premarket notifications.

Status: Action in process. HHS is in the process of implementing this recommendation.

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## Consumer and Occupational Health and Safety

# FDA's Reviews of New Drugs: Changes Needed in Process for Reviewing and Reporting on Clinical Studies

HRD-88-100, 09/12/88

### Background

In response to a congressional request, GAO reviewed the Food and Drug Administration's (FDA) Division of Scientific Investigations' (DSI) activities, specifically: (1) its responsibilities relating to the approval of new drug and biological products; (2) the accuracy of FDA data and adequacy of oversight of clinical investigators, review boards, and laboratories involved in studies supporting new drug applications (NDA); and (3) the adequacy and timeliness of for-cause inspections.

### Findings

GAO found that: (1) the FDA data base of information on review boards and laboratories was adequate and complete for use in scheduling inspections; (2) FDA increased its data-base maintenance staff and changed its regulations for easier investigator identification to eliminate a 9-month

backlog and make the data base more reliable; and (3) FDA revised its policy manual to assign joint responsibility for selecting studies for review to the drug review divisions and DSI. GAO also found that: (1) DSI conducted over 400 for-cause investigations of clinical investigators over the past 10 years usually due to indications of wrongdoing, unusually large numbers of investigations, or the importance of a study to a new drug application; (2) although DSI participation was necessary to maintain staff knowledge of particular drugs and improve interaction with drug review divisions, its participation had little effect on inspection results; (3) FDA completed only 88 of the 190 reviews scheduled within 12 months of receipt of NDA and did not notify its district offices of the need to make reviews until at least 1 year after receipt on almost 73 percent of the remainder; and (4) district involvement in other high priority work,

such as product-tampering investigations, delayed timely completion of reviews.

### Open Recommendations to Agencies

**Recommendation:** To enable FDA to carry out its bioresearch monitoring responsibilities in a more timely manner, the Secretary of Health and Human Services should require the Commissioner, FDA, to give DSI direct access to the FDA automated management information system on incoming NDA to facilitate inspection scheduling.

**Status:** Action in process. Estimated completion date: 12/89. FDA purchased and installed a computer system on January 18, 1989, and plans to complete a cable hookup with DSI in July 1989 to provide it with NDA data. DSI personnel will complete examining this system by December 1989.

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**Consumer and Occupational Health and Safety**
**Whistleblowers: Management of the Program to Protect Trucking Company Employees Against Reprisal**

GGD-88-123, 09/22/88

**Background**

Pursuant to a congressional request, GAO reviewed the Occupational Safety and Health Administration's (OSHA) management of the Whistleblower Protection Program for trucking company employees who allege safety violations by employers.

**Findings**

GAO found that OSHA: (1) has not devoted enough management attention to the Whistleblower Protection Program; (2) did not fully comply with the statutory requirement that it investigate and issue findings on whistleblower complaints within 60 days; (3) inadequately publicized the program; and (4) plans to have a new management information system in operation by January 1989, which will provide direct access to data maintained in OSHA regional offices. GAO also found that the Department of Transportation's Office of Motor Carriers (OMC) and OSHA did not have procedures to provide OMC with information from complaints alleging motor carrier safety violations.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Labor should direct the Assistant Secretary for Occupational Safety and Health to ensure that the management

information system (MIS) being developed will provide accurate and up-to-date information on the current status of Section 405 cases.

**Status:** Action in process. Estimated completion date: 03/90. OSHA is: (1) redesigning MIS; (2) increasing staff to do investigations; and (3) finding better ways to publicize the program. The Department of Transportation (DOT) has implemented new procedures for obtaining such information and is using it in ongoing efforts to investigate alleged safety violations.

**Recommendation:** The Secretary of Transportation should develop, in cooperation with OSHA, a procedure for obtaining information from whistleblower complaints alleging motor carrier safety violations and use the information as a factor to consider in identifying and following up on motor carriers alleged to have violated federal laws and regulations.

**Status:** Action in process. Estimated completion date: 03/90. DOT implemented new procedures for obtaining whistleblower complaint information from OSHA; however, evidence of DOT use of the information in ongoing efforts to investigate alleged safety violations has not yet been documented.

**Recommendation:** The Secretary of Labor should direct the Assistant Secretary for Occupational Safety and

Health to identify the problems, factors, and conditions that are causing delays in case processing and take action to correct them.

**Status:** Action in process. Estimated completion date: 03/90. OSHA plans to do the analysis needed to identify all probable problems, factors, and conditions causing delays in case processing. Once MIS is working, it will complete the identification process and implement additional actions to reduce case processing delays. Action has started to develop MIS, and the recommendation will remain open pending MIS completion.

**Recommendation:** The Secretary of Transportation should develop, in cooperation with OSHA, a procedure for obtaining information from whistleblower complaints alleging motor carrier safety violations and use the information as a factor to consider in deciding what penalties to impose on motor carriers who have committed repeated or serious violations.

**Status:** Action in process. Estimated completion date: 03/90. DOT implemented new procedures for obtaining whistleblower information from OSHA; however, evidence of DOT use of the information as a factor to consider in deciding what penalties to impose on motor carriers who have committed repeated or serious violations has not yet been documented.

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**Consumer and Occupational Health and Safety**
**Occupational Safety & Health: Assuring Accuracy in Employer Injury and Illness Records**

HRD-89-23, 12/30/88

**Background**

In response to a congressional request, GAO assessed the accuracy of employers' occupational injury and illness records and the Occupational Safety and Health Administration's (OSHA) efforts to ensure accurate recordkeeping.

**Findings**

GAO found that: (1) there was significant occupational safety and health underreporting to the Bureau of Labor Statistics (BLS) by employers nationwide; (2) two studies indicated that about 23 percent of work sites visited underrecorded injuries and illnesses, while another study showed that about one-half of 40 chemical industry employers failed to completely record injuries or illness in their logs; (3) inaccurate recordkeeping occurred because many employers either deliberately underrecorded injuries in response to incentives or were unaware of what they should record; and (4) many employers assigned low priority to recordkeeping, which sometimes led to

inaccurate and outdated records. GAO also found that OSHA: (1) increased its fines for recordkeeping violations and assessed about \$10 million in initial penalties against 65 employers for significant recordkeeping violations; and (2) modified its records review procedures to reduce its reliance on employer logs. GAO believes that OSHA actions to correct inaccurate recordkeeping problems will improve the effectiveness of its inspection process.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Labor should require BLS to: (1) conduct studies that assess the accuracy of employer injury records by comparing those records with independent data sources; and (2) systematically evaluate how well employers understand the revised guidelines for recording and reporting work-related injuries and illnesses to BLS.

**Status:** Action in process. Estimated completion date: 01/92. BLS and the

Census Bureau have conducted a national survey of injuries that occur at work. The resulting injury estimates will provide benchmarks for other BLS estimates and may be used to verify workplace injury reporting. Also, BLS and OSHA are restructuring the workplace injury and illness data collection system. BLS will test the new forms and follow up after implementation.

**Recommendation:** The Secretary of Labor should direct OSHA to use the procedures developed in the Recordkeeping Audit Program in selected enforcement activities.

**Status:** Action in process. OSHA plans to incorporate the interview procedures developed in the Recordkeeping Audit Program for use in cases of violations, but not in all inspections. OSHA did not adopt the program's procedure for reconstructing employer logs. It plans, however, to repeat the program every 5 years to help evaluate improvements in employer recordkeeping and to continue other efforts to secure compliance.

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**Consumer and Occupational Health and Safety**
**Medical Devices: FDA's Implementation of the Medical Device Reporting Regulation**

PEMD-89-10, 02/17/89

**Background**

In response to a congressional request, GAO examined the Food and Drug Administration's (FDA) implementation of the medical device reporting (MDR) regulation to: (1) determine the level of information the regulation generated; (2) describe and assess the principal organizational structures and procedures that FDA used to process MDR reports; (3) evaluate FDA analysis and use of MDR data; and (4) review FDA efforts to assess the degree to which medical device firms complied with the MDR requirements.

**Findings**

GAO found that: (1) prior to implementation, FDA received about 2,500 problem reports annually through voluntary reporting; (2) during the first 3 years after MDR implementation, FDA received about 18,000 problem reports annually; (3) there was a significant increase in the proportion of deaths or serious injuries that were concentrated among relatively few medical specialities and devices within those specialities; and (4) 10 medical devices accounted for about 63 percent of all reported problems and cardiovascular devices accounted for about 50 percent of all reported problems. GAO also found that the: (1) MDR system lacked procedural guidelines for report analysts; (2) report analysts lacked automated data processing skills; (3) work-flow pattern

for MDR processing was unnecessarily complicated; (4) system had a limited capacity to identify trends and anomalies in the device problems; (5) volume and types of reports submitted resulted in a constant backlog, including more than 10,000 malfunction reports for which FDA had not completed some portion of analysis; (6) FDA did not close about one-third of the MDR reports with one of the standard report dispositions and closed about 62 percent of the reports for use as baseline data; (7) FDA tentatively identified the cause of device problems in half of the reports it evaluated and found that the device was the cause in 77 percent of those reports; (8) FDA did not use the data for purposes other than to record and track device problems and had very little data on its corrective actions; and (9) one-third of the device firms FDA inspected were not aware of the MDR rule and 37 percent received no problem reports about their devices.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Health and Human Services should require all firms that manufacture or import medical devices to submit an annual statement indicating either that they filed no MDR reports during the calendar year because they did not receive or otherwise become aware of information concerning MDR-reportable events, or that they filed a specific

number of reports on each type of reportable event and that the firm received or became aware of information concerning only these events.

**Status:** Recommendation valid/action not intended. According to agency contact, since the Department of Health and Human Services (HHS) did not concur with this recommendation, it plans no action.

**Recommendation:** The Secretary of Health and Human Services should ensure that FDA completes a methodologically sound program of MDR compliance inspections that would permit valid generalization of the results to the population of device manufacturers and importers.

**Status:** Recommendation valid/action not intended. According to agency contact, HHS did not concur with this recommendation and, therefore, plans no action.

**Recommendation:** The Secretary of Health and Human Services should encourage FDA to continue to strengthen its documentation of the use of MDR data in taking corrective actions on device problems, especially by ensuring that such actions are recorded in the MDR data base.

**Status:** Action in process. Actions are being taken to ensure MDR actions are properly recorded in the data base. HHS indicated that completion of the task will require additional staff and funds.

**Consumer and Occupational Health and Safety**

**Domestic Food Safety: FDA Could Improve Inspection Program to Make Better Use of Resources**

HRD-89-125, 09/27/89

**Background**

Pursuant to a congressional request, GAO reviewed the Food and Drug Administration's (FDA) inspections of domestic food firms, focusing on the: (1) criteria FDA used to select firms for inspections; (2) frequency with which FDA inspected firms with low risks for product adulterations; and (3) results of those inspections.

of its inspection resources on low-risk firms; (6) inspected less than half of firms with violation histories, including those firms that its state contractors had previously identified; (7) did not consider the extent to which state agencies independently inspected certain firms when scheduling its own inspections; and (8) believes that it needs to maintain its level of routine surveillance inspections.

**Recommendation:** To more efficiently and effectively use the resources FDA devotes to domestic food sanitation inspections, the Secretary of Health and Human Services should direct the Commissioner, FDA, to develop a policy on the frequency of food inspections that incorporates the use of statistical sampling to monitor low-risk, nonproblem firms.  
**Status:** Action not yet initiated.

**Findings**

GAO found that FDA: (1) issued October 1986 guidance instructing field offices to concentrate inspection resources on food firms with a history of violations; (2) lacked criteria for determining the frequency of inspections; (3) and its state contractors inspected about 11,500 domestic food firms during fiscal year 1987; (4) conducted 90 percent of those inspections for routine surveillance, not compliance purposes, and most of the surveillance inspections did not reveal any serious violations; (5) spent over half

**Open Recommendations to Agencies**

**Recommendation:** To more efficiently and effectively use the resources FDA devotes to domestic food sanitation inspections, the Secretary of Health and Human Services should direct the Commissioner, FDA, to review the FDA inventory of food firms and reduce its inspection of firms that the states routinely inspect as part of their own programs.

**Status:** Action not yet initiated.

**Recommendation:** To more efficiently and effectively use the resources FDA devotes to domestic food sanitation inspections, the Secretary of Health and Human Services should direct the Commissioner, FDA, to instruct FDA district offices to target all firms with histories of violations, including those identified by state contract inspections, in its plans for future inspections.  
**Status:** Action not yet initiated.

**Consumer and Occupational Health and Safety**

**Postal Service Management of Work-Related Injuries**

T-GGD-89-41, 09/28/89

**Background**

GAO discussed its review of the U.S. Postal Service's (USPS) administration of its work-related injury compensation program. GAO noted that: (1) USPS

measures effectiveness of division procedures to control lost workdays connected with work-related injuries; (2) lost-workday rates varied greatly among postal divisions; (3) the degree of division

commitment to effective cost-control procedures affected divisional performance; (4) USPS limited-duty guidelines did not include criteria for how long employees could remain on

limited duty or on how to monitor employees' medical progress; (5) local supervisors did not always complete accident reports for the USPS National Accident Reporting System; and (6) USPS safety and compensation staffs did not sufficiently coordinate their activities to ensure accident reporting.

**Open Recommendations to Agencies**

**Recommendation:** To expand USPS controls over lost workdays and continuation-of-pay hours, strengthen the management of limited-duty assignments, and improve accident reporting, the Postmaster General should direct the Senior Assistant Postmaster General, Human Resources, to identify effective control procedures used by more successful divisions, disseminate that information to all divisions, and promote the greater use of those controls, as appropriate for each location.

**Status:** Action not yet initiated.

**Recommendation:** To expand USPS controls over lost workdays and continuation-of-pay hours, strengthen the management of limited-duty assignments, and improve accident reporting, the Postmaster General should direct the Senior Assistant Postmaster General, Human Resources, to establish guidelines requiring routine medical monitoring and scheduled periodic review of limited-duty assignments for possible termination.  
**Status:** Action not yet initiated.

**Recommendation:** To expand USPS controls over lost workdays and continuation-of-pay hours, strengthen the management of limited-duty assignments, and improve accident reporting, the Postmaster General should direct the Senior Assistant Postmaster General, Human Resources, to remind divisions of the importance of the USPS requirement to complete

accident reports and require divisions to establish a system of control procedures such as routine reconciliation of accident reports and medical treatment records for occupational injuries and illnesses.  
**Status:** Action not yet initiated.

**Recommendation:** To expand USPS controls over lost workdays and continuation-of-pay hours, strengthen the management of limited-duty assignments, and improve accident reporting, the Postmaster General should direct the Senior Assistant Postmaster General, Human Resources, to issue guidelines for divisions on improving coordination and communication between injury compensation and safety staffs and on establishing and implementing National Accident Reporting System reporting verification procedures.  
**Status:** Action not yet initiated.

**Health Care Services**

**Medicare/Medicaid Funds Can Be Better Used To Correct Deficiencies in Indian Health Service Facilities**

HRD-83-22, 08/16/83

**Background**

GAO reviewed the Indian Health Service's (IHS) management of funds collected from Medicare and Medicaid programs for services provided in its facilities to Indians eligible for those programs. IHS is required by law to use the funds collected to make improvements in its facilities to enable them to meet and remain in compliance with Medicare/Medicaid standards.

**Findings**

In 1976, only half of IHS hospitals met the Medicare/Medicaid standards. IHS began applying its Medicare/Medicaid funds toward the objective of bringing all of its facilities into compliance with the standards and, by October 1981, the objective was achieved. IHS now spends the funds primarily on recurring costs needed to maintain compliance. However, IHS has established a practice that results in the allocation of available Medicare/Medicaid collections to the

facility that provided the services rather than redirecting them to the most needy facilities. This practice has not ensured that the facilities most in need of funds receive them and has resulted in the accumulation of a large unobligated balance of Medicare/Medicaid collections. GAO also found that the IHS Medicare/Medicaid billing and collection system is much more costly than those of private hospitals because: (1) IHS is not able to take advantage of the economies afforded by volume billing;

and (2) the involvement of multiple IHS organizational levels in the primarily manual system is cumbersome and results in additional work through the maintenance of duplicate records.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Health and Human Services should

direct the Assistant Secretary for Health to increase the efficiency of the IHS Medicare/Medicaid billing and collection system by such means as eliminating duplicative functions among the various IHS organizational levels and increasing automation of the system where justifiable by cost savings.

**Status:** Action in process. Estimated completion date: 07/90. IHS automated the processing system for Medicare

outpatient claims and is developing an automated process for Medicare inpatient and outpatient claims. IHS believes that it is not feasible to automate all Medicaid inpatient claims, but is working to automate the process in certain high-volume states. Implementation of the computerized system will take several more years.

## Health Care Services

# Payment Rates for Ambulatory Surgery Centers Are Higher Than Intended by HCFA

HRD-84-67, 07/12/84

### Background

GAO examined the methodology used by the Health Care Financing Administration (HCFA) for establishing the standard overhead amounts to be paid to ambulatory surgery centers (ASC) and compared the cost to Medicare for surgery performed in ambulatory versus inpatient settings.

### Findings

The Omnibus Reconciliation Act of 1980 authorized payments under Medicare to ASC to cover their operating costs. The payment amounts, called standard overhead amounts, were to be based on HCFA estimates of the costs generally incurred by ASC in furnishing services in connection with ambulatory surgery. Also, the standard overhead amounts were to be set at a level that would ensure that the Medicare costs of

services in ASC would be substantially less than the costs of the surgeries if performed on a hospital inpatient basis. GAO found that HCFA set standard overhead amounts for ambulatory surgery that appear to save Medicare program dollars. However, in computing the standard overhead amounts, HCFA did not adjust charge data by the cost-to-charge ratio as intended. As a result, the standard overhead amounts are 10-percent higher than intended. GAO believes that better data should now be available than the limited information HCFA had when it established ASC payment rates. HCFA should begin the process of reevaluating the rates.

### Open Recommendations to Agencies

**Recommendation:** The Administrator, HCFA, should recompute ASC payment

rates to incorporate the cost-to-charge adjustment.

**Status:** Action in process. Estimated completion date: 12/89. HCFA intends to implement this recommendation at the same time it implements the other recommendation in this report.

**Recommendation:** The Administrator, HCFA, should obtain more complete and current data on ASC costs and develop payment rates from it.

**Status:** Action in process. Estimated completion date: 12/89. HCFA developed and distributed a data collection form to gather the needed data. The Omnibus Budget Reconciliation Act of 1986 requires HCFA to update the payment rate for ASC by July 1, 1987, and annually thereafter. HCFA intends to use the data to promulgate the first update under the new law in the fall/winter of 1989 with a retroactive effective date of July 1, 1987.

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**Health Care Services**
**Medicare: Past Overuse of Intensive Care Services Inflates Hospital Payments**

HRD-86-25, 03/07/86

**Background**

GAO analyzed the changes in intensive care units (ICU) since the implementation of the Medicare prospective payment system (PPS) in order to: (1) estimate the extent to which, prior to PPS, Medicare patients received ICU services when less costly routine care would have been a feasible option; (2) determine whether hospital practices regarding the use of ICU services changed after PPS implementation; and (3) ensure that changes in such utilization are reflected in Medicare payment rates.

**Findings**

GAO found that 23 percent of the Medicare ICU patients reviewed were at low risk of needing a treatment provided in an ICU and did not receive such treatment during their ICU stay. In 21

diagnosis-related groups, an average 1.1 percent of costs of care reflected the extra expense of treating low-risk patients in ICU, or an increase of about \$3.2 million in the Medicare cost base. GAO noted that situations affecting medical practices that contributed to avoidable ICU admission and changing hospital practices and attitudes indicated that PPS was meeting a major objective of encouraging hospitals to operate more efficiently. Hospital officials attributed improvements to physician awareness and the fact that they were responding to anticipated pressures for improved efficiency under PPS. Medicare requires that PPS rates reflect the costs necessary for the efficient and effective delivery of medically appropriate and necessary care of high quality; however, the data used to set the rates include the costs of unnecessary services. The costs, therefore, of providing appropriate

medical services economically and efficiently are overstated. As long as the data base remains inflated, Medicare's PPS rates will remain high.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Health and Human Services should revise prospective payment rates to base them on 1984 or later cost data, which reflect hospital behavior under PPS. **Status:** Recommendation valid/action not intended. The Department of Health and Human Services (HHS) has not rebased prospective payment rates. The Prospective Payment Assessment Commission has recommended reductions in rates in 1987, 1988, and 1989, based on its analysis of hospital cost data. HHS has not accepted the Commission's recommendations either.

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**Health Care Services**
**Medicare: Issues Raised by Florida Health Maintenance Organization Demonstrations**

HRD-86-97, 07/16/86

**Background**

GAO reviewed Medicare's health maintenance organizations (HMO) program to determine: (1) the adequacy of financial and quality-of-care safeguards for Medicare beneficiaries; (2)

the reasonableness of Medicare payments to HMO; and (3) the effectiveness of Department of Health and Human Services (HHS) oversight.

**Findings**

GAO determined that: (1) in network-type HMO, the beneficiary protections concerning HMO financial solvency and enrollment were substantially limited, since HMO delivered many services

through subcontractors; (2) although the subcontractors assumed most HMO financial risk, legislative safeguards did not apply to them and they received little federal or state oversight; and (3) Medicare's payments to HMO were too high because the program did not adjust rates for enrollees' health status. GAO found that: (1) HMO enrollees were healthier than the average beneficiary, as measured by mortality rates; (2) HMO enrollees generally would need less medical care and cost HMO less overall; and (3) the HMO program is unlikely to achieve the intended Medicare savings. GAO also found that no Florida HMO were fully complying with federal requirements to inform Medicare enrollees of their rights to grieve and appeal denied claims or services.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Health and Human Services should

direct the Administrator, HCFA, to reduce HMO payment rates to more accurately account for the health status of HMO enrollees, because the methodology used by HCFA to pay risk-based HMO currently overpays them on average.

**Status:** Recommendation valid/action not intended. HHS took exception to the GAO methodology as the basis for disagreeing. While the GAO methodology was not sufficient to decrease payment rates, it did strongly indicate rates were too high. HHS should determine the proper level of reduction.

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to consider the feasibility of reducing the adjusted average per-capita-cost administrative cost-loading factor to account for paying agents' continued involvement in processing HMO enrollee claims.

**Status:** Recommendation valid/action not intended. In commenting on the draft report, HHS disagreed with this recommendation.

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to collect from HMO payments due for administrative costs under the option B agreements because the intermediaries processed the claims.

**Status:** Action in process. Estimated completion date: 06/90. The Omnibus Budget Reconciliation Act of 1987, Public Law 100-203, eliminated the option B method. HHS has collected data from the intermediaries on HMO previously using option B and is in the process of determining the amount of payment due from each HMO.

## Health Care Services

# Medicare: Need To Strengthen Home Health Care Payment Controls and Address Unmet Needs

HRD-87-9, 12/02/86

### Background

Pursuant to a congressional request, GAO provided information on the Medicare home health program, specifically: (1) the status of efforts to strengthen internal controls to prevent payment for services Medicare does not cover; and (2) how many chronically ill elderly persons have home care needs that Medicare and other providers do not meet.

### Findings

GAO found that: (1) material weaknesses in internal controls over payments for Medicare home health services resulted in improper payments of almost \$600 million in fiscal year 1984; (2) the Department of Health and Human Services (HHS) has been slow to implement changes to strengthen management controls in response to 1981 GAO recommendations; (3) HHS needs to better explain what services Medicare covers and how to review

payment claims to identify noncovered services; (4) HHS needs to make intermediaries more accountable for their payment decisions and strengthen sanctions against home health agencies that consistently abuse the program; (5) HHS has not evaluated available data to determine what effect stronger controls would have on unmet needs for home care assistance; and (6) in 1982, about 168,000 of the chronically ill elderly lacked needed assistance with such daily living activities as bathing, dressing, and

eating, while about 1.1 million lacked assistance with such key day-to-day activities as grocery shopping and transportation. GAO also found that, to meet the home care needs of the elderly population: (1) HHS could expand its Medicare, Medicaid, and private health insurance coverage; (2) the government could provide tax incentives to encourage families and friends to provide care; and (3) the government could provide additional funds under block grants to encourage expansion of community-based services.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to revise the home health postpayment utilization review program guidance to require intermediaries to use statistically valid sampling techniques for identifying and projecting the amount of noncovered care to the universe of claims paid.

**Status:** Recommendation valid/action not intended. HHS stated that the waiver of liability makes it inappropriate to project overpayments for home health agencies. GAO continues to believe that it is imperative that statistically valid techniques be used to project the amount of noncovered care. Continuing problems in calculating denial rates will be addressed in a forthcoming report.

**Health Care Services**

**Medicare: More Hospital Costs Should Be Paid by Other Insurers**

HRD-87-43, 01/29/87

**Background**

In response to a congressional request, GAO provided information on whether the Department of Health and Human Services (HHS) could improve existing policies and procedures for identifying and billing insurers covering Medicare beneficiaries, which should pay medical claims before Medicare does.

increase training, monitoring, and auditing of hospitals to improve their performance in identifying and billing other insurers; (5) some employers were enrolling Medicare beneficiaries inappropriately in group insurance that treated Medicare as the primary payer; and (6) there is no federal requirement for attorneys or insurers to report actions taken to recover accidental damages for Medicare beneficiaries.

employers a deduction for health insurance premiums or impose a tax on such premiums if the policies provided by the employers do not meet the requirements of the Medicare secondary payer provisions for aged beneficiaries. **Status:** Action in process.

**Findings**

GAO found that: (1) in 1985, Medicare paid \$527 million in hospital costs that other insurers should have covered; (2) hospitals often gathered insufficient information about other insurance resources or billed Medicare even when they identified other insurance; (3) the six hospitals that GAO studied identified and billed primary insurance in only 17 percent of the cases where patients indicated that they had primary insurance coverage for the admission; (4) intermediaries had little incentive to

**Open Recommendations to Congress**

**Recommendation:** Congress should consider enacting one of two alternatives. Congress could: (1) statutorily direct the Equal Employment Opportunity Commission (EEOC) to promulgate the regulations that it envisioned when it enacted section 4(g) of the Age Discrimination in Employment Act (ADEA); or (2) amend the Internal Revenue Code to deny

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to: (1) enter into a memorandum of understanding with EEOC on the type of cases to be referred; and (2) establish procedures for identifying and referring potential violations of provisions of ADEA to EEOC. This can be done, for example, by establishing procedures for monitoring intermediary and regional office case follow-up and referral actions. **Status:** Action in process. HCFA plans to address the problem through Internal

Revenue Service enforcement under the legislation HCFA proposed in August 1988 that would enable a tax on

noncomplying employer group health plans. Legislation similar to that proposed by HCFA has passed the House

as part of the 1990 budget reconciliation bill.

**Health Care Services**

**DOD Health Care: Better Use of Malpractice Data Could Help Improve Quality of Care**

HRD-87-30, 06/04/87

**Background**

Pursuant to a congressional request, GAO reviewed how the Department of Defense (DOD) utilizes medical malpractice information to improve the quality of medical care and reduce the risk of malpractice.

**Findings**

GAO found that: (1) although DOD collected some data on malpractice claims, the data did not include information on potential claims or specific providers responsible for

inadequate care necessary to identify patterns of recurring medical problems; (2) DOD did not systematically provide malpractice information or educational case studies to the services for quality assurance or risk management purposes; (3) service regulations varied concerning the definition of a potential claim; (4) DOD did not investigate all potential malpractice claims; and (5) DOD needed a centralized system to collect and analyze known medical care problems and focus attention on corrective and preventive actions.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Defense should direct the Assistant Secretary for Health Affairs to participate fully in the provider tracking system required by Public Law (P.L.) 99-660.

**Status:** Action in process. DOD intends to participate in the system. The Department of Health and Human Services has not yet implemented P.L. 99-660. Implementation will occur 6 months after the Office of Management and Budget approves the regulations.

**Health Care Services**

**Medicare and Medicaid: Stronger Enforcement of Nursing Home Requirements Needed**

HRD-87-113, 07/22/87

**Background**

In response to a congressional request, GAO investigated the enforcement of Medicare and Medicaid requirements for nursing homes, focusing on the: (1) extent and potential effect of repeated noncompliance; and (2) adequacy of enforcement actions taken by state and federal agencies.

**Findings**

GAO found that: (1) 3,372 of 8,298 certified skilled nursing facilities and 2,005 of 5,970 certified intermediate care facilities did not meet one or more of the requirements most likely to affect resident health and safety during three consecutive inspections; (2) 12 of 26 studied facilities corrected serious

deficiencies which could have precluded continued participation in Medicare or Medicaid, while 3 were decertified; (3) 11 of the facilities had less serious deficiencies and continued participation in the programs without complying with requirements; and (4) in many cases, inspection officials did not follow regulations requiring facilities to justify

repeated noncompliance before recertification. GAO believes that, while termination is too severe a penalty for many deficiencies, such measures as civil monetary penalties and bans on new admissions may provide effective motivation for compliance.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Health and Human Services should revise the repeat deficiency provisions of Medicare and Medicaid regulations to limit the use of decertification to those instances where a nursing home cannot adequately justify repeat deficiencies that seriously threaten patient health and safety.

**Status:** Action in process. The Department of Health and Human Services will address this recommendation in regulations implementing the Omnibus Budget Reconciliation Act, but disagreed that it should require written justification for any repeat deficiency. Regulations have been delayed because of industry concerns about other provisions.

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## Health Care Services

# Medicaid: Improvements Needed in Programs To Prevent Abuse

HRD-87-75, 09/01/87

### Background

GAO reviewed Medicaid abuse in six states and provider abuse in four states to: (1) determine whether the states were effective in identifying Medicaid abuse; and (2) assess the extent of states' actions to apply sanctions against Medicaid abusers.

### Findings

GAO found that: (1) the Department of Health and Human Services (HHS) has not taken effective action to strengthen management controls over states' postpayment utilization review programs; (2) some states do not effectively use their computerized

management information systems to identify potential Medicaid abuse; (3) some states review only a small portion of the potentially abusive recipients they identify; (4) most states have applied few sanctions against abusive Medicaid recipients; and (5) the Health Care Financing Administration (HCFA) has adequate resources to provide technical assistance to states with problems in using their information systems.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Health and Human Services should instruct the Administrator, HCFA, to

include in the Systems Performance Review guidelines a requirement to document: (1) technical problems the states are having using the Surveillance and Utilization Review Subsystem (SURS) to identify Medicaid abusers; and (2) successful SURS techniques developed by states to identify, review, or sanction Medicaid abusers.

**Status:** Action in process. HHS plans to conduct research on the best way to implement this recommendation. Action has not been completed as of December 1989.

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**Health Care Services**
**Medicare: Laboratory Fee Schedules Produced Large Beneficiary Savings but No Program Savings**

HRD-88-32, 12/22/87

**Background**

Pursuant to a legislative requirement, GAO reviewed the appropriateness and impact of Medicare's fee schedule payment system for clinical diagnostic laboratory services.

**Findings**

GAO found that initial fee schedules, established on a geographic basis: (1) significantly reduced beneficiary out-of-pocket costs; (2) affected neither beneficiary access to nor quality of laboratory services; (3) insignificantly reduced total payments to hospitals; (4) increased Medicare payments to hospitals for outpatient and referred-patient laboratory services; and (5) allowed about the same amount to

independent laboratories and physicians as the reasonable charge system would have. GAO also found that: (1) the fee-rate caps held constant or reduced all fee rates; (2) a national fee schedule could increase total Medicare payments, since carrier rates vary widely for the same tests; (3) computation of the fee schedule based on a weighted average of the carrier rates, as capped by the 110-percent-of-median limit, would retain the reduction that resulted from the caps; and (4) the Health Care Financing Administration's method for calculating the national fee schedule, using area prevailing rates, could increase total Medicare payments.

**Open Recommendations to Congress**

**Recommendation:** The Senate Committee on Finance, the House Committee on Ways and Means, and the House Committee on Energy and Commerce should take action to prevent adoption of a national laboratory fee schedule based on prevailing charges because using that methodology would increase Medicare costs.

**Addressee:** Senate Committee on Finance

**Status:** Action not yet initiated.

**Addressee:** House Committee on Ways and Means

**Status:** Action not yet initiated.

**Addressee:** House Committee on Energy and Commerce

**Status:** Action not yet initiated.

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**Health Care Services**
**Medicare: Refinement of Diagnosis Related Groups Needed To Insure Payment Equity**

HRD-88-41, 04/22/88

**Background**

GAO evaluated the Health Care Financing Administration's (HCFA) diagnosis-related groups (DRG) classification system's effectiveness as a means of grouping patients for Medicare payment purposes.

**Findings**

GAO found that: (1) the Medicare Prospective Payment System (PPS) bases reimbursement on the average cost to treat certain conditions nationally, rather than on the resources required to treat a specific patient; (2) wide variations in treatment resource requirements affected payment equity

and resulted in hospitals profiting or losing based more on the mix of the patients they treated than on the efficiency of their operations; (3) wide variations in treatment costs gave hospitals financial incentives to seek patients with diagnoses in the low-expected-treatment-cost range; (4) larger urban hospitals were more likely to

receive patients with higher-than-average treatment costs; and (5) although the DRG classification system provided a good basis for determining hospital payments under PPS, the system needed adjustments to reduce the variations in resource requirements within many DRG.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to review DRG that GAO identified as having wide variations in patient resource requirements and change the DRG classification system to reduce the variations within these DRG.

**Status:** Recommendation valid/action not intended. The Department of Health and Human Services (HHS) stated that it did not plan to take any special action in response to this recommendation. To the extent that HHS normal review activities identify problems with the GAO-identified wide variation DRG, necessary adjustments will be considered. GAO believes it has identified a significant problem with DRG and that action is necessary.

**Health Care Services**

**Medicare: Improving Quality of Care Assessment and Assurance**

PEMD-88-10, 05/02/88

**Background**

In response to a congressional request, GAO reviewed: (1) the Health Care Financing Administration's (HCFA) medical review systems for measuring and monitoring Medicare quality of care; and (2) quality assessment research and evaluation within the Department of Health and Human Services (HHS).

**Findings**

GAO found that: (1) there was no legislative requirement for nationally representative information on levels of quality or problems related to quality of care in covered services or on the overall health care provided; (2) HCFA oversight of carriers', intermediaries', and peer review organizations' (PRO) medical review activities focused only on whether they met contract specifications, rather than their effectiveness in identifying quality problems; (3) although carriers, intermediaries, and PRO devised systems for identifying and addressing

particular types of quality problems, they had not coordinated their efforts; (4) because there was no information available to document how the review efforts were working, it was not known whether PRO effectively identified and corrected quality-of-care problems; (5) HCFA had no comparative information on the effectiveness of the quality review methods used for health maintenance organizations (HMO) and competitive medical plans (CMP); (6) HCFA did not require claims processors to include diagnostic information in their Medicare Part B billing forms or to enter the information into the billing files; (7) since the SuperPRO contractor did not adequately record the reasons for its random selections of PRO case reviews, the PRO data were not comparable or nationally representative; and (8) HHS had no clear strategy or organizational structure for integrating information on the quality of health care provided to Medicare beneficiaries or for developing methods and knowledge to meet future needs.

**Open Recommendations to Congress**

**Recommendation:** The House Committee on Ways and Means, Health Subcommittee, may wish to consider developing legislative proposals to assign specific responsibilities to a new federal entity or existing entities designed to: (1) develop, disseminate, and coordinate activities intended to advance the development of quality assurance methods and good medical practice; and (2) incorporate this knowledge into Medicare quality assurance efforts.  
**Status:** Action in process.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to assess the comparative effectiveness of carrier and intermediary screens and profiles as means to identify inappropriate and substandard quality

care, as well as recover Medicare overpayments.

**Status:** Action in process. HHS has initiated studies of carrier screens.

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to develop formal guidelines to coordinate the systematic and timely reporting by carriers and intermediaries to PRO of possible problems with the quality of care provided in ambulatory and posthospital care settings identified in medical reviews. These guidelines should ensure that: (1) intermediaries report directly to PRO, as well as HCFA, all cases where possible problems of premature or inappropriate hospital discharge may exist, including cases where Medicare coverage for skilled-nursing-facility or home health services has been denied to patients who may nevertheless have extensive care needs; and (2) information about possible quality-of-care problems uncovered by carriers is routinely shared with PRO. **Status:** Recommendation valid/action not intended. HHS considers regional office oversight an adequate substitute.

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to fund additional studies to analyze the comparative effectiveness of particular PRO review methods, and the utility of current methods for establishing PRO quality objectives. These analyses should include assessments of whether different written review criteria or protocols generate significantly different rates of problems identified, and whether the identification of problems using these methods leads to significant changes in the incidence of quality problems over time.

**Status:** Action in process. Various pilot studies were initiated as part of the effectiveness initiative.

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to initiate studies to assess the strengths and weaknesses of the current assignment of responsibilities among carriers, intermediaries and PRO with respect to processing and screening Medicare claims data and performing medical reviews to identify quality-of-care problems and substandard providers and suppliers. These studies should specifically examine whether a realignment of responsibilities could improve the efficiency and effectiveness of Medicare quality review activities. **Status:** Action not yet initiated. Plans have not been finalized.

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to develop comparative information on the effectiveness of the quality review methods used by PRO reviewing quality of care in Medicare HMO and CMP. These studies should also produce comparative information on the overall levels of quality of care provided in participating HMO and CMP. This would require the collection of standard information on the use of services and health care outcomes across plans. **Status:** Action in process. Plans have not been finalized.

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to require PRO, intermediaries, and carriers to routinely document and report incidents in which key data elements required for monitoring the

quality of care are inaccurate. In particular, errors in mortality (date of death) and discharge destination, as well as all diagnostic and procedure data (not limited to diagnostic-related group assignment) should be monitored. Tracking of errors in the source and type of admission data fields should also be considered.

**Status:** Recommendation valid/action not intended. HHS does not see the utility of documenting the extent of data errors.

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to modify the scope of work of the SuperPRO contract to provide that the case selection methods ensure that those cases selected for random review by PRO are identifiable and that a nationally representative sample of cases can be constructed from the SuperPRO files for each review cycle.

**Status:** Action in process. The new SuperPRO scope of work is still being developed.

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to assign a high priority to completing the development of a central long-term care data system, including nationally representative data on the health care status, care needs, and health care outcomes of nursing home residents. In addition, these efforts should be coordinated with developing a similar data resource, drawing on survey and certification data for other subacute care facilities, especially home health agencies.

**Status:** Action in process. Several studies are underway.

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**Health Care Services**

# Medicare: Improved Patient Outcome Analyses Could Enhance Quality Assessment

PEMD-88-23, 06/27/88

## Background

Pursuant to a congressional request, GAO examined the Health Care Financing Administration's (HCFA) analysis and use of existing administrative data to monitor the outcome of care received by Medicare patients.

## Findings

GAO found that HCFA: (1) basically used three analytical approaches for its 1987 Medicare patient outcome analyses, involving 1986 and 1987 data and patient subgroup monitoring over time; (2) strengthened its 1987 analyses regarding patient-level data, clinically coherent diagnostic groups, comorbidity information, and more appropriate illness severity adjustments; and (3) primarily used its outcome analyses to require peer review organizations to examine the hospitals the analyses identified as having potential problems. GAO also found that: (1) HCFA contractors used analytical approaches, involving nonintrusive outcomes, a risk-adjusted mortality index, disease staging, and hospital rate-setting, which could enhance data analysis; and (2) other analytical approaches, involving risk-adjusted monitoring and computerized identification of complications, could also enhance data analysis. In addition, GAO found that some of the various approaches: (1) used current Medicare administrative data to better advantage than did others; (2) demonstrated the great potential for identifying types of cases with unusually

favorable or adverse outcomes; (3) lacked adequate validation regarding their effectiveness in targeting cases for quality review; (4) lacked capability to analyze any data other than mortality; and (5) did not adequately address the potential deviation or problems caused by random variation, particularly in instances involving only small numbers of cases.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to strengthen HCFA analyses of mortality data by testing and incorporating more sophisticated adjustments that exploit more fully the available diagnostic information.

**Status:** Action taken not fully responsive. HCFA currently does not plan to use the full range of available diagnostic data.

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to expand HCFA analysis of comparative outcomes among patient subgroups, such as those defined by diagnostic and demographic characteristics. If substantial differences in outcomes among such groups are found after adjusting for differences in patient severity, HCFA should experiment with strategies for targeting quality-of-care reviews based on these analyses.

**Status:** Action in process. The HHS effectiveness initiative will analyze selected diagnoses/procedures. Demographic analyses are still uncertain.

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to assess periodically the relative strengths and limitations of available approaches for analyzing Medicare patient outcomes data in terms of their substantive focus, technical adequacy, and degree of validation (i.e., their overall effectiveness in identifying patterns of patient care with quality problems). These assessments should guide the selection of analytical approaches used in future HCFA reviews of Medicare patient outcomes. HCFA should ensure that analyses of Medicare patient outcomes from administrative files employ approaches that have been validated to some degree through independent data sources, and any results publicly released should describe the extent of that validation.

**Status:** Action taken not fully responsive. Limited validation studies have been conducted, but not released. Further validation studies have not yet been initiated.

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to evaluate periodically through medical record reviews of a nationally representative sample of Medicare patients the percentage of cases with

missing and inaccurate data in the Medicare Statistical System for each of the individual data elements used by HCFA to analyze Medicare outcomes. The results of such assessments should be publicly reported, and corrective action taken for those data elements

crucial for reliable outcome analyses. Meanwhile, all analyses of Medicare mortality rates and other outcomes should include an explanation that their findings could be in error by an unknown amount due to potential data inaccuracies.

**Status:** Action in process. No systematic assessment of data inaccuracies has yet begun; however, the Uniform Clinical Data Set, now being developed, may provide some relevant information.

## Health Care Services

# Medical ADP Systems: Analysis of Technical Aspects of DOD's Composite Health Care System

IMTEC-88-27, 07/11/88

### Background

Pursuant to a legislative requirement, GAO evaluated the system-level specifications and medical facility workload data for the Department of Defense's (DOD) Composite Health Care System (CHCS) acquisition.

### Findings

GAO found that DOD needed to perform additional cost-effectiveness analysis on four system-level specifications relating to: (1) costing all computer operators as contractor-provided, although DOD intended to use its own personnel under certain circumstances; (2) 2-hour maintenance response times; (3) 30-day on-line data retention for inpatients; and (4) 2-year on-line data retention for outpatients. GAO also found that: (1) from 1984 to 1986, the number of outpatient visits decreased by 5 to 14 percent in all three services' medical facilities and varied widely at individual facilities; and (2) unanticipated variations at individual military medical facilities could result in excessive or inadequate computer resources.

### Open Recommendations to Agencies

**Recommendation:** To ensure that CHCS meets the needs of the military medical community in a cost-effective manner, the Secretary of Defense should direct the program office, during the operational test and evaluation phase, to determine potential savings from using government personnel instead of contractor-supplied computer operators by acquiring and analyzing data on the circumstances where this substitution should occur.

**Status:** Action in process. Estimated completion date: 12/89. DOD concurs with the recommendation and plans to refine its requirements and adjust cost projections as part of the CHCS operational test and evaluation.

**Recommendation:** To ensure that CHCS meets the needs of the military medical community in a cost-effective manner, the Secretary of Defense should direct the program office, during the operational test and evaluation phase, to evaluate and determine, during the cost-benefit analysis, the appropriate

parameters for maintenance response times and on-line data retention.

**Status:** Action in process. Estimated completion date: 12/89. DOD concurs with the recommendation and plans to collect data at the 10 operational test and evaluation sites to determine the appropriate parameters for maintenance response times and on-line data retention.

**Recommendation:** To ensure that CHCS meets the needs of the military medical community in a cost-effective manner, the Secretary of Defense should direct the program office, during the operational test and evaluation phase, to monitor and analyze the work load at military medical facilities to ensure that, to the extent possible, changes in work load are anticipated and planned for. After completing these analyses, the program office should modify the procurement accordingly.

**Status:** Action in process. Estimated completion date: 12/89. DOD concurs with the recommendation and plans to conduct site surveys, including the collection of current work-load data to size the equipment configuration that would best support each facility.

## Health Care Services

# DOD Health Care: Additional Efforts Needed to Verify Physicians' Qualifications

HRD-88-39, 07/18/88

### Background

In response to a congressional request, GAO reviewed the procedures and processes the Department of Defense (DOD) uses to ensure that its physicians are medically qualified, to determine the: (1) adequacy of the DOD approach; and (2) impact of new licensing requirements on DOD unlicensed physicians and the military health care system.

### Findings

GAO found that: (1) although the military services have substantially tightened preemployment screening since 1984, they have not fully implemented DOD requirements which would ensure that only qualified physicians practice medicine in military hospitals; (2) 53 percent of the 426 physicians' records it reviewed did not contain authenticated medical diplomas, and most lacked complete or adequate documentation to support the award of clinical privileges; (3) many physicians did not meet the DOD requirement for a current state license, while about 1,200 had never been licensed; (4) DOD expressed concern about the possible

effects on patient access to health care if a large number of unlicensed physicians were prevented from practicing medicine independently; (5) DOD waived licensing requirements for several foreign national physicians practicing in overseas DOD facilities and plans to continue doing so on a case-by-case basis; and (6) to improve its credentialing system's efficiency, the Army established a central data base on individual physicians, including authenticated information on education, training, experience, certification, and licensing.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force to complete validations of the qualifications of all physicians practicing medicine in military facilities. These actions should include: (1) validating the qualifications of all DOD physicians for whom validations have not been completed against data bases maintained by the American Medical Association, the Federation of State Medical Boards, and where appropriate, the Educational Commission for Foreign Medical

Graduates; and (2) performing original source validation whenever possible of the education, training, and certification of all physicians for whom original source validation has not been performed.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of Defense should direct the Assistant Secretary of Defense for Health Affairs, in conjunction with the service secretaries, to issue a directive that reemphasizes the importance of fully implementing the performance-based credentialing system at all military hospitals.

**Status:** Action in process. According to DOD, a directive has been drafted.

**Recommendation:** The Secretary of Defense should direct the Secretaries of the Navy and Air Force to establish central data bases to support the credentialing system. Such systems should also be used to support requirements of the Health Care Quality Improvement Act of 1986, and should be interfaced with the centralized malpractice information system.

**Status:** Action not yet initiated.

## Health Care Services

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

PEMD-88-24, 08/03/88

### Background

In response to a congressional request, GAO examined the methodologies of current population estimates of the number of homeless chronically mentally ill persons to: (1) determine the soundness of current estimates; and (2) identify the best available methods for getting sound estimates.

### Findings

GAO found that: (1) although there were no sound national estimates of the number of homeless persons who were chronically mentally ill, there were some relatively sound local estimates on both homeless persons and the chronically mentally ill; (2) while the estimates would not apply nationally, the methods used were applicable on a larger scale; (3) many of the estimates had methodological flaws associated with a high degree of uncertainty or bias that could lead to underestimates or overestimates; (4) of the 10 studies that GAO rated technically sound, 9 were based on surveys or censuses and one was based on utilization data; (5) the rates of homelessness ranged between 6 and 95 per 10,000 in the study communities and

were related to the quality of methodology; (6) analysis of a methodology judged to be of a higher quality lowered the range by almost half; (7) the proportion of homeless persons identified as mentally ill was between one-fifth and one-third, in the judgment of service providers, and between one-sixth and one-half using standardized instruments; and (8) because the definition of homelessness varies and homelessness itself could contribute to behavior and appearances that suggest mental illness, counting homeless mentally ill persons is never entirely precise.

### Open Recommendations to Congress

**Recommendation:** Congress should continue the effort to better define and validly measure mental illness among homeless persons.

**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Health and Human Services should

reexamine the requirements for data collection and evaluation by the states in the Stewart B. McKinney Homeless Assistance Act of 1987 (Public Law 100-77) and direct that the approaches outlined be incorporated when administrative data bases are established and as regulations specifying data to be collected by grantees are prepared. These include such issues as a consistent definition of homelessness, specification of the area of coverage, obtaining data on a regular basis so that seasonality can be assessed, and supporting studies that would permit firmer adjustments for street-to-shelter ratios. The Secretary should also take steps to ensure that efforts continue to better define and validly measure mental illness among homeless persons, including an assessment of whether further research support is needed.

**Status:** Action in process. Congressional staff indicated that recommendations will be considered in the next authorization cycle. Guidelines have been issued to states regarding data collection.

## Health Care Services

# Medicare: Experience Shows Ways to Improve Oversight of Health Maintenance Organizations

HRD-88-73, 08/17/88

### Background

In response to a congressional request, GAO reviewed the Health Care Financing Administration's (HCFA) efforts to deal with health maintenance organizations' (HMO) compliance problems, specifically: (1) the adequacy of data to determine the quality and cost of HMO care; (2) the adequacy of HCFA staff levels to monitor HMO; and (3) HCFA willingness to act when HMO fail to meet federal requirements.

### Findings

GAO found that HCFA: (1) had no data on HMO use of physician or outpatient services and limited data on their use of inpatient services, since it compiled data primarily to monitor participants' compliance with financial solvency requirements and to calculate payments; (2) initiated HMO peer reviews and the Beneficiary Inquiry Tracking System to increase its ability to monitor HMO quality; (3) did not increase staffing or monitoring resources to keep pace with HMO growth and increased Medicare enrollments; (4) implemented new compliance monitoring procedures

requiring a review of each HMO every 2 years to identify and resolve problems early; and (5) was generally successful in resolving HMO compliance problems, but was reluctant to terminate contracts with recurring compliance problems because of its concern over possible adverse effects on Medicare beneficiaries.

### Open Recommendations to Congress

**Recommendation:** The House Committee on Ways and Means, Subcommittee on Health, should consider increasing HCFA discretion in applying its authority to suspend Medicare enrollments. Specifically, the Subcommittee should consider developing legislation to give HCFA discretion to suspend Medicare enrollments in HMO that fail to respond to notices of noncompliance in a timely manner, have recurring compliance problems, or are encountering financial difficulties or failing to meet financial solvency requirements and not showing substantial progress in improving from one reporting period to the next.  
**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to issue regulations specifying the purpose of retroactive disenrollments and the circumstances, criteria, and procedures that must be met in authorizing such actions.

**Status:** Action in process. Estimated completion date: 07/90. The Department of Health and Human Services (HHS) is preparing proposed regulations which will be published for public comment.

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to establish a formal system for tracking through final resolution HCFA requests for corrective actions and HMO corrective actions.

**Status:** Action in process. Estimated completion date: 01/90. HHS is testing the Compliance Activity Tracking System prior to full scale implementation.

## Health Care Services

# Internal Controls: Need to Strengthen Controls Over Payments by Medicare Intermediaries

HRD-89-8, 11/14/88

### Background

GAO reviewed the Health Care Financing Administration's (HCFA) internal controls over Medicare payments for health care services to determine whether HCFA ensured that: (1) patients were eligible for Medicare benefits; (2) claimed services were provided, covered by Medicare, necessary, and of good quality; and (3) payments were reasonable and correct.

### Findings

GAO reviewed 277 cases of potential claims processing errors from a backlog of over 2 million unresolved errors, and found that: (1) in March 1988, HCFA purged the backlog of over a million of the cases and did not plan to resolve errors in the purged cases; (2) there were 73 overpayments totalling \$272,011 and 7 underpayments totalling \$5,468; (3) HCFA misclassified 180 claims as duplicates because of problems in obtaining data from HCFA intermediaries responsible for processing and paying claims; (4) HCFA made little use of consulting firms' findings under contracts to review the adequacy of peer review organizations' (PRO) reviews; (5) PRO failed to detect unnecessary hospital admissions and allowed payments for incorrectly categorized diagnoses; and (6) HCFA did not report its internal control weaknesses in its Federal Managers' Financial Integrity Act (FMFIA) evaluations.

### Open Recommendations to Agencies

**Recommendation:** To better ensure the correction of errors detected through HCFA master record file edits, the Secretary of Health and Human Services (HHS) should require the Administrator, HCFA, to: (1) include all errors detected by master record computer edits in its unresolved claims, or returned to intermediary file (RTI), until intermediaries confirm that they have been fully resolved; (2) add requirements to the Contractor Performance Evaluation Program (CPEP) that will ensure that intermediaries resolve those types of errors that raise significant payment questions and correct systems weaknesses that allow the errors to occur; and (3) revise CPEP to ensure followup on actions by intermediaries to resolve errors purged from RTI in early 1988, especially those that raise significant payment questions.

**Status:** Action in process. HHS has not generally taken action on these elements of this recommendation. It has, however, initiated steps to improve CPEP, and is having its regional offices review intermediary follow-up activity.

**Recommendation:** The Secretary of Health and Human Services should require the Administrator, HCFA, to evaluate the adequacy and timeliness of corrective actions taken by carriers in resolving errors detected by master record edits.

**Status:** Action in process. A regional office memorandum is being prepared to implement this recommendation.

**Recommendation:** The Secretary of Health and Human Services should include in his fiscal year (FY) 1988 FMFIA report to the President and Congress a discussion of the: (1) material weaknesses in internal controls involving inadequacies in correcting Medicare payment errors identified by HCFA master record edits; and (2) actions planned or taken to correct such weaknesses.

**Status:** Action taken not fully responsive. HCFA has reviewed the cases in the GAO sample and disagreed with the GAO conclusion. GAO is in the process of evaluating the basis for HCFA disagreement.

**Recommendation:** To have greater assurance that PRO are performing effective medical reviews, the Secretary of Health and Human Services should require the Administrator, HCFA, to: (1) develop guidelines on the relative roles and responsibilities of the SuperPRO contractor, HCFA regional offices, and PRO in determining why differences between the SuperPRO contractor and PRO review decisions are occurring; (2) identify actions that PRO should take to reduce the differences; and (3) track PRO corrective actions to assure that the differences are reduced to appropriate levels.

**Status:** Action in process. HCFA has established an advisory group to develop guidelines and instructions to carry out this recommendation.

**Recommendation:** To have greater assurance that PRO are performing

effective medical reviews, the Secretary of Health and Human Services should require the Administrator, HCFA, to: (1) reevaluate the relative roles of the medical staff of the SuperPRO contractor and HCFA regional offices; (2) eliminate from the PRO Monitoring Protocol and Tracking System (PROMPTS) instructions the requirement that regional office medical review staff conduct routine case evaluations in those areas covered by the SuperPRO contractor; and (3) use the SuperPRO contractor's results as a primary basis for monitoring the quality of PRO medical reviews.

**Status:** Action in process. HCFA is currently drafting a new SuperPRO Scope of Work.

**Recommendation:** To better ensure that provider payments adequately reflect appropriate medical determinations, the Secretary of Health and Human Services should require the Administrator, HCFA, to: (1) encourage PRO to direct payment adjustments, where appropriate, in cases where erroneous review decisions are disclosed by SuperPRO or other evaluators; and (2) incorporate into PROMPTS a requirement for regional offices to assess PRO performances in changing review decisions that subsequent evaluations show were erroneous.

**Status:** Recommendation valid/action not intended. HHS believes that current contractual agreements and PROMPTS requirements are sufficient and that additional action is not necessary.

**Recommendation:** The Secretary of Health and Human Services, in his FY 1988 FMFIA report to the President and Congress, should include a discussion of the material internal control weakness ineffective use of the SuperPRO contractor review results to identify and correct systemic problems in PRO medical review determinations, and planned corrective action.

**Status:** Recommendation valid/action not intended. HHS does not believe that this weakness is material.

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to require intermediaries to report on the results of edits used for detecting unnecessary medical services and implement those edits demonstrated to be effective.

**Status:** Action in process. HCFA now requires intermediaries to report on the results of edits. It has also solicited information on edits that intermediaries believe to be the most effective. HCFA will evaluate these and mandate the use of those found to be cost-effective.

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to require: (1) PRO to report their case review decisions to the SuperPRO contractor concurrently with their universe of cases reviewed; and (2) the SuperPRO contractor to use this information in comparing its review findings to those of PRO.

**Status:** Action not yet initiated. HCFA questions the need for the action GAO is recommending. It has, however, indicated that it plans to take some other form of action.

**Recommendation:** The Secretary of Health and Human Services, in his FY 1988 FMFIA report to the President and Congress, should consider including as internal control weaknesses the lack of a HCFA mechanism for assessing medical need edits used by intermediaries to identify the most effective edits for all intermediaries, controls to ensure the integrity of data submitted for SuperPRO evaluation, and reporting the planned corrective actions on these weaknesses.

**Status:** Action taken not fully responsive. HHS has determined that the weakness is nonmaterial. However, GAO believes that more needs to be done before this determination can be reached.

**Health Care Services**

**Medicare: Incentives Needed to Assure Private Insurers Pay Before Medicare**

HRD-89-19, 11/29/88

**Background**

GAO reviewed the Health Care Financing Administration's (HCFA) and

Medicare contractors' actions in response to GAO recommendations on erroneous payments of claims for which Medicare was not responsible. GAO

focused on: (1) contractor incentives to improve billing procedures; and (2) controls to ensure that Medicare acted as secondary payer when insurance

companies had primary payment responsibility.

**Findings**

GAO found that: (1) while Medicare saved about \$1.4 billion in fiscal year 1987 by identifying secondary payment claims, HCFA indicated that implementation of secondary payer initiatives fell short of expectations because many insurers were not identified as primary payers; and (2) one contractor did not reimburse Medicare for an estimated \$10 million in erroneous claims for which it had primary responsibility. GAO also found that HCFA contractors: (1) lacked adequate incentives to comply with the secondary payer provisions; (2) submitted incomplete or inaccurate data for inclusion in the HCFA data base for identifying and billing beneficiaries' other insurers; (3) failed to use available data to identify and seek recoveries for erroneous payments; (4) did not follow HCFA requirements for obtaining data

on new beneficiaries' insurance coverage before paying claims; and (5) have no incentives to establish secondary payment controls, since there is no penalty for erroneous payments and the contractors profit by not making payments for which they have primary responsibility.

**Open Recommendations to Congress**

**Recommendation:** Congress should amend the Social Security Act to establish the government's right to collect twice the amounts owed from insurers that do not properly treat Medicare as the secondary payer.  
**Status:** Action in process.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to

establish Contractor Performance Evaluation Program standards and use them to evaluate the effectiveness with which contractors implement and use the controls HCFA designed to prevent Medicare from erroneously paying as the primary payer. These standards should measure the extent to which contractors: (1) provide to the Regional Data Exchange System (RDES) acceptably formatted and complete quarterly data on beneficiaries that have insurance coverage other than Medicare; (2) use RDES data to update their insurance files, help prevent future payment errors, and make timely recovery of previous overpayments; and (3) comply with HCFA instructions for researching claims of new beneficiaries for private insurance coverage.

**Status:** Action in process. Estimated completion date: 12/89. HCFA has drafted and sought comments on more stringent Contractor Performance Evaluation Program standards to meet the intent of the recommendation.

**Health Care Services**

**Medicare: Physician Incentive Payments by Prepaid Health Plans Could Lower Quality of Care**

HRD-89-29, 12/12/88

**Background**

Pursuant to a congressional request, GAO evaluated various types of physician incentive plans that health maintenance organizations (HMO) offered to control health insurance costs, focusing on the: (1) potential of these incentives to result in inappropriate service reductions; and (2) characteristics of those incentives posing the greatest risk to quality of care for Medicare beneficiaries.

**Findings**

GAO found that HMO: (1) received a fixed per-capita payment from Medicare to provide all Medicare-covered services; (2) typically deducted an amount from the Medicare payment for administrative costs and allocated the remainder to funds for primary, specialty, and institutional services; (3) primarily compensated physicians through salary, fee-for-service, or capitation arrangements; (4) offered such

incentives as annual bonuses or physician financial liability for care, based on individual or group cost performance or overall HMO profitability; and (5) used credential checking, grievance procedures, membership surveys, physician practice profiles, and medical record reviews to ensure quality of care. GAO also found that incentive plan characteristics that most threatened quality of patient care involved: (1) shifting financial risk of

patient care to physicians; (2) distributing incentives according to individual physician cost performance; (3) paying a percentage of HMO savings on patients; and (4) measuring physician cost performance over a short time period.

**Open Recommendations to Congress**

**Recommendation:** If the Health Subcommittee, House Committee on Ways and Means, considers modifications to Medicare to permit certain HMO physician incentive payments, it may wish to retain a ban

on arrangements that closely link financial rewards with individual treatment decisions or expose the primary care physician to substantial financial risk for services provided by physicians or institutions to whom he or she refers patients for diagnosis or treatment.

**Status:** Action not yet initiated.

**Health Care Services**

**Medicare: Indirect Medicare Education Payments Are Too High**

HRD-89-33, 01/05/89

**Background**

Pursuant to a legislative requirement, GAO: (1) examined the factors responsible for the variations in patient costs and Medicare payments among teaching and nonteaching hospitals; and (2) estimated the adjustment needed to compensate teaching hospitals for the indirect cost of medical education.

**Findings**

GAO found that: (1) teaching hospitals had higher patient-care costs than nonteaching hospitals because of costlier locations and case mixes and because they tended to be larger than nonteaching hospitals; (2) location, case mix, hospital size, and the availability of

a graduate medical education program are contributory factors to variations in Medicare payments to hospitals; and (3) the Prospective Payment System (PPS) formula created imbalance in Medicare payments because it did not account for all cost variation sources. GAO estimated that an appropriate indirect-cost adjustment factor would be: (1) 3.73 percent if the PPS formula were expanded to include other relevant cost factors; (2) 5.9 percent under the current PPS formula; and (3) 6.26 percent, taking into account the shortcomings in the PPS formula and PPS failure to consider other cost factors in the indirect-teaching-cost adjustments. GAO believes that an adjustment factor of 6.06 percent would be appropriate after 1995.

**Open Recommendations to Congress**

**Recommendation:** Congress should reduce the teaching adjustment factors for fiscal years 1989 through 1995, and for 1996 and beyond, to levels shown by GAO analysis of Medicare costs. Should Congress wish to use the savings from the lower payments to teaching hospitals to reduce overall Medicare outlays, the legislation should specifically reflect that decision. Congress should also include provisions directing the Secretary of Health and Human Services to periodically reestimate the effects of graduate medical education on Medicare costs, based on the most current hospital cost data available at the time.

**Status:** Action not yet initiated.

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**Health Care Services**
**Medicaid: Some Recipients Neglect to Report U.S. Savings Bond Holdings**

HRD-89-43, 01/18/89

**Background**

GAO examined income and asset reporting by Medicaid recipients in nursing homes to determine the: (1) effectiveness of states' policies and procedures for verifying savings bond holdings; and (2) extent of holdings of recipients residing in Massachusetts nursing homes.

**Findings**

GAO found that: (1) as of April 1986, 143 Medicaid nursing home residents in Massachusetts had savings bond holdings in excess of the \$2,000 statutory limit; (2) the residents had outstanding bonds worth a total of about \$1.5 million,

with individual holdings ranging from \$2,000 to over \$60,000; (3) 48 of 57 recipients' records did not disclose bond ownership or redemptions, while 1 made partial disclosure; (4) the 49 individuals should have been disqualified from receiving Medicaid benefits for filing false or incomplete applications; and (5) states did not have access to the Department of the Treasury's savings bond data files to verify individual Medicaid applicants' and recipients' bond holdings or redemptions.

**Open Recommendations to Congress**

**Recommendation:** The Committees should report to Congress a legislative proposal to amend income and eligibility verification system requirements to expand information available to states under the systems to include data files maintained by the Department of the Treasury on U.S. savings bond holdings and redemptions.

**Addressee:** Senate Committee on Finance

**Status:** Action not yet initiated.

**Addressee:** House Committee on Energy and Commerce: Health and the Environment Subcommittee

**Status:** Action not yet initiated.

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**Health Care Services**
**Medicare: Reasonableness of Health Maintenance Organization Payments Not Assured**

HRD-89-41, 03/07/89

**Background**

GAO reviewed Medicare health maintenance organizations' (HMO) adjusted community rates (ACR) process, focusing on HMO compliance with the Health Care Financing Administration's (HCFA) ratesetting guidelines and instructions.

**Findings**

GAO reviewed ACR data from 1985 through 1987 for 19 HMO, and found that: (1) 11 HMO based their ACR estimates in part on cost and utilization data for other HMO, which HCFA regulations did not allow; (2) only two HMO consistently followed HCFA ratesetting procedures; (3) four HMO used inconsistent source data; (4) one HMO overstated ACR by about \$6

million in 1986; (5) HCFA did not consistently ensure that HMO complied with its approved methods for calculating and documenting ACR; (6) HCFA monitored only 29 percent of HMO risk contracts during a 3-year period; (7) HCFA lacked adequate mechanisms to gauge the reasonableness of HMO estimates, retroactively adjust HMO payment rates, or recover ACR overpayments; and (8) HCFA lacked

authority to recover overpayments arising from inaccurate ACR.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to revise its instructions to HMO on preparing ACR submissions to require the use of a standardized ACR submission.

**Status:** Action in process. HCFA revised its instructions to require standardized ACR submission for 1990 and plans to revise regulations to eliminate an option that permits some HMOs not to submit the standardized ACR.

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to establish policies and procedures to periodically conduct on-site reviews of HMO to verify for accuracy and reasonableness the data supporting their ACR against their records and accounting system reports.

**Status:** Action in process. Estimated completion date: 09/90. HCFA issued an expanded protocol for on-site reviews of HMO that should provide for more in-depth ACR evaluation. Whether the protocol meets this objective cannot be determined until HCFA gains experience with it.

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to revise HCFA regulations and incorporate provisions in HMO contracts to require that HMO: (1) certify the accuracy and reasonableness of their ACR submissions; and (2) explicitly authorize HCFA to recoup from HMO any excess payments that can be shown to have resulted from HMO use of data that were not accurate, current, or complete.

**Status:** Action in process. For the 1990 contract year, HCFA is requiring HMO to certify the accuracy of their ACR submissions.

**Health Care Services**

**Medicare: Statutory Modifications Needed for the Peer Review Program Monetary Penalty**

HRD-89-18, 03/30/89

**Background**

GAO reviewed the Department of Health and Human Services' Office of the Inspector General's (OIG) actions on monetary penalties recommended by peer review organizations (PRO) against hospitals and physicians for improper or unnecessary health care services to Medicare beneficiaries.

**Findings**

GAO found that OIG: (1) revised its policy partially to meet a statutory provision limiting monetary fines to the cost of the unnecessary or poor-quality care; (2) established a new policy in 1987, requiring penalty calculations based on cost-effectiveness; (3) seldom imposed monetary penalties against hospitals or

physicians after it changed its policy; (4) approved only 3 of 24 PRO monetary penalty recommendations, but agreed that in 15 instances, the physician or hospital violated their obligations; (5) rejected recommendations because it determined that the penalties were not cost-effective; (6) policy to accept only violation cases meeting its criteria did not assure sanction consistency; and (7) has not modified its cost-effectiveness policy approach for determining monetary penalties. GAO also found that since the OIG policy became effective, PRO: (1) have significantly reduced monetary penalty recommendations and halted action on some cases that warranted sanctions; and (2) have submitted only 4 monetary penalty recommendations over a 15-month

period, compared with 35 in the previous such period.

**Open Recommendations to Congress**

**Recommendation:** The Committee should develop legislation amending section 1156 of the Social Security Act to set a fixed upper limit to the size of monetary penalties in lieu of the current cost-based limit.

**Addressee:** Senate Committee on Finance

**Status:** Action not yet initiated.

**Addressee:** House Committee on Energy and Commerce

**Status:** Action in process.

**Addressee:** House Committee on Ways and Means

Status: Action not yet initiated.

**Health Care Services**

**Health Care: Home Care Experiences of Families With Chronically Ill Children**

HRD-89-73, 06/20/89

**Background**

Pursuant to a congressional request, GAO surveyed and interviewed parents of chronically ill children in 11 states and the District of Columbia, focusing on: (1) the parents' experiences in obtaining the necessary medical and supportive nonmedical services in the home setting; and (2) factors that hindered or eased service delivery.

**Findings**

GAO found that: (1) 98 percent of the 892 parents surveyed reported that their child required at least one of such medical services as physician home and office visits, medication, medical equipment and supplies, therapy, and skilled nursing; (2) about 75 percent of parents reported needing at least one of such support services as baby sitting, counseling, day care, and transportation; (3) 27 percent of parents whose children required medical services and 56 percent of parents whose children required support services reported difficulty in

obtaining them; (4) factors accounting for difficulty in obtaining necessary services included significant out-of-pocket expenses due to limited insurance coverage or co-payments, lack of information about support services, and lack of personnel to ease the at-home transition of the child after hospital discharge; (5) nonurban residents had somewhat more difficulty obtaining medical and support services than did urban residents; and (6) factors accounting for some parents having little or no difficulty in obtaining services included the availability of various information sources that enabled parents to locate needed services and case management assistance provided by public and private organizations to help parents obtain services.

**Open Recommendations to Agencies**

**Recommendation:** To facilitate the consolidation and publication of information on services for chronically

ill children and ensure that case management services are available when needed, the Secretary of Health and Human Services should direct the Office of the Assistant Secretary for Health to take a leadership role in developing necessary policy and program guidance for state maternal and child health (MCH) agencies. Such policy should be aimed at ensuring that: (1) information on providers and services in a given community is consolidated and made available to organizations serving chronically ill children; (2) this information is provided to parents at time of discharge; and (3) case management services are made available to those who need direct assistance. Status: Action in process. The Department of Health and Human Services (HHS) formed nine MCH national centers to assist states. HHS also published financial guides.

Health Care Services

Medicare: Status Report on Medicare Insured Group Demonstration Projects

HRD-89-64, 06/27/89

Background

Pursuant to a legislative requirement, GAO: (1) monitored the status of the Health Care Financing Administration's (HCFA) implementation of the Medicare Insured Groups (MIG) demonstration group projects; and (2) reviewed the potential effects of the Omnibus Budget Reconciliation Act (OBRA) of 1987 requirements on the projects.

Findings

GAO found that: (1) HCFA entered into cooperative agreements with three non-government corporations to establish the authorized MIG projects; (2) as of March 1989, two projects were in the planning stage and the other was developing its health care delivery system but had not yet enrolled any Medicare beneficiaries; (3) HCFA continued to negotiate with other prospective sponsors because there was no certainty that all three projects would become operational; (4) HCFA interpreted the act's provision regarding restrictions on payments to MIG in a manner that could result in Medicare paying more for MIG enrollees than if

they had stayed in the fee-for-service sector; (5) HCFA had not decided on how to apply the act's limits on the amount of surpluses in excess of 5 percent of the experience-based rate MIG could retain; and (6) MIG that were not paid on an experience-based rate could retain any surplus as profit or use it to reduce liability for supplemental health care benefits.

Open Recommendations to Agencies

**Recommendation:** The Secretary of Health and Human Services should require HCFA to apply the 95 percent of the experience-based rate payment limitation and the surplus retention restrictions of OBRA to all MIG projects. **Status:** Action not yet initiated. In commenting on the draft report, the Department of Health and Human Services (HHS) stated that it believed that it could use a payment method other than 95 percent of experience. GAO has sought from HHS the legal basis for this opinion.

**Recommendation:** The Secretary of Health and Human Services should require HCFA to define surplus as the excess of Medicare payments over the costs of providing Medicare-covered services.

**Status:** Action not yet initiated. In commenting on the draft report, HHS stated that it believed that the applicable provision of law was not clear and that it would obtain an opinion from its General Counsel on the issue of defining surpluses.

**Recommendation:** The Secretary of Health and Human Services should require HCFA to require that all surplus over that amount either be used for additional benefits not previously funded by the employer or be returned to the Medicare program.

**Status:** Action not yet initiated. In commenting on the draft report, HHS stated that it would require all but 5 percent of the payment amount to be used for additional benefits or returned to Medicare. Whether this meets the intent of this recommendation depends on how HHS decides to define surplus.

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**Health Care Services**

# ADP Systems: Better Control Over States' Medicaid Systems Needed

IMTEC-89-19, 08/02/89

## Background

GAO evaluated the Health Care Financing Administration's (HCFA) management of and control over federal funds for helping states, to acquire, operate, and enhance automated Medicaid systems by reviewing 129 automation-funding requests states made between November 1985 through July 1988.

## Findings

GAO found that HCFA: (1) approved 116 automation requests, totalling about \$119 million, which lacked such federally required supporting evidence as cost and benefit analyses and evaluations of alternatives; (2) did not adequately define the information states needed to include in automation requests; (3) lacked information on the status of 112 projects costing about \$110 million, since it did not require states to report on approved automation projects; (4) generally did not determine whether completed automation projects were providing the expected benefits; and (5)

funded automation enhancements at a 90-percent funding rate, although the applicable laws authorized 90-percent funding for automation acquisition and 75-percent funding for automation operation.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to amend the State Medicaid Manual, Part 11, to include: (1) the regulatory requirements for states to prepare and submit cost and benefit analyses with all requests for federal funding of automated systems; (2) guidelines for preparing cost and benefit analyses, recognizing that the effort expended in performing such analyses should be commensurate with the estimated costs of proposed projects; and (3) a requirement for states to evaluate system alternatives, including reviewing systems already developed or planned by other states, and submit these

evaluations with requests for funding of automated systems.

**Status:** Action in process.

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to amend HCFA State Medicaid Manual, Part 11, to require: (1) states periodically to notify the regional offices of the status of approved projects in order to facilitate review of the progress and completion of these projects; and (2) regional offices to conduct post-implementation reviews of completed projects in order to determine if projected benefits are being achieved and identify systems that could provide benefits to other states.

**Status:** Action in process.

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to consider the application of a 75-percent federal funding rate for enhancements to states' Medicaid systems.

**Status:** Action in process.

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

IMTEC-89-31, 08/11/89

**Background**

Pursuant to a congressional request, GAO analyzed the Health Care Financing Administration's (HCFA): (1) fiscal year (FY) 1990 budget request for its information technology systems and data processing needs; and (2) efforts to reduce Medicare contractors' automatic data processing (ADP) costs.

**Findings**

GAO found that HCFA: (1) requested \$73.6 million for its information technology systems for FY 1990; (2) cited the closeness of budget deadlines for its inability to support its inclusion of a \$22-million cost estimate in the budget request for implementing the Medicare Catastrophic Coverage Act of 1988; (3) included \$13.1 million in its budget request for a computer improvement program, which it had expected to complete during FY 1990; (4) after submitting the request, projected an

additional \$7.2 million for FY 1991 and FY 1992 to complete the computer improvement program; (5) included in its programmatic budget estimates about \$947 million in ADP-related costs for paying states and contractors for processing Medicaid and Medicare claims and for implementing a new ADP system for processing Medicare claims; and (6) in January 1989, announced a policy to minimize Medicare ADP operations maintenance and enhancement costs by limiting the funding for system changes to encourage contractors to use shared ADP systems maintenance and processing and adopt HCFA standard software packages.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to report all ADP costs, including Medicare

contractor and Medicaid state operations, in the information technology system's budget.

**Status:** Action in process.

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to consider pursuing a more direct approach to cut Medicare contractor ADP system costs through shared processing and shared maintenance. This should include preparing a well-supported analysis of the benefits of sharing and an analysis of available approaches to implementing systems standardization and consolidation, including a determination of whether specific legislative authority is necessary.

**Status:** Action in process.

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**Health Care Services**
**Medicare: Program Provisions and Payments Discourage Hospice Participation**

HRD-89-111, 09/29/89

**Background**

Pursuant to a congressional request, GAO reviewed hospices that were not Medicare-certified, to determine: (1) the

factors that influenced a hospice not to participate in Medicare; (2) whether the Health Care Financing Administration (HCFA) set reasonable prospective payment rates for hospices; (3) whether

Congress could adopt additional standards to ensure that participating hospices provided quality care; and (4) whether HCFA and its intermediaries

consistently administered the hospice benefit with program policies.

## Findings

GAO found that: (1) enrollment in a Medicare hospice required certification that the patient was terminally ill and would die within 6 months; (2) a participating hospice must have a contract with an inpatient care facility that stipulates that hospice staff will assume care of a patient at that facility; (3) nonparticipating hospices believed that inpatient facility physicians would be reluctant to relinquish patient management to hospice physicians; (4) although some hospices believed that hospitals were reluctant to contract for patient care at the Medicare hospice inpatient rate, they seemed to have no problems in obtaining the contracts or in providing all inpatient services; (5) hospices had a payment cap of \$9,010 times the number of enrolled patients, which some nonparticipating hospices thought could impose a financial risk, but HCFA data showed no instances where hospices reached the cap or filed claims that exceeded the cap; and (6) although some nonparticipating hospices had concerns that reimbursement was limited to no more than 20 percent of total care days as inpatient days, most hospices did not reach the 20-percent limit and did not believe that the limit had an adverse impact on their operations. GAO also found that: (1) it could not determine the reasonableness of payment rates, since hospice cost data included incomplete and inaccurate data on labor hours, and understated overhead costs, parent-organization costs allocated to operations, and inpatient

service costs; (2) the HCFA formula for calculating unit costs, which apportions overhead to cost centers according to square footage, is not always appropriate; and (3) although Medicare required home health agencies to train employees and protect patient rights, the requirements applied only to their affiliated hospices.

## Open Recommendations to Congress

**Recommendation:** Congress should adopt, for all hospices, training and patients' rights provisions similar to those that the Omnibus Budget Reconciliation Act of 1987 specified for home health agencies. If Congress adopts these provisions, the Secretary of Health and Human Services may need to modify the regulations implementing the training and competency requirements for home health agencies to reflect any special circumstances faced by hospices. **Status:** Action not yet initiated.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to change the wording in the Medicare regulations regarding the physician's certification of terminal illness to include the clarifying statement that the individual's medical prognosis is that his or her life expectancy is 6 months or less "if the terminal illness runs its normal course". **Status:** Action not yet initiated.

**Recommendation:** The Secretary of Health and Human Services, should direct the Administrator, HCFA, to take steps to improve the quality of cost data received from hospices. Based on the review of cost data, the Administrator should modify the cost-reporting form and instruction to ensure reporting of: (1) all appropriate labor hours used to provide services at patients' homes; (2) parent agency or hospital administration and general overhead costs attributable to the hospice; (3) hospital ancillary service costs for hospice patients; and (4) all inpatient service costs during the cost-reporting time period in which they were incurred. **Status:** Action not yet initiated.

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to use factors other than square footage (such as the share of direct costs attributed to a cost center) to apportion overhead costs to cost centers. **Status:** Action not yet initiated.

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to conduct thorough audits of a representative sample of cost reports to ensure complete and accurate data for calculating unit costs and ultimately setting prospective payment rates. **Status:** Action not yet initiated.

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to require that state surveyors report all home visits made and their results. **Status:** Action not yet initiated.

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## Health Planning and Construction

# VA Health Care: Too Many Operating Rooms Being Planned and Built

HRD-86-78, 04/29/86

### Background

GAO examined the Veterans Administration's (VA) method for determining operating room requirements in new and replacement hospitals and identified the differences between VA-stated operating room needs and the requirements a GAO surgical work-load model identified.

### Findings

GAO found that VA is developing an operating room planning model at its Ann Arbor Medical Center that will permit planners to: (1) use independently established utilization rates for each facility, instead of a more efficient agencywide preestablished rate to plan operating room resources and staff; and (2) develop work-load projections to reflect possible changes in planning factors without central office guidance to ensure that projections are consistent,

realistic, and in line with current or planned policy. GAO applied its model for determining VA operating room requirements to 24 construction projects and found that VA: (1) is building or plans to build 29 unnecessary operating rooms; (2) could have saved about \$5.8 million by applying the GAO model; and (3) could still save about \$3.4 million by eliminating 17 unnecessary planned operating rooms.

### Open Recommendations to Agencies

**Recommendation:** The Administrator of Veterans Affairs should direct the Chief Medical Director to give planners guidance on how to adjust work-load projections to reflect changes in the model's planning factors and monitor VA planners' calculations of projected work loads to ensure that adjustments are consistent with the guidance.

**Status:** Action in process. Estimated completion date: 07/91. VA concurred with this recommendation and stated that appropriate changes to its criteria will be made based upon the final results of the planning model developed by the Ann Arbor project. The contract was extended as of July 1989 with a final report expected in July 1991.

**Recommendation:** The Administrator of Veterans Affairs should direct the Chief Medical Director to reassess all existing construction projects to eliminate, where cost-effective, unnecessary operating rooms.

**Status:** Action in process. Estimated completion date: 07/91. VA agreed with this recommendation and stated that all construction projects in the planning stage should be reassessed based on the new model. The contract was extended as of July 1989 with a final report expected in July 1991.

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## Health Research

# Biomedical Research: Issues Related to Increasing Size of NIH Grant Awards

HRD-88-90BR, 05/06/88

### Background

In response to a congressional request, GAO reviewed the growth in the National Institutes of Health (NIH) biomedical research grant awards to

determine: (1) trend data in the NIH budget for fiscal years (FY) 1983 through 1987; (2) the size of research project grants for those years; (3) factors that could explain the increased size of awards; and (4) the reviewing,

monitoring, and reporting practices NIH uses in dealing with grant recipients.

## Findings

GAO found that: (1) NIH awarded the majority of its grants through its extramural research programs as research project grants (RPG) to institutions to conduct basic and clinical research; (2) between 1983 and 1987, the total NIH budget grew by 54 percent, from \$4 billion to \$6.2 billion; (3) average RPG awards rose 42.7 percent, from \$123,800 to \$176,700, with the sharpest rise between 1986 and 1987; and (4) NIH used the Biomedical Research and Development Price Index, rather than the gross national product, to adjust costs for inflation, which made the average grant award rise 17.7 percent between 1983 and 1987. GAO also found that the factors that contributed to the

increased size of grant awards included: (1) inflation and the rising costs of biomedical research; (2) the types of grants funded; (3) increased personnel costs; (4) indirect costs, which accounted for about one-third of total grant amounts; and (5) the increasing complexity of research and the increased use of human subjects. In addition, GAO found that: (1) NIH has relied on its grantees to monitor and audit grants; (2) NIH shifted most audit efforts to the institutions and required them to contract with independent firms and send audit reports to NIH for review; and (3) most of the audits were general in nature and did not focus on individual grants.

## Open Recommendations to Agencies

**Recommendation:** HHS should report to Congress on the results of its analyses and any measures taken or required to ensure the adequacy of controls over research grant awards.

**Status:** Action in process. Estimated completion date: 01/90. As a followup to the report, the House Appropriations Committee required the HHS Office of Inspector General (OIG) to study this issue. OIG provided a report to the Committee on its first phase of review and has started the second phase of the review, which will be completed in December 1989. NIH stated it will continue to monitor increasing costs also.

## Health Research

# HCFA Research: Agency Practices and Other Factors Threaten Quality of Mandated Studies

PEMD-88-9, 06/03/88

## Background

Pursuant to a congressional request, GAO: (1) assessed the relevance, timeliness, and technical adequacy of the Health Care Financing Administration's (HCFA) congressionally mandated research and evaluation activities; and (2) identified key internal and external factors that influenced the HCFA Office of Research and Demonstrations' (ORD) management and dissemination practices.

## Findings

GAO found that ORD: (1) frequently did not fully respond to the information needs that caused Congress to mandate the report; (2) failed to develop

systematic communications with Congress to clarify congressional mandates; (3) sometimes reduced reports' relevance by changing initial study plans and scope; (4) improved earlier report timeliness problems, but still experienced substantial delays during the study execution and report review phases; and (5) inconsistently applied practices for ensuring technical adequacy during project planning and execution and report review. GAO also found that factors affecting the quality of ORD reports included: (1) lack of communication between HCFA and Congress; (2) ORD failure to consider congressional interests during project planning; (3) lack of adequate monitoring; and (4) HCFA reductions in funding and staff.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to develop internal management procedures that will address the issues raised in this report. This would include, for example, procedures to ensure that agency communication with appropriate congressional committees is adequate during all stages of mandated studies and that ORD considers areas of congressional concern in developing its research and evaluation plans.

**Status:** Action taken not fully responsive. The Department of Health and Human Services (HHS) plan for

increased communication with congressional requestors is too vague.

**Recommendation:** The Secretary of Health and Human Services should implement formal report review procedures designed to ensure that HHS reviews of reports to Congress will be timely.

**Status:** Action in process. More formal review procedures have been evolving at the agency.

**Recommendation:** The Secretary of Health and Human Services should direct the Administrator, HCFA, to assess whether ORD has sufficient staff and resources to plan, monitor, and review studies mandated by Congress, as well as those supported by discretionary funds.

**Status:** Action taken not fully responsive. HHS has reached no conclusions as to resource needs.

**Recommendation:** The Secretary of Health and Human Services should work with other executive branch agencies to develop similar procedures for reviewing HCFA reports.

**Status:** Action in process. HHS coordination of review procedures has been discussed and is apparently evolving at the agency. A formal agency response is now being prepared.

## Nursing Homes

# Medicaid: Recoveries From Nursing Home Residents' Estates Could Offset Program Costs

HRD-89-56, 03/07/89

### Background

GAO reviewed the potential for estate recovery programs to help offset state and federal Medicaid nursing home costs.

### Findings

GAO found that: (1) estate recovery programs provide a cost-effective way to offset state and federal costs, while promoting more equitable treatment of Medicaid recipients; (2) the absence of estate recovery programs creates inequities in the treatment of Medicaid recipients and their heirs, allowing recipients who still own a home at the time of death to leave an estate, while requiring those who do not own a home to apply most of their liquid assets toward the cost of their care before they

become Medicaid-eligible; (3) about 14 percent of Medicaid nursing home residents in the eight states reviewed owned a home with an average value of about \$31,000; (4) of the eight states, only Oregon recovered Medicaid nursing home costs from the estates of Medicaid recipients and their spouses, six states had no estate recovery programs, and California had a recovery program, but was not recovering from the estates of surviving spouses; (5) by establishing recovery programs such as Oregon's, the six states could defray about \$85 million of the estimated \$125 million in Medicaid nursing home payments they will incur for recipients owning a home; (6) California could recover an additional \$11 million if it recovered costs from surviving spouses' estates; and (7) Oregon and California limited their

recovery programs to recipients 65 or over, due to confusion over whether federal regulations permitted them to recover from those under 65.

### Open Recommendations to Congress

**Recommendation:** Congress may wish to consider making mandatory the establishment of programs to recover the cost of Medicaid assistance provided to nursing home residents of all ages, from either their estates or the estates of their surviving spouses. The establishment of such programs would help to ensure that assets preserved through the new transfer-of-assets provisions can be used to defray Medicaid costs.

**Status:** Action not yet initiated.

## Nursing Homes

# Medicaid: Federal Oversight of Kansas Facility for the Retarded Inadequate

HRD-89-85, 09/29/89

### Background

Pursuant to a congressional request, GAO reviewed the Health Care Financing Administration's (HCFA) termination and subsequent reinstatement of the Winfield State Hospital and Training Center, Kansas, in the Medicaid program, focusing on whether it: (1) improperly reinstated the facility; (2) obtained state certification for the facility prior to reinstatement; (3) satisfied Medicaid requirements for reinstatement; (4) improperly allowed federal funding to continue following the facility's termination; and (5) made a political deal with Kansas to ensure the facility's reinstatement.

### Findings

GAO found that HCFA: (1) improperly reinstated the facility when deficiencies still existed; (2) did not obtain state certification or a new provider agreement prior to reinstatement; (3) failed to obtain adequate assurance that the deficiencies would not recur and exceeded its discretionary authority in authorizing reinstatement without such assurance; (4) improperly allowed federal funding to continue following termination; and (5) did not arrange a political deal with Kansas to reinstate the facility.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Health and Human Services should issue regulations implementing the department's authority to inspect Medicaid facilities and terminate provider agreements.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of Health and Human Services should strengthen internal controls for the approval of federal Medicaid payments.

**Status:** Action not yet initiated.

## Prevention and Control of Health Problems

# Document Requests: Response Time to Congressional Committees Could Be Improved

HRD-87-45, 04/24/87

### Background

Pursuant to a congressional request, GAO reviewed the Food and Drug Administration's (FDA) procedures for responding to congressional requests for FDA documents.

### Findings

GAO found that: (1) the FDA Office of Legislative Affairs (OLA) handles most congressional document requests; (2)

other FDA offices send requested documents to OLA for review; (3) OLA reviews the documents for sensitivity, then sends them, with a document listing, to the requester; (4) FDA took an average of 41 days to respond to document requests, an average of 34 days late; (5) FDA identified a number of reasons for the delays, including staff shortages, cumbersome procedures, and nonmandatory response target dates; and (6) OLA reviews documents for trade

secrets, even when other FDA offices have already done so.

### Open Recommendations to Agencies

**Recommendation:** FDA should provide written guidance to OLA and other FDA offices on their roles and responsibilities for responding to congressional committee requests for documents. Such guidance should include a requirement

that two sets of copies of requested documents be made at the same time. **Status:** Action in process. Estimated completion date: 01/90. Draft guidelines were prepared and are ready for signature by the FDA Associate Commissioner for Legislative Affairs.

**Recommendation:** FDA should require OLA to notify committees of reasons for delays, and attempt to negotiate a revised date when necessary. A record of these contacts should be made in OLA files, including agreements reached. **Status:** Action in process. Estimated completion date: 01/90. FDA instructed

its legislative staff to negotiate new dates, when necessary, and is working on a new form for recording agreements reached. This form will be formalized when guidelines for responding to congressional requests are released.

**Prevention and Control of Health Problems**

**ADP Systems: FDA Can Reduce Development Risks for Its Import Information System**

IMTEC-88-42, 09/30/88

**Background**

In response to a congressional request, GAO reviewed the Food and Drug Administration's (FDA) automated Import Support and Information System (ISIS) to determine whether FDA: (1) complied with government standards and regulations in developing ISIS; (2) ensured that ISIS would interface with the Customs Service's automated systems; (3) plans to use ISIS to collect data on imports FDA regulates; and (4) ensured that ISIS would be compatible with existing management systems.

**Findings**

GAO found that FDA: (1) failed to follow government standards requiring competitive procurement of computer systems, system design, and interface requirements; (2) did not identify

alternative system designs for management consideration; (3) postponed identifying interface requirements until after the system becomes operational; (4) plans to use ISIS to collect data only for those imports examined at the port of entry; and (5) believes that ISIS will be compatible with existing automated systems, such as the Laboratory Management System. GAO noted that if FDA fails to identify and plan for its interface requirements, ISIS may be unable to interface with Customs' systems.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Health and Human Services should take steps to ensure that FDA complies with department requirements to: (1) identify and specify FDA computer hardware

and software requirements for ISIS in functional terms, rather than specifying vendor-specific computer hardware and software; (2) identify FDA requirements for an ISIS automated interface with Customs, and obtain an agreement on a plan to implement the automated interface; and (3) explore feasible alternative system designs to meet the functional requirements of ISIS. **Status:** Action in process. FDA: (1) withdrew the agency procurement request and will prepare other functional terms to state its needs; (2) has identified its interface requirements with Customs and is working with Customs and OMB to accomplish an automated interface with Customs and import brokers; and (3) directed a contractor to perform a feasibility study for ISIS for various identified alternatives.

## Prevention and Control of Health Problems

# Imported Foods: Opportunities to Improve FDA's Inspection Program

HRD-89-88, 04/28/89

### Background

Pursuant to a congressional request, GAO reviewed the Food and Drug Administration's (FDA) imported food inspection activities, focusing on: (1) how staff responsible for inspecting imported products allocated their time; and (2) areas where FDA could improve operational efficiency.

### Findings

GAO found that: (1) during an average work week in 1988, 226 FDA district office staff performed import inspection tasks; (2) staff spent an average of 38 percent of their time on paperwork processing, 13 percent on travel to and from inspection sites, and 22 percent on physical inspections; (3) district offices varied widely in time spent on tasks, with travel ranging from 1 percent to 22 percent of staff time and paperwork ranging from 20 percent to 57 percent of time; (4) some district offices routinely conducted more inspections in less time than other district offices; and (5) FDA has implemented some of the recommendations from three studies it has conducted of its imported food inspection program since 1984. GAO also found that FDA: (1) could develop an

automated entry review system similar to one the Customs Service developed to reduce time spent on paperwork; (2) is developing the Import Support and Information System, an automated data-retrieval tracking system which includes an entry review component, but does not expect it to be available for several years; and (3) did not believe that establishing centralized examination facilities similar to those Customs implemented would reduce staff travel time.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Health and Human Services should direct the Commissioner, FDA, to assess whether some district offices are more efficient and productive than others and, if so, whether the practices of the better-performing offices could benefit FDA nationwide import inspection operations. **Status:** Action not yet initiated. FDA staff will conduct a study of district offices to determine reasons some offices take less time to perform assigned import tasks before management decisions on changes are made. The study will be completed in December

1989, followed by evaluation of its results.

**Recommendation:** The Secretary of Health and Human Services should direct the Commissioner, FDA, to determine whether the automation of the paperwork review task can be expedited.

**Status:** Action in process. Estimated completion date: 03/90. FDA awarded a software development contract for the Import Support and Information System and plans to pilot-test the system early in fiscal year 1990.

**Recommendation:** The Secretary of Health and Human Services should direct the Commissioner, FDA, to examine the feasibility of expanding the use of centralized facilities in conjunction with the Customs Service for inspection of imported products, especially in offices whose inspectors spend a large percentage of their time travelling.

**Status:** Action not yet initiated. FDA staff, as part of the study of district offices to determine reasons for differences in time to perform assigned import tasks, will consider FDA expanded use of Custom Service's centralized examination stations.

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**Prevention and Control of Health Problems**
**AIDS Forecasting: Undercount of Cases and Lack of Key Data Weaken Existing Estimates**

PEMD-89-13, 06/01/89

**Background**

Pursuant to a congressional request, GAO reviewed 13 existing national forecasts projecting future cumulative numbers of Acquired Immune Deficiency Syndrome (AIDS) cases to identify: (1) prediction variations and uncertainties; (2) types of forecasting models used; (3) the quality of the main types of data used in the models; and (4) a realistic range of estimates for the cumulative number of AIDS cases through 1991.

**Findings**

GAO found that forecast model approaches using: (1) extrapolation estimated 200,000 to 325,000 cumulative cases through 1991; (2) back-calculation predictions of individuals already infected with the human immunodeficiency virus (HIV) estimated 120,000 to 295,000 cases; (3) macro-level assumptions about the epidemic's future course predicted about 160,000 to 400,000 cases; and (4) micro-level examination of individual behaviors that contribute to the epidemic estimated about 25,000 cases. GAO also found that all forecasts relied on Centers for Disease Control (CDC) national AIDS surveillance data, which had quality problems deriving from: (1) limited definitions of AIDS; (2) diagnostic errors and restrictions; and (3) inaccurate or late state and local

reporting to CDC. In addition, GAO found that: (1) micro-level simulations were the most comprehensive but least empirical type of model; (2) extrapolation models were the least comprehensive; (3) some models were based on questionable assumptions; and (4) few models adequately adjusted for the identified data problems. GAO believes that, if the existing forecasts were adjusted to compensate for data biases, the realistic range of forecasts would be 300,000 to 480,000 cases.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Health and Human Services should require the Director, CDC, to conduct rigorous national studies of the net effect of biases in the national AIDS surveillance data in order to improve national estimates of the current and projected size of the epidemic.

**Status:** Action not yet initiated. The agency concurs with the recommendation, but the response has not cleared the Department of Health and Human Services (HHS).

**Recommendation:** The Secretary of Health and Human Services should require the Director, CDC, to assess whether the CDC Surveillance Branch

for tracking cases of AIDS and HIV-related diseases has sufficient staff and resources to plan, monitor, review, and disseminate such studies to the AIDS research community and forecasting models.

**Status:** Action not yet initiated. The agency concurs with the recommendation, but the response has not cleared HHS.

**Recommendation:** The Secretary of Health and Human Services should require the Director, CDC, to incorporate additional information on risk-group membership into the CDC public use data set.

**Status:** Action not yet initiated. The agency concurs with the recommendation, but the response has not cleared HHS.

**Recommendation:** The Secretary of Health and Human Services should review existing and ongoing empirical studies of individual risk-group behaviors as well as of HIV transmission and the current level of HIV infection to determine where additional data are most needed.

**Status:** Action not yet initiated. The agency concurs with the recommendation, but the response has not cleared HHS.

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**Prevention and Control of Health Problems****Alcohol Warning Labels: Current Rules May Allow Health Warnings to Go Unnoticed**

HRD-89-118, 06/14/89

**Background**

Pursuant to a congressional request, GAO reviewed the Bureau of Tobacco and Firearms' (BATF) implementation of the Alcoholic Beverage Labelling Act of 1988.

**Findings**

GAO found that: (1) the law requires a health warning label on all alcoholic beverage containers bottled on or after November 18, 1989; (2) BATF relied upon current regulations related to labelling wine and distilled spirits to determine the requirements for disclosure of the health warning statement; (3) 38 percent of the labels BATF had approved as of May 1989 did not have the warning statement emphasized in bold type; and

(4) disagreements with the proposed warning statements concerned the warning's placement size or the typeface used. GAO also found that the sponsors of the legislation were concerned because: (1) the proposed rules did not ensure the conspicuous placement of the warning statement; (2) BATF only considered two sizes of alcoholic beverage containers; and (3) BATF did not highlight the warning with an outlining box in a larger boldface than proposed.

**Open Recommendations to Agencies**

**Recommendation:** To help ensure that the warning statement is legible, conspicuous, and prominent, the

Secretary of the Treasury should direct BATF to specify in its final regulations: (1) that the words GOVERNMENT WARNING be capitalized and in bold type; (2) the minimum space and lettering requirements for the warning statement; and (3) detailed criteria to ensure that the statement is prominently displayed to better inform consumers of the warning.

**Status:** Action in process. Estimated completion date: 12/89. As of early November 1989, BATF was considering the recommendation, but had not reached a decision on its incorporation in the final regulations. Final rules should be completed around December 1989.

# Impoundment Control Act of 1974

## Budget Issues: Agency Authority to Borrow Should Be Granted More Selectively

AFMD-89-4, 09/15/89

### Background

Pursuant to a legislative requirement, GAO studied federal agencies' authority to borrow from the Department of the Treasury or the public to obtain funds in advance of appropriations, focusing on: (1) agencies' use of that authority between fiscal years (FY) 1978 through 1987; (2) guidelines for future provision of such authority; and (3) appropriateness of such authority.

### Findings

GAO found that 19 federal agencies: (1) obtained a total of \$353 billion from a total of 37 budget accounts with authority to borrow from FY 1978 through 1987, which constituted about 4 percent of the federal government's total budget authority for that period; (2) increased their outstanding debt with the public and Treasury from \$76 billion to \$195 billion from FY 1978 through 1987; and (3) frequently used new borrowings to repay old debt, borrowed more than they repaid, and repaid debt with appropriations rather than collections from program users. GAO also found that: (1) collections constituted the only meaningful reimbursement to Treasury of borrowed funds, since Treasury did not actually recover any funds when agencies repaid debts with appropriations or new borrowings; (2) although borrowing suggested that agencies would repay funds they received from Treasury, many accounts were not able to repay with their collections; (3) the legislative histories of most of 12 reviewed accounts

did not indicate whether Congress considered the accounts' ability to generate sufficient revenues to repay their debts or a reason why Congress selected authority to borrow as the form of financing; (4) 8 of the 12 reviewed accounts were unlikely to repay with collections, with 2 of those accounts not receiving any collections; and (5) such forms of financing as subsidized loan programs, annual appropriations, and contingency reserves could meet the needs of accounts using borrowing authority.

### Open Recommendations to Congress

**Recommendation:** Congress should provide authority to borrow only for accounts that will probably be able to repay their debt with collections.  
**Status:** Action not yet initiated.

**Recommendation:** Congress should: (1) require accounts to repay their debt with collections; (2) limit the number of years the accounts can use authority to borrow without renewed congressional approval; and (3) limit the amount of debt they can accumulate.  
**Status:** Action not yet initiated.

**Recommendation:** Congress should repeal the Saint Lawrence Seaway Development Corporation's (SLSDC) remaining \$3.2 million in authority to borrow in view of Congress' recent action to fund SLSDC operation and maintenance with annual appropriations.

**Status:** Action not yet initiated.

**Recommendation:** Congress should replace authority to borrow with another form of financing, such as a contingency reserve or permanent appropriation for the following accounts that can not repay their borrowings with collections: (1) Office of the Administrator in the Federal Railroad Administration; (2) the Ocean Freight Differential in the Maritime Administration; and (3) the National Flood Insurance Fund in the Federal Emergency Management Agency.

**Status:** Action not yet initiated.

**Recommendation:** Congress should enact legislation requiring annual appropriations of credit subsidy costs for new direct and guaranteed loans and restricting the use of authority to borrow to the unsubsidized portion of direct loans for the following credit accounts: (1) the Federal Housing Administration Fund in the Department of Housing and Urban Development; (2) the Agricultural Credit Insurance Fund in the Farmers Home Administration, Department of Agriculture; (3) the Federal Ship Financing Fund in the Maritime Administration, Department of Transportation; and (4) the Export-Import Bank. If Congress chooses not to enact such legislation for these four accounts, an alternative would be to repeal the accounts' authority to borrow and replace it with another form of financing, such as contingency reserve or a permanent appropriation.  
**Status:** Action not yet initiated.

**Recommendation:** Congress should place a limit on the amount of debt the Government National Mortgage Association's Guarantees of Mortgage-Backed Securities can have with Treasury.

**Status:** Action not yet initiated.

### **Open Recommendations to Agencies**

**Recommendation:** The Director, Office of Management and Budget, should review accounts with authority to borrow that were not included in this

study to determine if they are likely to have sufficient collections to repay their debt and if their authority to borrow should be replaced with another form of financing. The Director should report his findings to Congress.

**Status:** Action not yet initiated.

# Income Security

## Social Security: The Notch Issue

HRD-88-62, 03/24/88

### Background

Pursuant to a congressional request, GAO reviewed the disparity of social security benefits, known as the notch, between classes of recipients, resulting from the Social Security Amendments of 1977, specifically: (1) how the notch arose; (2) its effect on beneficiaries; (3) the financial implications of some proposed notch legislation; and (4) the socioeconomic characteristics of affected social security recipients.

### Findings

GAO found that the 1977 amendments: (1) altered the benefits computation

formula; (2) stabilized replacement rates and lowered their level; (3) caused retirees born in or after 1917 to receive smaller benefit amounts than those born before then; and (4) did not fully anticipate rapid inflation from 1977 to 1983 which increased the notch between those groups. GAO also found that legislative proposals to lessen the benefit disparities: (1) would require making additional payments to beneficiaries, using current trust fund balances to finance notch remedies, increasing revenue through payroll taxation, and reducing benefits and other expenditures; (2) were generally costly and difficult to administer; and (3) could

jeopardize the system's short-run financial condition.

### Open Recommendations to Congress

**Recommendation:** In evaluating legislative proposals concerning the notch issue, Congress may wish to consider: (1) financing notch legislation which would be as neutral as possible in its effect on the Social Security Trust Funds and, where relevant, the federal budget; (2) the feasibility of implementing the legislation; and (3) not lengthening the transition period.

**Status:** Recommendation valid/action not intended.

## Federal Employee Retirement and Disability

### Noncash Benefits: Methodological Review of Experimental Valuation Methods Indicates Many Problems Remain

PEMD-87-23, 09/30/87

### Background

In response to a congressional request, GAO: (1) developed a general approach for assessing future proposed methods to change poverty indicators; and (2) applied its approach to one method the Census Bureau used to place cash value on noncash benefits.

### Findings

The GAO assessment approach: (1) identified specific concerns within each method; (2) examined these concerns

using indicators, such as changes in the poverty rate; and (3) combined the results of these steps to form a final judgement. GAO applied this approach to the Bureau's market-value method and found that: (1) the Bureau's conceptual choices as to which benefits to include in the definition of income could affect the poverty rate by as much as 4.7 percent; (2) the Bureau's methodological choices in carrying out poverty calculations influenced the method's validity and the accuracy of its benefit values; and (3) overestimation of

data quality problems caused flaws that resulted in fluctuations in the poverty rate.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Commerce should direct the Director of the Census Bureau to conduct a more comprehensive examination of the problems with the Bureau's valuation methods, especially those involving medical benefits, giving full

consideration to the assessment approach GAO developed. The Bureau should fully disclose in its publications the magnitude of the effects of these problems.

**Status:** Action in process. Estimated completion date: 12/89. Action taken was not completely responsive because the research report designed to address those problems has not been released.

The December 1989 report is supposed to include a progress report on this research. The full report is likely to be issued in December 1990.

## Food and Nutrition Assistance

# Benefit Overpayments: Recoveries Could Be Increased in the Food Stamp and AFDC Programs

RCED-86-17, 03/14/86

### Background

GAO reviewed the Food Stamp and Aid to Families with Dependent Children (AFDC) programs to: (1) examine how state and local collection offices use such collection methods as recoupment to recover overpayment claims; and (2) identify specific actions that would increase collections. The programs are operated by the Department of Agriculture's (USDA) Food and Nutrition Service (FNS) and the Department of Health and Human Services' (HHS) Office of Family Assistance (OFA), respectively.

### Findings

GAO found that: (1) the procedures used to collect food stamp overpayment claims are generally more restrictive than those used for AFDC claims regarding when states may use recoupment; (2) while recoupment is an effective collection technique, applicable law prohibits the use of recoupment to collect overpayments caused by agency errors; (3) overpayments caused by agency errors accounted for about 34 percent of claims against Food Stamp program participants; and (4) USDA has estimated that the use of recoupment in the Food Stamp program could increase collections by \$1.4 million each month.

GAO also found that: (1) in many cases, overpayment recipients leave the program before claims against them are fully paid and do not repay their claims; (2) if FNS gave participants only 10 days to respond to payment demand letters, instead of 30, it could increase collections by 8 percent in the offices GAO visited; and (3) FNS could also increase collections by giving priority processing to claims against current participants and improving systems used to identify former participants who reenter the programs with outstanding claims. In addition, GAO found that: (1) claims against households no longer participating in the Food Stamp program totalled \$135 million in 1984, and FNS was not receiving payments on \$85 million of those claims; and (2) one possible way to improve collections on those claims would be to offset federal income tax refunds against participants' outstanding claims.

### Open Recommendations to Agencies

**Recommendation:** To improve the timeliness of state collection actions, the Secretaries of Agriculture and Health and Human Services should direct the Administrators, FNS and OFA, respectively, to require priority

processing of claims involving current participants by establishing time-period criteria that would require prompt collection action on such claims.

**Addressee:** Department of Agriculture  
**Status:** Action in process. Estimated completion date: 12/89. Proposed regulations implementing this recommendation were issued in September 1987. USDA has developed the final rule and is awaiting clearance by HHS.

**Recommendation:** To improve the timeliness of state collection actions, the Secretaries of Agriculture and Health and Human Services should direct the Administrators, FNS and OFA, respectively, to evaluate the operations of states' systems used to start collection action on cases involving former participants with outstanding claims who reenter the programs; identify reasons why such cases are not always identified at the time of application; and assist the states to improve their operations to remedy any such problems.  
**Addressee:** Department of Agriculture  
**Status:** Action in process. Estimated completion date: 12/89. Proposed rules implementing this recommendation were published on March 9, 1987. USDA has completed the final rule and is awaiting clearance from HHS.

**Recommendation:** The Secretary of Agriculture should require states to initiate collection action on food stamp claims involving participants awaiting administrative disqualification hearings.

**Status:** Action in process. Estimated completion date: 03/91. USDA is doing a study on reclassification of claims, i.e., changing the category from a fraud to a non-fraud claim. The report is expected

to provide data and offer guidance on how to determine actions needed in disqualification hearings.

## Food and Nutrition Assistance

# Food Stamp Program: Refinements Needed To Improve Accuracy of Quality Control Error Rates

RCED-86-195, 09/19/86

## Background

GAO discussed the reliability of the Food Stamp Program's error rates, which served as the basis for sanctions that the Department of Agriculture (USDA) assessed against states for excessive errors they made in determining fiscal year 1984 program eligibility and benefit levels.

## Findings

GAO found that: (1) in the three states it evaluated, the federal and state quality control reviews (QCR) were generally adequate, but the QCR process could have been improved; (2) USDA and the three states properly conducted QCR of cases representative of the overall food stamp case load; (3) a USDA regulation required states to drop cases from the QCR process that they could have completed; (4) the dropped cases were about twice as error-prone as completed cases and, if completed, would have increased error rates in all three states and sanctions in two of the three states; and (5) in computing the official error rates, USDA made statistical and mathematical mistakes for 13 of the 25 states.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Agriculture should change food stamp regulations governing the QCR process to eliminate the requirement that states drop cases in which personal interviews are not held, and add a requirement that states use collateral or case record data to review cases in which personal interviews are precluded because participants died, moved out of state, could not be located, did not cooperate, or were institutionalized participants. In the case of institutionalized participants, states should first contact the institution to determine whether the participant can be interviewed.

**Status:** Action in process. Estimated completion date: 12/91. USDA issued a memorandum to permit QCR to complete a review without an interview if the household refused to cooperate. A proposed regulation, which would require state QCR to attempt to complete such a review, has also been prepared. Completion of cases with other reasons for not holding an interview will be considered when the new QCR regulations are issued sometime in December 1991.

**Recommendation:** The Secretary of Agriculture should change food stamp regulations governing the QCR process to require states to include in the error rate any case in which the review of basic program eligibility requirements shows that the participant was ineligible for the program.

**Status:** Action in process. Estimated completion date: 09/90. USDA has contracted for a study designed to determine the key factors in the QCR process that would uncover actual or possible ineligibility.

**Recommendation:** The Secretary of Agriculture should change food stamp regulations governing the QCR process to require states to attempt to complete reviews of participants who are under investigation for suspected fraud or have pending administrative fraud hearings.

**Status:** Action in process. Estimated completion date: 09/90. USDA has contracted for a study designed to determine the key factors in the QCR process that would uncover actual or possible ineligibility.

**Recommendation:** The Secretary of Agriculture should change food stamp regulations governing the QCR process to specify that FNS regional offices have the authority to require states to

complete reviews of cases for which the region believes sufficient information has been obtained or can be obtained to complete a review. The Secretary of Agriculture should consider augmenting this authority by asking Congress for

authority to assess states for the costs the federal government incurs when completing reviews of cases dropped by states.  
**Status:** Action not yet initiated. USDA stated that it will consider taking action

on this recommendation after completing a review of studies of the quality control system prepared by the National Academy of Sciences and FNS. FNS plans to address quality control issues by late 1989.

## Food and Nutrition Assistance

# Food Stamp Program: Statistical Validity of Agriculture's Payment Error-Rate Estimates

RCED-87-4, 10/30/86

## Background

In response to a congressional request, GAO reviewed the quality control (QC) system that the Food and Nutrition Service (FNS) used to set fiscal year (FY) 1984 error rates in Food Stamp Program benefit payments and to assess sanctions against states for their errors.

## Findings

GAO noted that FNS annually estimates each state's food stamp payment error rate in a two-step process, using statistically selected FNS and state case samples. FNS: (1) computes a regressed error rate based on a review of its subsample of the state's sample; (2) adjusts the regressed error rate upward if the state did not complete the number of sample case reviews prescribed in its approved quality control (QC) review plan; and (3) determines the state's sanction from the resulting number, which is the official error rate. A sanction involves reducing the federally funded share of a state's administrative costs by a predetermined percentage tied to a target error rate. GAO found that, overall, FNS statistical policies for estimating the regressed and official error rates generally conformed with accepted statistical theory. GAO believes

that, because small changes in the official error rates could affect sanction amounts, FNS should use the soundest practical statistical methods in developing the payment error-rate estimates.

## Open Recommendations to Agencies

**Recommendation:** The Administrator, FNS, should amend FNS policy and guidance to require that an acceptable expected minimum-stratum sample size be established when approving a state's sampling plan.

**Status:** Action in process. Estimated completion date: 09/90. FNS has awarded a contract to be completed before FY 1991. The contract will determine, among other things, the expected minimum-stratum sample size. FNS will not obligate itself to make changes until the study is completed.

**Recommendation:** In conjunction with actions taken in response to studies that the Department of Agriculture (USDA) and the National Academy of Sciences (NAS) are conducting on food stamp error rates and sanctions, the Administrator, FNS, should amend FNS policy and guidance to eliminate the

assumption that cases for which reviews have not been completed have the same error rate as completed cases.

**Status:** Action in process. Estimated completion date: 09/90. FNS has awarded a contract to be completed before FY 1991. The contract will determine, among other things, the estimated and actual food stamp error rates. FNS will not obligate itself to make changes until the study is complete.

**Recommendation:** In conjunction with actions taken in response to studies that USDA and NAS are conducting on food stamp error rates and sanctions, the Administrator, FNS, should amend FNS policy and guidance to require that the standard deviation of the regressed payment error rate, instead of the standard deviation from the state samples, be used in calculating the adjusted, or official, error rate.

**Status:** Action not yet initiated. FNS agreed to implement this recommendation when it acts on NAS studies; one was issued in October 1987, and the second was issued in March 1988. Also, FNS contracted for another statistical study, which will be reviewed for information on this issue. FNS is

reviewing these studies and plans to address QC issues in late 1989.

## Food and Nutrition Assistance

# Food Stamp Program: Error Rate Adjustments and Sanctions

RCED-88-10, 10/22/87

### Background

In response to a congressional request, GAO reviewed the Food and Nutrition Service's (FNS) procedures for adjusting states' Food Stamp Program error rates to account for uncompleted state quality control reviews.

### Findings

GAO found that: (1) adjustments for uncompleted case reviews were relatively small for 1984 and 1985; (2) only one state suffered an increased sanction because of an error-rate adjustment; (3) adjustments may vary

for states with similar review completion rates; (4) some states with similar completion rates received different adjustments; (5) the variations occurred because FNS considered regressed error rates and error-rate standard deviations in determining adjustments; and (6) FNS followed its usual rulemaking process in setting the adjustment procedure.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Agriculture should direct the Administrator, FNS, to devise a sanction process that separates financial

penalties for uncompleted reviews from financial penalties for exceeding the target error rate. An alternative for doing so could entail a graduated sanction based on the extent to which states do not complete the prescribed number of reviews.

**Status:** Action in process. Estimated completion date: 03/90. FNS stated that it is reviewing the findings of studies conducted by FNS and the National Academy of Sciences and is reviewing the intent of the recent passage of the Hunger Prevention Act to determine what action is needed. FNS will make its decision in late 1989 or early 1990.

## Food and Nutrition Assistance

# Food Stamp Program: Evaluation of Improper Denial or Termination Error Rates

RCED-88-12, 10/22/87

### Background

Pursuant to a congressional request, GAO assessed the accuracy of Maryland's and Illinois's reporting of improper denial or termination error rates under the Food Stamp Program for fiscal year (FY) 1985.

### Findings

GAO found that: (1) Illinois and Maryland detected 40 and 15 percent, respectively, of the improper denials or terminations that it found; (2) projected error rates were 22.5 percent for Illinois and 12.4 percent for Maryland, rather than 9.1 and 2.2 percent, respectively, as

the states reported; (3) 42 percent of the households that the states improperly denied or terminated from the program lost benefits as a result of the errors; (4) the Department of Agriculture (USDA) did not routinely validate the states' reported error rates; (5) incorrect eligibility determinations, inadequate documentation of the basis for denial or

termination, and failure to allow the prescribed time for the application process were three common errors local offices made when deciding to deny or terminate benefits; and (6) the USDA Food and Nutrition Service (FNS) only validated reported error rates if states were potentially eligible to receive enhanced funding.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Agriculture should direct the Administrator, FNS, to examine alternatives to encourage states to reduce improper denial or termination error rates, including seeking authority

to hold states financially liable for their improper denials or terminations. **Status:** Action in process. Estimated completion date: 07/90. FNS considers this a closeout. Congress requires FNS to submit a report, due July 1990, and recommends keeping this open until satisfied by the report.

## Food and Nutrition Assistance

# Food Stamp Program: Progress and Problems in Using 75-Percent Funding for Automation

RCED-88-58, 04/28/88

### Background

In response to a congressional request, GAO reviewed the Department of Agriculture's (USDA) Food and Nutrition Service's (FNS) Food Stamp Program to determine: (1) what state information retrieval systems FNS had approved for 75-percent funding from fiscal year (FY) 1981 through FY 1986; and (2) whether the approved systems or projects complied with legislative mandates and met general functional requirements.

### Findings

GAO found that: (1) FNS approved 51 requests from 33 states from FY 1981 through FY 1986, totalling \$66 million; (2) FNS policy and approval of requests from 17 state agencies differed from requirements; (3) FNS policy allowed funding for all planning, design, development, or installation of the systems at the 75-percent level when the system was the state's initial attempt, or an upgrade or modification of existing systems for the Food Stamp Program; (4) USDA regulations allowed 75-percent funding to develop automated program

systems that did not achieve integration with the Aid to Families with Dependent Children (AFDC) Program, as mandated; (5) FNS approved funding for systems not expressly permitted in USDA regulations because it believed that they would eventually become part of the total automated system; and (6) there were no requirements for documenting system compliance.

### Open Recommendations to Congress

**Recommendation:** Since 1980, USDA has used 75-percent federal matching funds to automate the Food Stamp Program in a manner allowed by the act but which departed significantly from what was envisioned in the legislative history. Congress may wish to consider expressing its current position on the manner in which 75-percent funding is being used.

**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Agriculture should direct the Administrator, FNS, to monitor and enforce regulations requiring that automated systems approved for 75-percent funding be for total Food Stamp Program certification or issuance, reconciliation, and reporting systems only.

**Status:** Action in process. Estimated completion date: 03/90. Proposed rules were published August 8, 1988. USDA provided funding approved guidance on October 13, 1988. A final rule has been written and is currently under Office of Management and Budget review.

**Recommendation:** To help ensure that the Food Stamp Program's automated systems development approved for 75-percent federal funding meets the requirements set forth in USDA regulations, the Secretary of Agriculture should direct the Administrator, FNS, to: (1) amend Service Handbook 151, ADP Advance Planning Document Handbook for state agencies, to direct

that state agency requests for 75-percent funding fully describe in their planning documents how the required program functional standards will be incorporated into the proposed automated Food Stamp Program system; (2) amend Service Handbook 103 to direct regional Food Stamp Program personnel to document their determination that each of the required

program functional standards are met prior to approving requests for 75-percent funding; and (3) direct regional office personnel to implement the state agency request file records control system described in Service Handbook 103 to maintain a planning document control log and numbering system for related amendments and correspondence

pertaining to each state agency's request for federal funding.

**Status:** Action in process. Estimated completion date: 03/90. Once regulations are published, estimated in late 1989, work will begin and directions will be sent to FNS requiring funding requests to specify how automatic data processing meets program requirements.

## Food and Nutrition Assistance

# Food Stamp Program: Reporting of Application Activities Could Be Improved

RCED-88-156, 07/14/88

### Background

Pursuant to a congressional request, GAO assessed the reliability of the Food and Nutrition Service's (FNS) statistics on households applying for, approved for, and denied food stamp benefits, focusing on: (1) FNS instructions and requirements regarding states' reports on application, approval, and denial information; (2) the definitions and procedures states used to aggregate, record, and report application information; (3) the Department of Agriculture (USDA) and states' oversight of recordkeeping and reporting practices; and (4) how states and USDA used application information.

### Findings

GAO found that: (1) states used different definitions of what constituted an application in its reports to FNS, since FNS instructions through 1986 failed to specifically define reporting procedures;

(2) a 1987 FNS revision of its report format helped it to obtain additional details but did not solve the problem of inconsistent state application definitions; (3) additional instructions FNS issued in 1988 helped to clarify reporting requirements, but did not fully address all variations among states; (4) within their automated or manual recordkeeping systems, states generally had procedures to ensure information accuracy according to their own definitions; (5) states primarily used the information to monitor local office food stamp application work loads and ensure prompt application processing; (6) FNS did not assess reported information for accuracy or use it for budgeting and program planning, although it did informally use some data in policy development; (7) FNS did not automate states' reported data until 1987; and (8) FNS lacked plans for monitoring and using reported information to assess states' performance.

### Open Recommendations to Agencies

**Recommendation:** To ensure that states are accurately reporting the food stamp application information, the Secretary of Agriculture should direct the Administrator, FNS, to develop specific plans and written procedures for: (1) monitoring the states' application information to ensure that it is reported according to FNS requirements; and (2) using the reported information to evaluate state performance.

**Status:** Action in process. Estimated completion date: 03/90. FNS regional offices have been directed to conduct reviews of Form FNS-366B, including application activity data. These reviews will continue into fiscal year 1989 until deficiencies are corrected. FNS is developing guidance to monitor and improve the states' reporting performance. Guidance should be completed by March 1990.

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**Food and Nutrition Assistance**
**Food Stamp Program: Administrative Hindrances to Participation**

RCED-89-4, 10/21/88

**Background**

Pursuant to a congressional request, GAO reviewed whether federal regulations and certain state and local practices and procedures discourage or prevent eligible persons from participating in the Food and Nutrition Service's (FNS) Food Stamp Program.

**Findings**

GAO found that some local offices: (1) had limited office hours and restrictive interviewing schedules; (2) required households to complete screening forms before providing them food stamp applications and interviews; (3) did not encourage applicants to file partial applications to establish filing dates; (4) did not consider applicants for expedited

benefits or did not provide expedited benefits on time; (5) denied applications prematurely; and (6) did not help applicants obtain the documents they needed to complete their applications. GAO also found that some states: (1) inappropriately terminated households' food stamp benefits when they terminated their public assistance benefits; (2) transferred clients from one project area to another, causing benefit interruptions; and (3) terminated food stamp benefits on the basis of unverified allegations of changes in household circumstances. In addition, GAO found that households with the same income could receive more food stamps in some states than others because FNS regulations permit two methods for states to calculate a household's monthly income.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Agriculture should direct the Administrator, FNS, to identify administrative hindrances to food stamp participation in its annual operations reviews of each state, focusing on hindrances identified in this report, and assist states in overcoming these hindrances by sharing this information with all states.

**Status:** Action in process. Estimated completion date: 03/90. FNS is developing information on strategies that states can use to address hindrances to food stamp participation.

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**Food and Nutrition Assistance**
**Food Stamp Program: Participants Temporarily Terminated for Procedural Noncompliance**

RCED-89-81, 06/22/89

**Background**

Pursuant to a congressional request, GAO examined Georgia and Wisconsin food stamp recipients' benefit interruptions to determine the extent of and reasons for participants' temporary termination from food stamp programs.

**Findings**

GAO found that: (1) 87 percent of interruptions experienced in Georgia and Wisconsin households were due to eligibility status changes, and the remaining interruptions were caused by households' or states' noncompliance with procedural requirements; (2) during

fiscal year 1987, procedural noncompliance caused about 18,800 Georgia households to lose between \$400,000 and \$3.4 million in benefits and about 14,400 Wisconsin households to lose between \$400,000 and \$1.9 million in benefits; (3) household-caused interruptions resulted from participants' failure to timely submit monthly

reports, provide verification documents, notify offices of nonreceipt of stamps, or meet work requirements; (4) Georgia, along with 39 other states, adopted a monthly reporting reinstatement option which allowed service continuation with full benefits, rather than temporary service termination, and acceptance of participants' monthly reports after the due date; (5) states would require amendments to the Food Stamp Act to exclude participants applying for recertification from the act's proration provisions; (6) state-caused interruptions in Wisconsin resulted from improper implementation of the monthly reporting reinstatement option, untimely processing of participants' documents and forms, and inadequate automation capability; (7) Wisconsin's plans for

awareness training for caseworkers and computer programming changes should help to reduce those errors; and (8) the Food and Nutrition Service (FNS) has not determined why 13 other states have not adopted the monthly reporting reinstatement option.

### Open Recommendations to Congress

**Recommendation:** To ensure full monthly benefits to participants who file recertification applications up to 1 month late, Congress may want to consider amending the proration provisions of the Food Stamp Act to exclude such participants.

**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** To promote equitable benefits in all states, the Secretary of Agriculture should direct the Administrator, FNS, to: (1) contact those states that have not adopted the monthly reporting reinstatement option; (2) determine their capability to adopt the option; (3) encourage its adoption where practicable; and (4) if adopted, review the option to ensure its implementation is proper.

**Status:** Action in process. Estimated completion date: 12/89. FNS has indicated that it is in the clearance process with its guidelines and plans to issue them around December 1989.

## Food and Nutrition Assistance

# Social Security: Status and Evaluation of Agency Management Improvement Initiatives

HRD-89-42, 07/24/89

## Background

GAO assessed the Social Security Administration's (SSA) progress in implementing GAO recommendations for improving SSA management, focusing on: (1) the status and effectiveness of SSA corrective actions; (2) the reasonableness, timeliness, and completeness of actions in progress; and (3) how SSA planned to sustain the actions and ensure their continued progress and effectiveness.

## Findings

GAO found that: (1) SSA made a number of organizational changes, appointed a senior executive officer, developed offices for financial management and strategic

planning, and developed an agency-wide long-range plan for budget, planning, and decision-making processes; (2) SSA initiatives provided a framework for improved effectiveness and accountability, but were not sufficiently mature to evaluate properly; (3) the SSA Commissioner did not appoint a full-time information resources manager to integrate, coordinate and support long-range automatic data processing (ADP) efforts; (4) although SSA restructured so that top management could better understand and control ADP issues, no one below the Commissioner was accountable for information systems planning and integration; (5) SSA did not develop recommended performance standards and measures or establish a

focal point for coordinating review and evaluation efforts; (6) SSA increased its focus on productivity, but lacked an institutionalized, systematic approach to productivity management; (7) SSA did not develop the necessary work standards to establish its staffing needs; (8) although SSA improved communications between employees and managers, concerns remained over the effects of continued staff cuts on work pressure and promotions; and (9) efforts to disseminate retirement information and develop future managers were ineffective.

## Open Recommendations to Agencies

**Recommendation:** The Commissioner of Social Security should create a system independent of the managers responsible for implementing SSA initiatives to systematically evaluate whether the initiatives are accomplishing their objectives and implement further improvements if warranted.

**Status:** Action not yet initiated. With the change in commissioner, SSA is revising its formal comments to

Congress and the Office of Management and Budget (OMB).

**Recommendation:** The Commissioner of Social Security should develop a process to systematically compare planned with actual program results at the end of each planning and budget cycle and use these evaluations in formulating the next year's plans and budgets.

**Status:** Action not yet initiated. With the change in commissioner, SSA is revising its formal comments to Congress and OMB.

**Recommendation:** To ensure that the many information systems issues still needing attention are adequately addressed, the Commissioner of Social Security should designate a senior official with full-time responsibility and accountability for information resources management reporting directly to the Commissioner.

**Status:** Action not yet initiated. With the change in commissioner, SSA is revising its formal comments to Congress and OMB.

## General Retirement and Disability Insurance

# Prisoners Receiving Social Security and Other Federal Retirement, Disability, and Education Benefits

HRD-82-43, 07/22/82

## Background

Pursuant to a congressional request, GAO estimated the number of incarcerated felons receiving social security and other cash benefits from various federal programs. Initial GAO estimates on the number of prisoner beneficiaries receiving benefits from Social Security Administration (SSA) and Veterans Administration (VA) programs resulted in Congress enacting legislation in 1980 to exclude certain benefits to prisoners.

## Findings

GAO estimated that before the 1980 amendments: (1) about 1.4 percent of the incarcerated felons were receiving social security disability benefits of approximately \$17 million a year; (2) about 1 percent were receiving VA disability compensation of approximately \$8 million a year; and (3) about 1.3

percent were receiving VA education benefits of approximately \$14 million a year. Prisoners were also receiving cash benefits from other similar federal programs not addressed by the amendments, including 0.4 percent who were receiving social security retirement or survivor benefits of approximately \$4 million a year. Other prisoners were receiving cash benefits from the federal needs-based programs of Supplemental Security Income and veterans pensions. SSA and VA will not be able to identify prisoner beneficiaries completely until accurate social security numbers (SSN's) are available for all prisoners. States varied widely in the completeness and accuracy of this information and could improve their documentation in coordination with the SSA validation process. GAO also estimated that about 4 percent of the prisoners were receiving postsecondary education funded through Pell Grants. The amounts varied but,

because of tuition waivers, some grants were higher than the fees schools actually charged the prisoners.

## Open Recommendations to Agencies

**Recommendation:** The Administrator of Veterans Affairs should use the prisoner identification information supplied by SSA to better identify prisoner beneficiaries of VA programs.

**Status:** Action in process. In August 1988, VA sent a memo to SSA recommending that SSA send it tapes in January 1989 so the matching could get started. SSA has not released the tapes because of a new law, the Primary Protestation Act, and the issue has been with SSA and VA General Counsels. VA has drawn up an agreement and, after clearing it, will send it to SSA for concurrence.

## General Retirement and Disability Insurance

# Better Case File Monitoring of the Workers' Compensation Offset Provision by the Social Security Administration Could Save Millions

HRD-83-90, 09/30/83

### Background

GAO reviewed the losses that the Social Security Disability Insurance (DI) trust fund incurs each year because DI payments to disabled workers are not being reduced as required by the workers' compensation offset provision of the Social Security Act. The DI trust fund is the nation's primary source of income replacement for disabled workers. Many DI recipients are also entitled to federal disability or workers' compensation benefits. These benefits can overlap, causing disabled workers to receive more in disability benefits than they were earning before they became disabled.

### Findings

Although the offset provision saved the Social Security Administration (SSA) \$168 million in fiscal year 1981, GAO estimated that claims that were not offset cost the trust fund about \$43 million. GAO believes that many claims were not offset because SSA had no indication that the DI claimants had received other benefits or had claims pending. However, in other cases, SSA

could have prevented the loss by acting on evidence in the case files. In applying the offset provision, SSA relies heavily on claimants' voluntary reports of compensation awards or changes in award amounts. SSA has acknowledged that this reliance has contributed significantly to overpayments and it has begun several activities designed to investigate claimants' failure to report benefits payments. SSA is making inquiries into data exchanges with state agencies, but it reports that serious obstacles remain to be overcome before that objective can be achieved. SSA plans to select a state to participate in a pilot program and to evaluate the results of the program to determine the potential of file-matching programs. GAO stated that SSA could reduce or eliminate lost offsets for federal employee cases by matching its files with the Department of Labor's files. Since the beginning of the GAO review, SSA has initiated several actions to reduce the number of offsets not imposed, and the SSA Office of Assessment is planning to make several recommendations to improve the processing of offset cases.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Health and Human Services should work with the Secretary of Labor to establish regular matches between the DI file and Labor's workers' compensation files.

**Status:** Action in process. Estimated completion date: 03/90. The first match with Federal Employees' Compensation Act (FECA) files was run in June 1989. The results are expected to be reported in March 1990. An ongoing matching operation is to be established if the results prove to be cost-effective.

**Recommendation:** The Secretary of Health and Human Services, to facilitate the matches, should explore with the Secretary of Labor the feasibility of including additional identifiers in Labor's computer files.

**Status:** Action in process. Estimated completion date: 03/90. The plan is being developed to match and review the FECA file. The first match with FECA was run in June 1989. The results are expected to be reported in March 1990.

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## General Retirement and Disability Insurance

# Social Security: Time Required to Approve and Pay Attorney Fees Can Be Reduced

HRD-89-7, 10/18/88

### Background

Pursuant to a legislative requirement and a congressional request, GAO reviewed the Social Security Administration's (SSA) fee payment procedures for attorneys representing claimants' denied social security disability benefits, to: (1) identify obstacles to the timely payment of the fees; (2) provide information on claimants' access to attorneys; and (3) provide information on attorney fees and charges in state compensation programs.

### Findings

GAO found that: (1) the SSA attorney fee approval and payment process involved four steps after the formal disability decision; (2) the overall median time between the hearing date and fee

payment was 211 days; (3) the median time from hearing date until a written decision was 73 days; (4) the median time between submission of fee petitions and fee approvals was 42 days; and (5) claimants had very little difficulty finding attorneys to represent them. GAO also found that: (1) attorneys generally charged 25 percent of a claimant's past-due benefits, contingent upon a successful appeal; (2) although attorneys received an approved hourly rate of \$89 for cases decided before an administrative law judge, the effective hourly rate was \$50 for cases won or lost; (3) for fees up to \$3,000, SSA generally approved 94 percent of the total amount requested; and (4) under state workers' compensation programs, attorneys generally charged a percentage of total benefits to be

awarded. GAO believes that SSA could shorten the time it needs to calculate benefit payments to significantly reduce fee processing time.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Health and Human Services should require SSA to: (1) require attorneys to have claimants sign fee petitions before submitting them to hearing offices; and (2) do a detailed review of the approval and payment process to determine where other efficiencies may be gained.

**Status:** Action in process. Estimated completion date: 12/89. Five milestones, including Office of Management and Budget clearance, are to be completed by the end of December 1989.

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## General Retirement and Disability Insurance

# Computer Operations: Improvements Needed in Social Security's Capacity Management Program

IMTEC-89-8, 01/18/89

### Background

GAO reviewed the Social Security Administration's (SSA) computer capacity management program to assess the effectiveness of SSA: (1) management of existing computer resources; and (2) planning for future resource needs.

### Findings

GAO found that SSA did not have an effective capacity management program, since it did not: (1) systematically collect and analyze sufficiently detailed data on planned work loads to ensure effective capacity planning; (2) effectively model its requirements to accurately predict

computer capacity needs; and (3) use pilot testing to evaluate how various components operated together and to assess component traffic patterns. GAO also found that: (1) SSA formed a review team and had two contractors perform independent assessments of its capacity management program; (2) although the evaluations reported that the capacity

management process produced some valuable and directly useful information, they raised questions about SSA ability to determine its current and future computer capacity requirements; and (3) although SSA has implemented some of the recommended actions, it cannot effectively ensure future computer acquisitions until it improves its capacity management program.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Health and Human Services should

direct the Commissioner of Social Security to ensure that SSA improves its capacity management program as currently scheduled and uses this program to justify future acquisitions. **Status:** Action in process. Estimated completion date: 12/89. All planned improvements are to be completed by December 31, 1989.

**Recommendation:** The Secretary of Health and Human Services should direct the Commissioner of Social Security to report the lack of effective capacity management as a material control weakness under the Federal

Managers' Financial Integrity Act until an improved program has been implemented.

**Status:** Action taken not fully responsive. SSA disagreed with this recommendation. It believes that GAO did not demonstrate that the SSA mission is in jeopardy. As such, it believes that GAO has no basis for this recommendation.

**General Retirement and Disability Insurance**

**Social Security: Selective Face-to-Face Interviews With Disability Claimants Could Reduce Appeals**

HRD-89-22, 04/20/89

**Background**

In response to a congressional request, GAO provided information on certain aspects of the Social Security Administration's (SSA) appeals process, including: (1) the reasons for administrative law judges' (ALJ) high reversal rates for state disability determination services' (DDS) decisions; and (2) suggestions for improving the SSA appeal process.

**Findings**

GAO reviewed state DDS decisions for 1986, and found that: (1) ALJ reversed over 60 percent of DDS denials of benefits; (2) ALJ questioned benefit claimants extensively during hearings and determined that their functional capacity was more limited than DDS had

determined; (3) most claimants appealed DDS decisions, and were often represented by attorneys on a contingency-fee basis; (4) ALJ generally requested medical advisers' and vocational experts' opinions and often sent claimants to independent physicians for medical examination; (5) ALJ usually reversed DDS determinations in cases involving older claimants; and (6) ALJ less frequently reversed determinations in cases where state DDS conducted personal interviews with claimants at the reconsideration stage of the appeal procedure.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Health and Human Services should

direct the Commissioner of Social Security to initiate a demonstration project that would include interviewing selected categories of claimants at the reconsideration stage. Such a project would differ from ongoing demonstration projects by focusing on those categories of claimants most likely to be approved by ALJ. By interviewing specific categories of claimants at the reconsideration stage, the number of such interviews could be kept manageable. Through quality assurance reviews of the resulting decisions at the reconsideration stage, SSA could determine whether the interviews were resulting in unwarranted benefit awards.

**Status:** Action not yet initiated.

## Housing Assistance and Other Income Supplements

# Need To Foster Optimal Use of Resources in the Special Supplemental Food Program for Women, Infants, and Children (WIC)

RCED-85-105, 09/27/85

### Background

GAO reviewed the Special Supplemental Food Program for Women, Infants, and Children (WIC), which the Department of Agriculture's (USDA) Food and Nutrition Service (FNS) operates. GAO attempted to determine how to obtain the maximum benefit from the use of WIC resources, focusing on: (1) the extent to which state and local WIC agencies attempt to target WIC benefits on the basis of need; (2) FNS procedures for targeting WIC benefits; (3) state and local WIC agencies' verification of applicants' eligibility for benefits; (4) the impact of FNS and state agency fund allocation procedures on state and local program operations and benefits targeting; and (5) opportunities to improve targeting, fund allocation, and eligibility determination procedures to maximize the beneficial impact of WIC resources.

### Findings

GAO found that: (1) while WIC benefits targeting is important because WIC is not an open-ended entitlement and some eligible beneficiaries may not be served, FNS has not emphasized targeting as a major policy objective, encouraged states to emphasize targeting, or assessed targeting performance in its evaluations of state and local program administration; (2) WIC agencies are only required to target benefits when they reach the highest participation level that available funds will support;

(3) in states with no targeting programs, fewer than half of the WIC beneficiaries were in the eligible groups considered most needy; and (4) FNS allows state WIC agencies to establish their own nutritional risk eligibility criteria and does not require uniform nutritional risk criteria. GAO also found that: (1) FNS has not established uniform guidance for documenting and verifying applicants' income and family size; (2) state and local procedures for documentation and verification of income eligibility are not always sufficient to ensure that only eligible individuals receive benefits; and (3) state and local agencies rarely verify the accuracy of unsupported income information provided by WIC applicants. In addition, GAO found that: (1) variable funding actions have caused instability in program growth; and (2) this instability, combined with FNS changes in funding allocation formulas and the FNS legal obligation to recover and reallocate unspent WIC funds in any given fiscal year, has created pressures against targeting and effective case-load management at the state and local level.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Agriculture should require FNS to undertake and support appropriate targeting initiatives and demonstration projects aimed at developing and testing a variety of targeting tools and

strategies that can be used by state and local WIC agencies.

**Status:** Action in process. Estimated completion date: 02/90. USDA has research ongoing to develop strategies that can be used by state and local WIC agencies. A first report was issued in April 1988 on existing target priorities. USDA is currently doing case studies selected on the basis of success in targeting WIC participation. The final report estimated for issuance in January 1990 will be disseminated to WIC and state agencies.

**Recommendation:** The Secretary of Agriculture should require FNS to seek the advice and assistance of experts in the field of nutrition and related health sciences in evaluating the role of dietary assessment in WIC, particularly as it relates to assessing nutritional risk, and work with those at the forefront of nutrition research to develop dietary screening and assessment techniques appropriate for use in the WIC certification process.

**Status:** Action in process. Estimated completion date: 03/90. A panel of experts met in July 1989 to recommend what research should be done to find ways to help local agencies expedite the WIC certification process. The panel's report, with recommendations, will be issued in December 1989. As part of its further work in this area, FNS will award a contract in late 1989 or early 1990 to develop a standardized dietary assessment tool, a 2- to 3-year study.

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**Housing Assistance and Other Income Supplements**
**Housing Programs: Funding Approach for HUD's Section 8 Certificate Program Needs Changing**

RCED-88-136, 04/18/88

**Background**

In response to a congressional request, GAO provided information on the adequacy of the Department of Housing and Urban Development's (HUD) funding approach for its Section 8 Existing Rental Assistance Certificate Program, focusing on: (1) the potential shortfall in program funds; (2) whether HUD adequately compensated state and local public housing agencies (PHA) for their costs; and (3) how PHA charged administrative fees that exceeded their actual costs.

**Findings**

GAO found that: (1) HUD omitted some cost factors in its program cost estimates, such as inflationary rent increases, the usage rate for rental certificates, tenant contributions, and PHA administrative costs; (2) many state and local PHA depleted their project reserves, resulting in Congress granting \$1.3 billion in supplemental budget authority from 1982 through 1987; (3) PHA had a net surplus of over \$22

million because HUD reimbursed them substantially more than their costs to administer the program; (4) HUD preferred to leave primary responsibility for usage of surplus funds with PHA; and (5) PHA used the funds for varying purposes, such as subsidizing other housing units, purchasing office equipment, and paying for office parties.

**Open Recommendations to Agencies**

**Recommendation:** To provide Congress with more accurate total program cost information for the 15-year budget authority of the section 8 certificate rental assistance program, the Secretary of Housing and Urban Development should develop budgeting procedures that compute and annually update costs for existing and new certificates, based on all factors that have an impact on total program costs, including certificate usage rates, tenant contributions, rental increases, and administrative fees.

**Status:** Recommendation valid/action not intended. HUD does not believe that

action is needed because in fiscal year 1989, Congress provided only 5 years of budget authority and the current funding approach is sufficient for this period. Future congressional funding periods are unknown at present.

**Recommendation:** To provide a continuing basis for determining rates for section 8 rental certificate administrative reimbursements and for updating the amounts included for administrative fees in program cost estimates, the Secretary of Housing and Urban Development should periodically determine the actual costs being incurred by PHA throughout the country and provide this information to Congress as part of the annual HUD budget request.

**Status:** Recommendation valid/action not intended. HUD disagrees with the need to periodically determine actual costs and has proposed an alternative means to set the amount of the fee. GAO continues to believe an actual basis is preferable.

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**Housing Assistance and Other Income Supplements**
**Public Housing: Problems Continue To Plague the Cuyahoga Metropolitan Housing Authority**

RCED-88-122, 04/20/88

**Background**

In response to a congressional request, GAO reviewed the Cuyahoga Metropolitan Housing Authority's (CMHA) operations, focusing on: (1) previously identified CMHA problems; (2) its controls over the expenditure of federal housing funds; and (3) problems in its administration of the Department of Housing and Urban Development's (HUD) Section 8 Moderate Rehabilitation Program.

**Findings**

GAO analyzed eight reports issued since 1982 on CMHA operations, and found that CMHA: (1) had significant long-standing management problems in finance and accounting, purchasing and inventory control, and maintenance and custodial services; (2) failed to maintain adequate internal controls over expenditures of federal funds; (3) did not comply with HUD program regulations regarding contract payments; (4)

awarded 12 consultant or architectural/engineering contracts valued at \$742,881 without HUD approval; (5) did not follow its own procedures in 34 payments totalling \$267,000; and (6) made eight payments totalling \$45,542 without invoices. GAO also found that, under the Section 8 Moderate Rehabilitation Program, CMHA: (1) overpaid landlords an estimated \$245,000 due to erroneous calculations by its staff; (2) failed to discover landlords' misrepresentations of purchase and repair costs; and (3) cancelled three housing contracts, improperly paying \$15,144 in rent subsidies.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Housing and Urban Development should require that CMHA develop a plan, with specific time frames, to implement an effective system of internal controls and

to correct the management problems that have been found in virtually all areas of its operations, including its administration of the Section 8 Moderate Rehabilitation Program. In developing this plan, CMHA should use recent audits and reviews issued on CMHA operations to help identify significant problem areas and actions needed to overcome the problems identified in these reports.

**Status:** Action in process. CMHA is developing a revised corrective action plan with specific time frames. HUD has also approved a CMHA request for consulting services to provide a comprehensive financial procedures manual and an evaluation of the staffing needs of the finance department. HUD has analyzed CMHA actions on 31 findings concerning its section 8 moderate rehabilitation program.

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**Housing Assistance and Other Income Supplements**
**Rental Housing: Housing Vouchers Cost More Than Certificates but Offer Added Benefits**

RCED-89-20, 02/16/89

**Background**

Pursuant to a congressional request, GAO provided information on the: (1)

costs of the Department of Housing and Urban Development's (HUD) section 8 existing certificate and housing voucher

programs; and (2) adequacy of HUD fair market rents and their impact on tenant rent burdens.

**Findings**

GAO found that: (1) although the voucher and certificate programs had the similar goal of subsidizing private rental housing, state and local public housing agencies computed rent subsidies differently for the programs, since vouchers provided incentives for finding the most suitable housing; (2) HUD use of inconsistent budgeting approaches resulted in its misleading contention that vouchers were less expensive than certificates and its proposal to replace certificates with vouchers; (3) vouchers were actually more costly than certificates, since they provided higher subsidies to families renting units for less than the fair market rent; (4) the higher cost of vouchers would result in fewer families being assisted with vouchers than with certificates; (5) HUD planned to refinance 780,000 certificates scheduled to expire over the next 12 years with vouchers, at a cumulative cost of \$9.6 billion more than if it refinanced them with certificates; and (6) fair market

rents did not always accurately reflect actual market rents, due to HUD use of outdated or regionally nonspecific data, resulting in oversubsidies, high rent burdens, or difficulty in locating affordable units.

**Open Recommendations to Congress**

**Recommendation:** Congress should consider establishing one rental assistance subsidy program. In doing so, it would need to evaluate the merits and drawbacks of several features that distinguish vouchers from certificates and adopt those features that best satisfy the programs' legislative intent of providing decent, safe, and affordable rental housing.

**Status:** Action not yet initiated.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Housing and Urban Development should

identify areas within defined housing markets where fair market rents appear to be too high or too low and make necessary, timely adjustments to the fair market rents. In identifying these areas, the process of setting and adjusting fair market rents should include an analysis of data from HUD field offices on tenant rent burdens, utilization rates of certificates and vouchers, and available rental market subsidies. Through this identification process, the Secretary may find that some of these areas are large enough to warrant their consideration as separate fair market rent areas.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of Housing and Urban Development should establish consistency in the budgeting processes for certificates and vouchers, as long as the two programs coexist.

**Status:** Action not yet initiated.

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**Other Income Security**

**Social Security: Opportunities To Improve Productivity at Program Service Centers**

GGD-87-54, 05/22/87

**Background**

Pursuant to a congressional request, GAO examined productivity at six Social Security Administration (SSA) program service centers (PSC).

**Findings**

SSA management recognized the need to improve and institutionalize productivity and required PSC directors to conduct at least one new project a year, which was

quantifiable in terms of monetary or work-year savings, to improve productivity. However, GAO found that the productivity variations among PSC indicated needed improvements in productivity management, specifically: (1) managerial responsibility for setting and meeting productivity improvement goals; (2) meaningful measures to assess performance and facilitate needed improvements; and (3) procedures to identify ways to reduce costs and

improve operations. GAO concluded that management could make greater use of existing performance data to enhance PSC productivity efforts and save costs by utilizing opportunities for folderless processing and implementing local computer applications at all PSC.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Health and Human Services should direct the Commissioner of Social Security to hold managers accountable for achieving specific productivity improvement goals through establishing such goals in merit pay plans and Senior Executive Service (SES) contracts.

**Status:** Action not yet initiated. SSA believes that better data are needed from its management information

system, and such improved data will not be available until fiscal year 1990. The new system will be installed at that time. SSA believes it will achieve implementation in FY 1990, but some slippage is expected in the actual target date.

**Recommendation:** The Secretary of Health and Human Services should direct the Commissioner of Social Security to ensure that beneficiary records folders are not retrieved and forwarded to benefit and claims

authorizers for actions which do not require the use of folders.

**Status:** Action in process. Estimated completion date: 03/90. SSA has begun a major initiative to implement folderless processing. The project also involves reducing: (1) the number of documents in claims files; (2) inactive folder storage; and (3) folder access and movement. Full implementation is expected with implementation of a new case control system. The target date for the new system was June 1989, but slippage has occurred.

## Other Income Security

# Legal Services Corporation: Benefits and Costs of Proposed Information System Improvements Not Clear

HRD-88-5, 03/08/88

## Background

In response to a congressional request, GAO reviewed the Legal Services Corporation's (LSC) efforts to improve its management information system for evaluating grantee performance, to determine: (1) whether LSC adequately designed and developed the system; (2) whether LSC could realize the identified benefits; and (3) why system cost estimates varied.

## Findings

GAO found that the proposed improvements could provide valuable information for monitoring grantee performance. GAO also found that the LSC design and development did not: (1) support the need for detailed timekeeping requirements; (2) identify and document the benefits of implementing its requirements; (3) explain how timekeeping and functional-reporting information would improve its

ability to monitor grantee performance; and (4) ensure that grantees would use the information to better manage their programs. In addition, GAO found that: (1) LSC estimates varied from those of the Project Advisory Group because of variations in estimates for processing records; and (2) neither estimate was based on analytical techniques with detailed support.

## Open Recommendations to Agencies

**Recommendation:** The President, LSC, in conjunction with grantees, should determine what information LSC and grantees need to better monitor and manage grantee programs.

**Status:** Action in process. LSC contracted with several experts in automating legal information systems to identify elements essential to the efficient and effective recording and organization of case service information.

An internal task force of LSC managers has evaluated the contract results and prepared a report defining the information LSC and grantees need to better monitor and manage the program.

**Recommendation:** The President, LSC, in conjunction with grantees, should establish objectives and functions for its management information system.

**Status:** Action in process. LSC contracted with several experts in automating legal information systems to establish objectives and functions for its management information system. An internal task force of LSC managers has evaluated the contract results and prepared a report establishing objectives and functions for a revised management information system. The report is with the President, LSC, for review and approval.

**Recommendation:** The President, LSC, in conjunction with grantees, should use

systematic analytical techniques to assess the costs of such a system.  
**Status:** Action not yet initiated. No action has been taken to date to address this recommendation. LSC indicated that, as work progresses on other recommendations, it intends to take action to address this recommendation.

**Recommendation:** The President, LSC, in conjunction with grantees, should prepare a plan for an orderly design, development, and implementation process.  
**Status:** Action not yet initiated. No action has been taken to address this recommendation. LSC indicated that as

work is completed on other recommendations in the report, a plan will be prepared.

**Other Income Security**

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

HRD-88-24, 03/16/88

**Background**

In response to a congressional request, GAO assessed the Veterans Administration's (VA) Pension Program to determine: (1) how accurately it records beneficiary income; (2) the extent of overpayments in the program nationwide; and (3) whether program access to tax data was warranted.

**Findings**

GAO found that: (1) of the 1.4 million 1984 VA pension recipients, 549,000 had \$947 million more income on their tax records than on the VA records; (2) because it did not include this income in its pension calculations, VA made potential overpayments of \$182.5 million; (3) more than 26,000 recipients reported no earned income to VA, while tax data showed earnings of at least \$1,000; (4) some recipients reported no earnings over several years while tax data showed

significant earnings in those years; and (5) VA attributed about 60 percent of the overpayments to unrecorded interest and dividend income. GAO also found that: (1) VA could not identify about \$157.2 million in potential overpayments because it lacked access to tax data; (2) since VA did not field-test its self-reporting questionnaires before using them, design weaknesses could have added to the inaccurate reporting; and (3) although allowing VA access to third-party-reported tax data would be the most practical way to verify income, the use of tax data for nontax purposes could intrude on personal privacy and erode public support of the nation's voluntary tax system.

**Open Recommendations to Congress**

**Recommendation:** Given the potential savings and the absence of data on

potential adverse consequences to the tax system and taxpayer privacy, Congress should amend section 6103(1)(7) of the Internal Revenue Code to allow VA to access tax information so it can verify the income information that VA pension program beneficiaries report, investigate and resolve income differences, and prevent similar recurrences. In amending the law, Congress may wish to word it as follows: "Section 6103(1)(7) of the Internal Revenue Code is amended by: striking out the period at the end of subparagraph (A) and adding 'or Title 38, United States Code.' thereto; striking out the 'and' at the end of subparagraph (d)(vi); striking out the period at the end of subparagraph (D)(vii) and adding ';and' at the end thereof; and adding the following new subparagraph (D)(viii): '(viii) benefits provided under the veterans pension program.'" **Status:** Action in process.

## Other Income Security

# Welfare Eligibility: Programs Treat Indian Tribal Trust Fund Payments Inconsistently

HRD-88-38, 05/20/88

### Background

Pursuant to a legislative requirement, GAO provided information on: (1) the extent, size, nature, and frequency of payments Indian tribes and organizations received from certain tribal trust funds; (2) how various federal welfare programs treated the payments in determining program eligibility; and (3) the reasons for legislated special exclusions of such payments.

### Findings

GAO found that: (1) from 1984 through 1986, members of 55 Indian tribes received payments from tribal trust funds that totalled about \$247 million; (2) members of 21 tribes received recurring, periodic payments that totalled about \$157 million, while members of 35 tribes received sporadic or one-time payments of about \$90 million; (3) 9,800 Indians received sporadic payments exceeding \$2,000; and (4) annual payments varied from \$12.61 to \$9,000 per person. GAO also found that: (1) federal welfare program regulations and policies varied regarding the legislative exclusion of \$2,000 from all tribal trust fund payments for non-Social Security program eligibility determinations; and (2) it could not determine the reasons for the legislative exclusion.

### Open Recommendations to Congress

**Recommendation:** Congress should further amend the Judgment Funds Distribution Act to clarify how the \$2,000 exclusion should be applied by specifying whether it should be limited to single, annual, cumulative, or other time-phased payments. Congress may wish to consider whether it is appropriate to require excluding all tribal trust fund distributions and related purchases in determining eligibility for Social Security Act welfare programs, while specifying a \$2,000 exclusion for non-Social Security Act programs. Congress may also wish to consider the impact on Indians in conjunction with the equity of treatment of other individuals in need of federal welfare assistance.

**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** The Secretaries of Agriculture, Housing and Urban Development, and the Interior, and the Administrator of Veterans Affairs should clarify program regulations, policies, and other guidance so that tribal trust fund distributions and related purchases are treated consistently within the respective programs.

**Addressee:** Department of Housing and Urban Development

**Status:** Action not yet initiated. The Department of Housing and Urban Development (HUD) believes it is

inappropriate to take action until Congress has clarified how the exclusion should be applied.

**Addressee:** Department of the Interior

**Status:** Action in process. Estimated completion date: 12/89. According to an agency program official, the Department of Interior's Bureau of Indian Affairs (BIA) revised its social services manual to ensure uniformity of treatment and revised its procedures manual to reflect BIA policy. The final draft of 66 BIAM Bulletin is currently used as operating guidelines.

**Recommendation:** The Secretaries of Agriculture, Housing and Urban Development, the Interior, and Health and Human Services, and the Administrator of Veterans Affairs, should establish procedures to ensure that local programs comply with federal program regulations and policies.

**Addressee:** Department of Housing and Urban Development

**Status:** Action not yet initiated. HUD is prepared to cooperate, but believes Congress should act first to clarify how the exclusion is to be applied. Meanwhile, HUD continues to use procedures already in place.

**Addressee:** Department of the Interior

**Status:** Action in process. Estimated completion date: 12/89. According to an agency program official, BIA has regulations in process to incorporate its policy change to exclude from counting as a resource or income the first \$2,000 per person per year. Final regulations are expected to be published by December 1989.

**Address:** Department of Health and Human Services  
**Status:** Action in process. Estimated completion date: 03/90. In its proposed regulations, published May 4, 1989, the

Department of Health and Human Services reinforced Aid for Dependent Children policy of excluding all judgment award and other tribal trust fund distributors in determining

applicant eligibility. Publication of final regulations has been delayed due to comments by BIA on proposed regulations.

**Other Income Security**

**Block Grants: Federal-State Cooperation in Developing National Data Collection Strategies**

HRD-89-2, 11/29/88

**Background**

In response to a congressional request, GAO assessed federal and state cooperation in collecting national data on four block grant programs.

**Findings**

GAO found that: (1) the cooperative data collection approach reduced state and local governments' administrative burdens, promoted broad state cooperation in the development of national data systems, and allowed states flexibility in accommodating national reporting requests; (2) limited data comparability reduced the usefulness of data collected for such purposes as allocating federal funds or determining individual state needs; and (3) federal agency or national association leadership facilitated collection of comparable data. GAO also found that: (1) states supported the cooperative efforts of the Low-Income Home Energy Assistance Program (LIHEAP) and the Alcohol, Drug Abuse, and Mental Health Services (ADMS) block grant, where legislation required federal agencies to work with national associations of state officials to develop national data systems; (2) although recent legislation required the Secretary of Education to develop a cooperative system for

Education block grant data collection, it did not require a similar system for the Community Services block grant (CSBG); (3) when no statutory requirement existed to encourage national leadership, it was more difficult to obtain comparable data; (4) states' installation of data collection systems made it more difficult to implement changes to accommodate a national reporting format to provide comparable state data on educational activities; and (5) lack of national leadership hindered the collection of comparable state-level data on mental health programs. In addition, GAO found that the cooperative data collection approach was easier to implement when: (1) there was federal funding to support data collection activities; (2) national-level staff worked with state officials; (3) state officials helped in the system design; and (4) states had prior involvement in categorical grant programs.

**Open Recommendations to Congress**

**Recommendation:** In considering future block grant data needs, Congress may wish to encourage federal agencies to use the cooperative approach to data collection in block grants where the primary data needs are for program

oversight and tracking national trends in funding and services while minimizing the administrative burden on states. Since Congress has statutorily required the cooperative approach for LIHEAP, education, and ADMS block grants, it may wish to consider requiring the Secretary of Health and Human Services to develop a model for state and local officials to facilitate uniform data collection under CSBG.

**Status:** Action not yet initiated.

**Recommendation:** Congress may also wish to consider providing seed money to encourage national leadership by helping federal agencies, national associations, and other organizations defray initial systems start-up costs and ongoing costs for collection, processing, analysis, and publication of comparable block grant data across states.

**Status:** Action not yet initiated.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Health and Human Services should work with national associations representing state officials to increase the comparability of data collected under the ADMS block grant by entering into an agreement with appropriate national

mental health associations, such as the National Association for State Mental Health Program Directors (NASMHPD), to collect annual state-level data on mental health activities and client characteristics.

**Status:** Action in process. HHS, through the Alcohol, Drug Abuse, and Mental Health Administration (ADAMHA), has begun working with NASMHPD to enhance state-level data, including those pertaining to client characteristics.

**Recommendation:** The Secretary of Health and Human Services should work with national associations representing state officials to increase the comparability of data collected under the ADMS block grant by encouraging states to work with national associations, such as the National Association of State Alcohol and Drug Abuse Directors and NASMHPD, to achieve greater comparability across state data systems in their use of standardized categories and definitions to collect data with respect to substance abuse and mental health activities.

**Status:** Action in process. HHS is attempting to help states achieve greater data comparability. ADAMHA is working with national associations to help establish data subcommittees to address uniformity and consistency in reporting formats and definitions.

**Recommendation:** The Secretary of Health and Human Services should

work with national associations representing state officials to increase the comparability of data collected under the ADMS block grant by participating in periodic efforts by the national associations to revise their data collection instruments.

**Status:** Action in process. HHS, acting through ADAMHA, will continue to participate in the efforts of the states and their national associations to improve the data collection instruments.

**Recommendation:** The Secretary of Health and Human Services should work with states to improve data comparability and increase the number of states reporting data on households receiving assistance to weatherize their homes under LIHEAP by encouraging states to use the format developed by the American Public Welfare Association to report LIHEAP data.

**Status:** Action in process. HHS transmitted this recommendation to state LIHEAP agencies and NEDA and requested that the Department of Energy send similar information to state agencies administering LIHEAP.

**Recommendation:** The Secretary of Health and Human Services should work with states to improve data comparability and increase the number of states reporting data on households receiving assistance to weatherize their homes under LIHEAP by encouraging

more states to report LIHEAP weatherization assistance data.

**Status:** Action in process. HHS reiterated the reporting requirement to those states that have not provided complete fiscal year (FY) 1988 data on weatherization assistance and requested corrective action in reporting FY 1989 data.

**Recommendation:** The Secretary of Health and Human Services should work with states to increase data comparability and minimize burdens on state and local agencies under CSBG by participating in cooperative efforts, such as with the National Association for State Community Services Programs, to ensure that data elements and categories provide information at the state levels.

**Status:** Action in process. HHS, through the Office of Community Services (OCS), will participate actively in state efforts to increase data comparability of voluntary data collection systems.

**Recommendation:** The Secretary of Health and Human Services should work with states to increase data comparability and minimize burdens on state and local agencies under CSBG by encouraging states to fully participate in the national survey.

**Status:** Action in process. HHS, through OCS, will participate actively in state efforts to increase data comparability of voluntary data collection systems.

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**Other Income Security**
**Board and Care: Insufficient Assurances That Residents' Needs Are Identified and Met**

HRD-89-50, 02/10/89

**Background**

In response to a congressional request, GAO reviewed board and care facilities for elderly and disabled adults, focusing on: (1) industry size; (2) the characteristics and needs of residents; (3) states' regulation and monitoring of facilities; and (4) the Department of Health and Human Services' (HHS) role in overseeing facilities.

**Findings**

GAO found that: (1) although a 1987 survey showed that there were approximately 41,000 licensed facilities serving elderly, mentally ill and retarded persons, it was not possible to determine the number of persons living in such facilities; (2) facilities had difficulty in meeting the needs of mentally ill residents; (3) state inspections revealed serious problems in

both licensed and unlicensed facilities, including physical and sexual abuse, unsanitary conditions, or lack of heat or medical care; (4) although the six states it reviewed had legal authority to close facilities or suspend their licenses, only three could deny or revoke licenses; (5) states had difficulty in closing substandard facilities because of a lack of alternative housing for residents, particularly those eligible for public assistance programs; and (6) HHS had limited responsibility to monitor states' compliance with a legislative amendment requiring them to establish and enforce standards and periodically inspect board and care facilities.

**Open Recommendations to Congress**

**Recommendation:** Congress may wish to direct HHS to conduct a

comprehensive assessment of states' oversight activities for their board and care population. This assessment should determine the adequacy of: (1) licensing and regulatory requirements; (2) resources committed to their enforcement; and (3) efforts to identify whether residents' needs are being met. **Status:** Action in process.

**Recommendation:** Congress may wish to direct HHS to report to the Congress findings and, if appropriate, recommendations as to: (1) subsequent steps needed to ensure the protection of board and care residents; and (2) changes needed to the Keys Amendment to make it more effective. **Status:** Action in process.

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**Other Income Security**
**Foster Parents: Recruiting and Preservice Training Practices Need Evaluation**

HRD-89-86, 08/03/89

**Background**

Pursuant to a congressional request, GAO studied states' and localities' foster parent recruiting and preservice training strategies, concentrating on foster care programs in Massachusetts,

Michigan, Illinois, New Jersey, and Texas.

**Findings**

GAO found that: (1) potential and current foster parents were discouraged

from providing foster care by such factors as children's more complex emotional, behavioral, and physical problems, lack of support, lack of professional recognition, low salaries, limited liability coverage, and insufficient training; (2) community

education and participation in foster parent recruiting and support could create a larger pool of potential foster parents; (3) the most effective recruiting strategies realistically portrayed foster care difficulties, emphasized foster care's temporary nature, and defined the positive role of foster parents; (4) foster parents made the most effective recruiters, since they could convey realistic expectations about foster care and best answer potential foster parents' questions; (5) effective preservice training focused on enabling foster parents to make informed decisions

about foster children's needs, enabling social service agencies to assess foster parents' suitability for caring for foster children, and facilitated teamwork between social service agencies and foster parents; (6) states have performed limited formal evaluation of their recruiting and preservice training practices; and (7) although federal grants for demonstrating effective strategies provided for measuring results against expected outcomes, few comprehensively evaluated the effectiveness of various demonstration activities.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Health and Human Services should conduct a comprehensive evaluation of the comparative effectiveness of various states' and localities' foster parent recruiting strategies.

**Status:** Action in process. Estimated completion date: 10/91. The Department of Health and Human Services has awarded a contract for a 2-year study of foster parent recruiting and retention issues.

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## Unemployment Compensation

# Need To Improve Internal Controls To Curtail Fraud and Abuse in the RRB Unemployment and Sickness Insurance Program

HRD-85-37, 02/27/85

### Background

GAO assessed the Railroad Retirement Board's (RRB) controls for preventing and detecting fraud and abuse in its Unemployment and Sickness Insurance (SI) Program.

### Findings

The program paid out about \$1.4 billion in benefits during the last 5 years to 1 million qualified rail workers who became unemployed or were absent from work due to sickness. GAO found that, although 38 states collect wage records

against which RRB could detect instances of persons working in nonrail employment while collecting unemployment or sickness benefits, RRB does not attempt to make such detections. Further, RRB does not have procedures to notify a rail employer that a claimant has filed for unemployment benefits. GAO also found that RRB makes no attempt to identify the prevalent problem of employees' claiming benefits using another person's record. GAO noted that RRB internal controls over sickness claims are also vulnerable to fraud or abuse.

### Open Recommendations to Agencies

**Recommendation:** RRB should, if it finds that implementation is feasible and cost-beneficial, require, as a minimum, some form of additional control to verify sickness claims.

**Status:** Action in process. Estimated completion date: 01/90. Development of the system has been delayed by other priority work. RRB expects this recommendation to be completed by January 1990.

## Unemployment Compensation

# Unemployment Insurance: Opportunities to Strengthen the Tax Collection Process

HRD-89-5, 06/08/89

### Background

GAO reviewed the Department of Labor's (DOL) guidance and oversight of state unemployment insurance (UI) programs.

### Findings

GAO found that: (1) the DOL UI Quality Appraisal Program does not provide specific, meaningful state performance goals; (2) DOL plans to implement a UI Quality Control Program to ensure that state systems for collecting UI taxes from employers are effectively implemented; (3) DOL has reduced its control over state UI administrative expenses and its reporting and administrative requirements; (4) some states have active collection procedures for UI taxes, while some states have more passive systems that signal employers that UI tax nonpayment will be tolerated; (5) DOL has sponsored a number of pilot projects to improve state UI tax collection techniques, but most states are not implementing improved techniques; (6) most states were receptive to improving their collection procedures, but might be reluctant to implement improvements because any resulting administrative cost savings would accrue to the federal UI Fund, not the states responsible for the savings; and (7) DOL has relied excessively on states' Single Audit Act audits for program oversight.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Labor should direct the Assistant Secretary for Employment and Training to replace the DOL Quality Appraisal Program goals for state UI tax collections with more meaningful performance expectations that focus on ways to maximize collections, rather than numbers of actions accomplished.

**Status:** Action in process. Estimated completion date: 09/92. The adequacy of current quality appraisal measures is being evaluated under Labor's Revenue Quality Control and Performance Measurement Review projects. These projects are expected to result in revised measurements of the effectiveness of UI collection efforts.

**Recommendation:** The Secretary of Labor should direct the Assistant Secretary for Employment and Training to expedite the development and implementation of the planned UI tax collection Quality Control Program, utilizing principles of effective state controls identified in this report.

**Status:** Recommendation valid/action not intended. Labor believes that it is unable to reduce its 4-year schedule completion due to design complexity and need for detailed pilot testing.

**Recommendation:** The Secretary of Labor should direct the Assistant Secretary for Employment and Training to develop criteria and procedures to govern DOL review of state UI law

amendments and use the process to promote effective collection practices.

**Status:** Recommendation valid/action not intended. Although it has done so under previous administrations, Labor does not currently believe it appropriate to advance effective legislative procedures through the process for review and approval of state UI laws.

**Recommendation:** The Secretary of Labor should direct the Assistant Secretary for Employment and Training to designate an organization in DOL to be responsible for overseeing the identification, development, and dissemination of effective UI control techniques.

**Status:** Action in process. Estimated completion date: 09/92. Implementation of this recommendation will be accomplished through methodologies being developed in the Revenue Quality Control and Performance Measurement Review projects.

**Recommendation:** The Secretary of Labor should direct the Assistant Secretary for Employment and Training to establish and fund a national program for identification of out-of-state employers that are obligated to pay UI tax.

**Status:** Recommendation valid/action not intended. Labor does not feel obliged to require states to use resources to identify out-of-state employers owing UI tax and will not act on this recommendation. Reliance will be placed on the encouragement of interstate cooperation and the willingness of states

to devote resources to identification efforts.

**Recommendation:** The Secretary of Labor should direct the Assistant Secretary for Employment and Training to: (1) utilize DOL oversight systems, when improved, as the principal means for determining whether state UI programs are being managed effectively; and (2) augment these systems with state single audit results.

**Status:** Action in process. Estimated completion date: 09/92. Labor plans to implement this recommendation upon completion of its Revenue Quality Control and Performance Measurement Review projects.

**Recommendation:** The Secretary of Labor should include in DOL year-end Federal Managers' Financial Integrity Act reports to the President and Congress a discussion of material

internal control weaknesses in the DOL Quality Appraisal and Quality Control programs.

**Status:** Recommendation valid/action not intended. Labor does not believe that the absence of a quality control system for revenue collection is a material weakness in its oversight controls. Instead, it has characterized its current initiatives to develop such a system as modifications to keep pace with changing times and technologies.

# International Affairs

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## Procurement: Department of State Should Be Competing Many Sole-Source Contracts

NSIAD-89-6, 01/24/89

### Background

Pursuant to a congressional request, GAO reviewed the Department of State's sole-source contract awards to determine whether State: (1) should have sought competitive procurement; (2) complied with key federal regulations; and (3) properly reported its procurement data to the Federal Procurement Data Center.

### Findings

GAO found that State: (1) should have sought competitive procurement for eight of nine sole-source contracts awarded for periods ranging from several years to 30 years; (2) should have sought competition for six contracts for medical personnel services and one for automatic data processing support services; (3) reports to the Federal Procurement Data Center were incomplete, inaccurate and unreliable; (4) did not maintain key internal controls to promote competition and limit unjustifiable sole-source contracts; (5) failed to develop a central computer data base to collect and report its procurement data; (6) did not maintain a required payment file on each contract

to ensure proper payments and provide supporting documentation for each contract; and (7) inaccurately documented 17 of 21 recently awarded contracts.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of State should direct the Under Secretary for Management, in coordination with the Assistant Secretary for Administration, the Comptroller, and the Procurement Executive, to develop and implement an automated system to collect, maintain, and report to the Federal Procurement Data Center accurate data on all State procurement actions, as required by procurement regulations.

**Status:** Action in process. State is currently working to identify viable approaches to an automated system and will select an approach by the end of 1989. System implementation would require funding for equipment, software, communications, and training. It is not known if or when funding will be available and a system implemented.

**Recommendation:** The Secretary of State should direct the Assistant Secretary for Administration to develop specific procedures and requirements for contract-issuing office contract file review to ensure that future contract files contain timely and adequate pre-award documentation, and that post-award actions are timely and adequately documented.

**Status:** Action in process. A more comprehensive contract files checklist has been developed, but the Procurement Executive has not yet developed standards for files review and is not sure of a development date.

**Recommendation:** The Secretary of State should direct the Comptroller to develop and maintain a paying office contract file for each contract, as required by procurement regulations.

**Status:** Action in process. A file is being established for each contract as received. A contractor is developing a file system, but additional funding is needed for completion. File space is inadequate and more is being sought. Funding was delayed; completion of the file system is now expected sometime in late FY 1990.

# International Trade: Foreign Trade Zones Program Needs Clarified Criteria

NSIAD-89-85, 02/07/89

## Background

Pursuant to a congressional request, GAO provided information on the Foreign Trade Zones (FTZ) program, focusing on: (1) program growth; (2) the economic effects of subzones; (3) industry concerns about subzones; (4) the FTZ Board's operations and standards for approving new subzones; and (5) the effectiveness of the U.S. Customs Service's supervision over zone activities.

## Findings

GAO found that the: (1) FTZ program experienced dramatic growth, particularly in the automobile manufacturing industry, after 1950 amendments to the FTZ Act and regulatory changes authorized subzones, single large manufacturing facilities, and increased duty savings on inverted tariffs; (2) FTZ Act and FTZ Board regulations included minimal guidance on criteria for evaluating and approving proposed zones; (3) FTZ Board informally predicated subzone grants upon proof of a significant public benefit, but did not strictly adhere to this standard; (4) Board generally approved subzone applications and attempted to identify compromise solutions when applications were opposed, but was hesitant to take negative actions and allowed applications to remain pending for lengthy periods; (5) Board's continued approval of automobile industry

subzones resulted in reduced federal revenues and lowered parts duty rates for automobile manufacturers, without any evidence of significant public benefit or meaningful savings or competitive advantage to the domestic industry; and (6) Board's small staff could not keep pace with the rising number of zone applicants and the increasing need for monitoring activity.

## Open Recommendations to Congress

**Recommendation:** Congress should amend the FTZ Act to provide guidance for decisions on grant applications, particularly those involving manufacturing. Such an amendment should establish that subzone grants, with their potential tariff revenue loss, are a privilege to be based on a demonstrated public benefit. It should also specify factors to be considered, such as the estimated effects of a proposed grant on exports, imports, employment, and investment. The FTZ Board's 1986 draft regulations provide public benefit criteria that could be included in the amendment.

**Status:** Action in process.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Commerce should consider providing the

FTZ Board with additional professional staff from existing resources within the International Trade Administration on at least a temporary basis to relieve the backlog of applications and facilitate adoption of new regulations. If applications continue at a high level, these positions could be made permanent.

**Status:** Action in process. Commerce has determined that the Board requires additional permanent staff. The President's fiscal year 1990 budget calls for three new positions, including two professional economists.

**Recommendation:** The FTZ Board should revise its application processing procedures to minimize delays, instituting deadlines and revising its criteria in accord with any action Congress may take. After clarifying its criteria, the FTZ Board should revise its system for acquiring information on zone operations to permit determination of whether grants continue to meet the criteria upon which their award was based.

**Status:** Action in process. Commerce has initiated improvements in the application process, thus reducing processing time on non-controversial cases and providing expedited consideration for urgent circumstances. More comprehensive revision of procedures will depend on anticipated direction from Congress.

# International Trade: Administration of Short Supply in Steel Import Restraint Agreements

NSIAD-89-166, 06/05/89

## Background

Pursuant to a congressional request, GAO reviewed the Department of Commerce's process for evaluating short-supply requests, through which steel consumers petition Commerce to allow additional steel imports from countries which have voluntary restraint agreements (VRA) limiting steel imports to the United States.

## Findings

GAO found that: (1) as of the end of 1988, Commerce had approved 94 and denied 36 of the 161 short-supply petitions it received, with 27 petitions withdrawn and 4 pending; (2) the approved petitions resulted in an additional 1.4 million tons in steel imports; (3) Commerce used an informal administrative process and based short-supply decisions on the availability of domestic steel, without considering domestic prices; (4) steel consumers and producers believed that the program lacked clarity and openness, since Commerce lacked regulations and comprehensive program guidance and did not publicize the rationale for its decisions or the results of its reviews; (5) Commerce reduced its average processing time from 236 days to 81

days, which could still adversely affect some steel purchasers; (6) Commerce lacked a standard, publicly known deadline for completing reviews; (7) although Commerce had a tracking system to measure the timeliness of its decisions, it did not consistently track the full process from petition receipt to petitioner notification; and (8) almost half of 143 petition files examined contained such serious documentation deficiencies as missing information.

## Open Recommendations to Agencies

**Recommendation:** If VRA are extended, the Secretary of Commerce should direct the Office of Agreements Compliance to provide more process transparency by: (1) issuing comprehensive guidance or regulations on the program's requirements, policies (including decision criteria), procedures, and detailed filing information for petitioners' use; and (2) publicizing the decisions made and reasons for them.

**Status:** Action in process. Subject to legislative requirements, Commerce is planning to: (1) issue a standard information package to petitioners; (2) conduct discovery and disclosure hearings upon request; and (3) publish

decisions and reasons in the Federal Register.

**Recommendation:** If VRA are extended, the Secretary of Commerce should direct the Office of Agreements Compliance to establish and publicize in the guidance or regulations a standard deadline for processing short supply reviews and monitor timeliness through its tracking system on the full process from petition receipt to decision notification.

**Status:** Action in process. Commerce is awaiting legislation; however, it will: (1) complete action on petitions within 30 days; (2) decide petition sufficiency within 24 hours; and (3) establish a formal tracking system that monitors timeliness of the entire process.

**Recommendation:** If VRA are extended, the Secretary of Commerce should direct the Office of Agreements Compliance to ensure that official short-supply review files contain complete and official documentation, including a full case history and decision on each petition.

**Status:** Action in process. Commerce is maintaining stricter document controls and documentation requirements for official case files. Commerce is also increasing availability of information to affected parties to better ensure balance and fairness.

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**Conduct of Foreign Affairs**
**Export Promotion: Activities of the Commerce Department's District Offices**

NSIAD-86-43, 02/14/86

**Background**

Pursuant to a congressional request, GAO reviewed the mission, activities, and effectiveness of the Department of Commerce's district offices.

**Findings**

GAO noted that: (1) the primary goal of district offices is to assist small firms in developing their export potential; (2) in recent years, district offices have devoted an increased portion of their resources to assisting businesses in complying with export control regulations; and (3) Commerce tracks its success by measuring how many new exports take place as a result of district office counseling and other assistance. GAO found that: (1) district offices were not as effective in influencing businesses

to enter new export markets as their reported accomplishments suggested; (2) only 38 percent of the firms surveyed found that export counseling was somewhat influential in making decisions to export in new markets; and (3) there was insufficient control over the accuracy of district office reporting. GAO also found that: (1) district offices tightened controls over reporting and revised the criteria for measuring success in developing new exporters or markets; (2) the firms assisted by the district offices did, for the most part, find the help useful; and (3) although Commerce tries to measure the effectiveness of its export promotion efforts by reporting export accomplishments, it cannot measure the usefulness or value of facilitating exports to established markets.

**Open Recommendations to Agencies**

**Recommendation:** To better evaluate the United States and Foreign Commercial Service's (US&FCS) contributions in developing new exporters and new markets and the value of its export facilitation assistance, the Director General, US&FCS, should periodically survey the businesses that are helped by the district offices to obtain their perceptions of the value of the services received.

**Status:** Action in process. Estimated completion date: 07/90. The survey document was approved by the Office of Management and Budget in August 1988. Copies of the survey document have been printed and the sample for the first survey has been selected.

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**Conduct of Foreign Affairs**
**International Trade: Review of Effectiveness of FAS Cooperator Market Development Program**

NSIAD-87-89, 03/17/87

**Background**

In response to a congressional request, GAO reviewed the effectiveness of the cooperator programs that the Department of Agriculture's (USDA) Foreign Agricultural Service (FAS) implemented to develop, maintain, and

expand foreign markets for U.S. agricultural commodities.

**Findings**

GAO found that FAS has: (1) allowed cooperators to implement numerous and varied long-term programs and has placed few restrictions on the funding a

cooperator can receive for a program; (2) not established criteria to help cooperators focus on opportunities for market development or expansion; (3) not critically assessed program results; (4) failed to evaluate programs sufficiently to determine which market development activities were effective or

which needed refinement or termination; (5) established guidelines that encourage, but do not require, cooperators to contribute annual amounts equal to FAS funds; and (6) defined cash, goods, and services contributions inaccurately, conveying the impression that cooperators participated more fully in financing marketing activities than they actually did.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Agriculture should direct the Administrator, FAS, to clarify the cooperator program goal of developing, maintaining, or expanding U.S. markets. In doing so, FAS should consider establishing limits on total funding levels and time frames for individual cooperator programs and whether the preponderance of federal funds should be devoted to market maintenance or market development activities. In this connection, FAS should keep the appropriate congressional committees informed of, and seek their support for, its progress in clarifying the program goal.

**Status:** Recommendation valid/action not intended. USDA disagreed with the GAO position and supports its existing approach.

**Recommendation:** The Administrator, FAS, should also consider establishing a transition program whereby FAS and cooperators equally share initial market development costs and, depending on the criteria established pursuant to the first recommendation, determine if and when cooperators will assume the larger share of program costs, and eventually assume total responsibility for specific market development activities.

**Status:** Recommendation valid/action not intended. FAS disagreed with this recommendation and supported continuation of its current approach.

**Recommendation:** The Secretary of Agriculture should direct the Administrator, FAS, to continue efforts to measure program results to help determine the usefulness of activities under the cooperator programs. An area where efforts should be focused is the measurement of short-term performance against program objectives. For example, if a program is undertaken to raise consumer awareness about a certain U.S. agricultural product, it would be appropriate to measure the change in consumer attitudes when the program is completed.

**Status:** Action in process. GAO is working with USDA to develop an improved evaluation methodology. GAO further developed its position on the

evaluation issue in the May 1988 report on the Targeted Export Assistance Program, where GAO made a number of recommendations to strengthen evaluation policy, guidance, and implementation. This recommendation continues to be under review by FAS.

**Recommendation:** The Secretary of Agriculture should direct the Administrator, FAS, to revise guidelines to define all program contributions based on the source of contribution, rather than on the type of asset contributed.

**Status:** Recommendation valid/action not intended. USDA disagreed with the GAO interpretation of its approach.

**Recommendation:** The Secretary of Agriculture should direct the Administrator, FAS, to determine the extent to which the program is receiving improper, inflated, or misleading reports on cooperator contributions and, if significant, to use its various reviews to enforce compliance with FAS criteria.

**Status:** Recommendation valid/action not intended. USDA disagreed with this recommendation, and therefore, does not intend to take any corrective action.

**Conduct of Foreign Affairs**

**International Trade: Commodity Credit Corporation's Refunds of Export Guarantee Fees**

NSIAD-87-185, 08/19/87

**Background**

In response to a congressional request, GAO reviewed the Commodity Credit Corporation's (CCC) export credit

guarantee fee refund policies and procedures to determine why it failed to refund a firm over \$270,000 in failed export sales.

**Findings**

GAO found that: (1) the CCC denial of the firm's refund request was consistent with its policy to retain guarantee fees

when exporters did not have a firm sale at the time they obtained coverage; (2) CCC determined that the firm had obtained coverage in anticipation of a later sale, since the firm could not demonstrate that it had a firm export sale; (3) although CCC claimed to have informed the exporter that a firm sale was required and that the fees were nonrefundable, CCC could not ensure that the exporter understood those policies when it applied for coverage; (4) CCC incurred financial risk, since the guarantee never became effective; and (5) it was not clear that CCC provided adequate information to the exporter.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Agriculture should direct the General Sales Manager, Foreign Agricultural Service (FAS), to amend the credit guarantee program regulations to: (1) clarify the circumstances that must exist for users to obtain credit guarantee application approvals, including the need for and definition of a firm sale; (2) provide that users must have a firm sale to be considered for a guarantee fee refund should an export sale not be consummated; and (3) require that

program users acknowledge their understanding of the application requirements and refund policy on the guarantee applications.

**Status:** Action in process. FAS contends GSM-102 program refund regulations and related guidance are adequate; however, FAS has issued an announcement concerning the need for a firm sale at the time of application and CCC refund policy. Other related changes are currently under consideration by FAS management.

## Conduct of Foreign Affairs

# Immigration: The Future Flow of Legal Immigration to the United States

PEMD-88-7, 01/08/88

### Background

In response to a congressional request, GAO developed projections concerning future legal immigration using information from the Immigration and Naturalization Service (INS) and the Bureau of the Census to: (1) describe past legal immigration flows; (2) forecast future legal immigration flows; (3) improve understanding of the immigration process concerning immediate relatives of U.S. citizens exempt from the annual numerical limits; and (4) assess the effect of the emigration of legal immigrants on net immigration.

### Findings

GAO found that the Immigration Reform and Control Act created three time-limited categories of legal immigrants considered to be de facto

permanent U.S. residents, including: (1) aliens who lived continuously and illegally in the United States prior to January 1, 1982, and who could apply for legal status; (2) aliens who performed certain agricultural services during the last 3 years; and (3) Cuban and Haitian refugees who continuously resided in the United States prior to January 1, 1982. GAO also found that from 1972 to 1985: (1) annual legal immigration increased from 384,000 to 570,000; (2) the number of numerically limited immigrants stayed the same; (3) exempt-immediate-relative immigration increased steadily; and (4) the immigration of refugees varied according to influence from political events. GAO projections indicated that: (1) annual immigration should moderately increase from 546,190 to 605,600 from 1986 to 1990 because of steady increases in exempt-immediate-relative immigrants; and (2) there will

not be a large increase in future chain migration of exempt-immediate-relative immigrants. GAO noted that, since there was no comprehensive approach to counting emigrants or uniformity in developing net immigration measurements, the number of permanent resident aliens who later emigrated was unknown.

### Open Recommendations to Agencies

**Recommendation:** The Attorney General should direct the Commissioner, INS, to consult with the Director of the Bureau of the Census to develop and implement a uniform methodology for estimating net immigration to the United States by adequately accounting for the emigration of non-U.S. citizens and permanent resident aliens. This measure of the net immigration should

reflect the policy objectives and requirements of the Immigration Reform and Control Act and other immigration laws.

**Status:** Action in process. Justice has been working with Census on this recommendation. Ongoing and new methodologies for estimating net

migration to the U.S. are being considered in an attempt to meet the objective of this recommendation.

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## Conduct of Foreign Affairs

# Sub-Saharan Africa: Factors Affecting Export Capabilities

NSIAD-88-145, 05/04/88

### Background

In response to a congressional request, GAO reviewed Sub-Saharan African trade between the United States, the European Economic Community (EEC), and Japan to identify: (1) principal U.S., EEC, and Japanese imports from the region; (2) key restrictions that affect importation from the region; (3) EEC and Japanese trade practices aimed at reducing trade barriers to regional exports; and (4) U.S. efforts to reduce barriers and increase regional exports.

### Findings

GAO found that: (1) in 1985, 94 percent of regional exports were primarily commodities, including petroleum, minerals, metals, and agricultural products; (2) most countries in the region were vulnerable to commodity market fluctuations, since they relied on two or three commodities for their export

earnings; (3) 81 percent of regional exports are to industrialized market economies, with very little trade within the region; (4) most regional exports enter U.S., EEC, and Japanese industrial markets with little or no duty, since they provide special preferential tariff treatment to developing countries; (5) nontariff trade barriers have affected many nonpetroleum exports, such as quotas that cover agricultural products and higher tariffs that exclude some textiles and apparel, which could discourage countries in the region from developing these potentially competitive industries; (6) U.S. requirements for obtaining trade preferences, such as health requirements and customs regulations, adversely affect regional export ability; (7) 17 countries had 70 percent or more of their total eligible exports excluded from duty-free treatment because exporters did not or improperly prepared trade preference

documentation; (8) in 1986, the U.S. government appointed a task force to end hunger in Africa that included increasing U.S.-regional trade; and (9) although the Agency for International Development (AID) received no new funds to implement the initiative, it received a \$500 million appropriation for regional development and has funded some training on export laws and regulations.

### Open Recommendations to Agencies

**Recommendation:** The Administrator, AID, should expand its efforts to provide more training and seminars to better inform exporters of U.S. requirements.

**Status:** Action in process. Estimated completion date: 12/89. AID has stated that it will increase its efforts to provide technical support to Sub-Saharan African countries.

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**Conduct of Foreign Affairs**
**Internal Controls: State Department Needs to Improve Management of Travel Advances**

NSIAD-88-178, 08/15/88

**Background**

In response to a congressional request, GAO reviewed the Department of State's efforts to resolve problems in its management of travel advance funds, specifically: (1) current delinquent travel advances and those written off as uncollectible; (2) State's compliance with applicable laws and regulations in managing the funds; (3) the adequacy of State's internal controls over the disbursement of advances and collection of unused balances; and (4) State's implementation of a congressional recommendation concerning travel advance management.

**Findings**

GAO found that: (1) State's overdue or delinquent travel advances increased from about \$10 million in 1985 to about \$15.4 million in 1987; (2) the number of overdue or delinquent accounts

increased from 8,100 in 1985 to 19,800 in 1987; (3) State collected only a small portion of overdue travel advances through payroll deductions and was reluctant to issue dunning notices because of inaccurate data, backlogs in voucher processing, and staff shortages; and (4) State provided documentation for only 6 percent of the travel advances it wrote off in fiscal years (FY) 1986 and 1987, respectively. GAO also found that State: (1) lacked adequate internal controls to monitor travel advances issued worldwide; (2) used irregular techniques, such as transferring account balances to accounts with fictitious names and social security numbers, rather than writing them off or adjusting them; (3) did not assess interest, penalties, or handling charges on delinquent accounts because its accounting system was unable to compute interest and travellers could have incurred expenses against their advances; and (4) failed to review and

reconcile individual accounts and records of outstanding advances to ensure prompt recovery.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of State should take immediate steps to reconcile the accounts and records of each individual outstanding travel advance, in line with government-wide regulations, prior to transferring these accounts to the new financial management system.

**Status:** Action in process. Contract accountants are auditing outstanding travel advances for 1987 and prior years. Through February 1989, they have closed about 2,200 accounts; 7,000 still must be reconciled. The reconciliation effort will continue into 1990. State's in-house staff is auditing advances issued in 1988 and 1989.

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**Conduct of Foreign Affairs**
**Arms Control and Disarmament Agency: Better Controls Are Needed to Protect Classified Information**

NSIAD-89-26, 11/10/88

**Background**

In response to a congressional request, GAO reviewed the extent to which the Arms Control and Disarmament Agency (ACDA) complied with standards

governing the protection of classified documents.

**Findings**

GAO found that ACDA did not comply with regulations designed to protect classified material from unauthorized

disclosure, since it: (1) improperly marked and stored classified documents; (2) did not regularly conduct close-of-business security checks; (3) did not change safe combinations; (4) did not have updated records on its safes and could not locate 62 headquarters safes; (5) could not locate all of its top secret documents at its headquarters; (6) did not have a top secret control officer or a system for controlling top secret documents at its Geneva office; and (7) had not implemented the Information Security Oversight Office's (ISOO) recommendations regarding ACDA information security weaknesses. GAO also found that, in May 1988, ACDA began to take corrective action to address some of its security deficiencies.

### Open Recommendations to Agencies

**Recommendation:** The Director, ACDA, should implement and enforce existing regulations to ensure proper handling, control, and accountability of top secret, codeword, and other sensitive documents, including appointing a top secret control officer for Geneva, developing control procedures for all ACDA and delegation staff in Geneva, and establishing procedures to ensure that top secret document information is recorded in a timely and accurate manner.

**Status:** Action in process. ACDA has appointed a top secret control officer for Geneva. In December 1988, the Geneva top secret control officer reported that he had completed an inventory and there were no top secret documents on file. ACDA is attempting to determine what happened to the more than 250 top

secret and NODIS documents GAO found during its review.

**Recommendation:** The Director, ACDA, should conduct an inventory of all top secret documents in the agency's possession at both Washington and Geneva to determine what ACDA should be accountable for and identify what documents may be missing. If documents cannot be accounted for, report the documents to the originating agency so that an assessment can be conducted to determine if security was compromised.

**Status:** Action in process. ACDA officials stated that it reviewed all safe contents in Washington and found additional uncontrolled top secret documents. A sample of safes was also reviewed in Geneva and no top secret documents were found. Efforts are continuing to account for some of the top secret documents ACDA could not locate. ACDA has not notified the originating agencies so that a damage assessment could be conducted

**Recommendation:** The Director, ACDA, should: (1) account for the safes that are on ACDA records but not located in ACDA; and (2) develop and maintain accurate records regarding the location of safes approved for storage of classified information.

**Status:** Action in process. ACDA has not accounted for the 62 missing safes identified in the GAO report. In December 1988, ACDA completed an inventory of its security containers at Washington, D.C. headquarters. However, information needed to reconcile data from this inventory with GAO information was not recorded. ACDA officials agreed to provide additional data.

**Recommendation:** The Director, ACDA, should enforce regulations to ensure the physical protection of classified information, including meeting storage requirements, changing lock combinations, and taking basic security precautions such as checking safes at the close of business, and marking documents properly.

**Status:** Action in process. ACDA officials stated that progress has been made such as changing all safe combinations in Washington, checking safes, and storing top secret and NODIS documents in the proper containers and storage areas. However, ACDA has not adhered to marking requirements for classified documents. In its August 1989 report, ISOO identified weaknesses such as overclassification and improper markings.

**Recommendation:** The Director, ACDA, should act on the ISOO recommendations for improving the ACDA information security program, including security education programs, self-inspections to ensure proper storage, and adherence to classification regulations.

**Status:** Action in process. ACDA has not implemented ISOO recommendations. An August 1989 report stated the ACDA lack of responsiveness was disturbing and repeated recommendations contained in its FY 1986 report. ISOO found no improvement in adherence to classification regulations and attributed this to ACDA failure to implement recommendations on security education. ISOO also directed ACDA to develop self-inspections.

## Conduct of Foreign Affairs

# Export Promotion: Problems in Commerce's Programs

NSIAD-89-44, 01/26/89

### Background

In response to a congressional request, GAO reviewed the United States and Foreign Commercial Service's (US&FCS) foreign operations and progress in revitalizing U.S. export promotion efforts.

### Findings

GAO found that: (1) US&FCS was more responsive to overseas governments and businesses than the Department of State; (2) although the US&FCS budget remained constant, its program costs increased, resulting in staff reductions at overseas posts and reductions in some export promotion activities; (3) the level of participation by some small- and medium-sized business firms decreased because of the elimination of previous government subsidies that encouraged firms to exhibit their goods overseas, and the privatization of some events; (4) a 1980 reorganization of the International Trade Administration (ITA), along with a major realignment, resulted in a substantial number of new assistant-secretary-level positions, compartmentalization of trade activities, and a lack of coordination on trade events requiring joint efforts; (5) ITA had not established formal guidelines outlining various units' duties and responsibilities for planning and executing trade events; (6) the absence of central management authority resulted in poor event selection and inadequate support for some events; (7) overseas posts wasted time in planning and arranging events that were cancelled, resulting in continuous rescheduling; (8) US&FCS developed an automated trade

information data base with current marketing and trade information, and expected full implementation by February 1989, with costs totalling \$39.9 million through 1993; and (9) the US&FCS trade information system would not be fully operational because it was in various stages of development and had many technical, management, and resource problems.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Commerce should direct the Under Secretary for International Trade to revise the regulations for the trade show certification program to require, as a condition for U.S. government certification, that applicants agree to meet participation targets or goals for small- and medium-sized firms and new exporters.

**Status:** Action in process. Commerce is testing an alternative approach which should accomplish the objective of this recommendation.

**Recommendation:** The Secretary of Commerce should direct the Under Secretary for International Trade to establish a process to evaluate the trade show certification program's effectiveness in meeting congressional and ITA export promotion objectives of expanding the volume of exports by small- and medium-sized and new-to-export/new-to-market firms.

**Status:** Action in process. The data collection form is being revised to obtain data for the recommended GAO evaluation.

**Recommendation:** The Secretary of Commerce should reorganize ITA to reflect its major responsibilities and its two key trade-related missions.

**Status:** Action in process. Commerce plans to take other action to address the identified deficiencies.

**Recommendation:** The Secretary of Commerce should direct the Under Secretary for International Trade to develop guidelines outlining the duties and responsibilities of each ITA unit and operational procedures and instructions to govern the event planning, selection, and implementation processes.

**Status:** Action in process. Commerce is developing formal guidelines outlining formal duties and responsibilities of each ITA unit.

**Recommendation:** The Secretary of Commerce should direct the Under Secretary for International Trade to formalize the trade promotion event schedule and require periodic reports on the status of each event, including developing a firmer event schedule, establishing management controls over event additions and cancellations, and reducing the current 24-month planning interval for trade events.

**Status:** Action in process. Commerce is in the process of revising the trade events management system.

**Recommendation:** The Secretary of Commerce should direct the Under Secretary for International Trade to issue instructions that all proposals for ITA-approved events must be supported by detailed market research and that the proposed location should be

compatible with the best prospects identified in annual country marketing plans.

**Status:** Action in process. Commerce is revising the events management process.

**Recommendation:** The Secretary of Commerce should direct the Under Secretary for International Trade to combine the quarterly statistical report and the monthly narrative highlight report.

**Status:** Recommendation valid/action not intended. Commerce will take other action to streamline the reporting system.

**Recommendation:** The Secretary of Commerce should commission an independent expert review of the Commercial Information Management System's technical status and the potential to overcome technical problems and develop projections of total costs to

fully implement and maintain the system. The Secretary should then direct the Under Secretary for International Trade to establish a new management structure to provide oversight of system implementation and expansion, as required by the Omnibus Trade and Competitiveness Act of 1988.

**Status:** Action in process. Commerce is in the process of commissioning an independent expert review panel.

## Conduct of Foreign Affairs

# Refugee Program: Financial Accountability for Refugee Resettlement Can Be Improved

NSIAD-89-92, 03/17/89

### Background

Pursuant to a legislative requirement, GAO audited voluntary agencies' expenditures of funds they received under the Department of State's refugee reception and placement program for fiscal years 1986 and 1987.

### Findings

GAO found that: (1) Congress passed legislation in 1986 to improve the voluntary agencies' financial accountability through increased financial reporting requirements; (2) meaningful comparison of program costs among agencies was difficult due to their reporting of inconsistent data; (3) State did not effectively monitor the accuracy, comparability, or reliability of the agencies' financial reports; (4) the cooperative agreements between State and the voluntary agencies did not require the agencies to prepare financial statements audited in accordance with generally accepted government accounting standards (GAGAS); (5) the

cooperative agreements' requirement that agencies spend funds within 12 months after the fiscal year in which they received them did not prevent agencies from accumulating large unobligated balances; (6) the agencies' differing methods and assumptions for classifying direct-service and administrative costs made interpretation of reports difficult; and (7) the agencies' reports to Congress did not provide an accurate description of the proportion of federal funds they used for direct refugee assistance.

### Open Recommendations to Congress

**Recommendation:** To modify the period during which funds may be expended, Congress may wish to consider amending section 412(b)(1)(A) of the Immigration and Nationality Act to state that funds provided to agencies under such grants and contracts may only be obligated or expended during the fiscal year in which they are provided or the subsequent 6

months or such subsequent fiscal period as the Department of State may approve as necessary to provide current services to refugees.

**Status:** Action in process.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of State should require the Director, Bureau of Refugee Programs, to provide definitions of administrative and direct-service costs for each voluntary agency, tailored to fit the circumstances of each agency, as part of the cooperative agreement. Audit reports that include assessments of the expenditures in accordance with these definitions, as would be required under a GAGAS audit, could be used to evaluate each agency's use of federal funds.

**Status:** Action in process. Estimated completion date: 12/89. State Department officials concur with the recommendation. They plan to implement this recommendation when

new cooperative agreements are negotiated for fiscal year 1990, during the last part of 1989.

## Conduct of Foreign Affairs

# State Department: Management of Overseas Real Property Needs Improvement

NSIAD-89-116, 04/13/89

### Background

In response to a congressional request, GAO examined the Department of State's management of U.S.-owned and leased overseas properties, focusing on State's: (1) implementation of its housing standards; (2) building maintenance program; (3) development of management information system; and (4) procedure for acquiring and disposing of overseas government properties.

### Findings

GAO found that State: (1) failed to follow its own housing standards when leasing housing units for its overseas personnel; (2) acquired above-standard housing in seven countries it reviewed, which resulted in excess costs; (3) could not justify its use of above-standard housing or that it had authorized such housing standards; (4) estimated that it needed about \$1 billion to repair neglected and deteriorating overseas housing units; (5)

technical personnel had limited experience in real estate activities, and did not give high priority to controlling or enforcing space standards; (6) has not fully implemented its Real Estate Management System (REMS) at most overseas posts, and REMS data were inaccurate and incomplete; and (7) did not develop plans for acquiring and disposing of government-owned properties overseas due to a lack of funds and continuity of assignments.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of State should require the development of long-and-short-range plans for the systematic acquisition and disposition of overseas properties.

**Status:** Action in process. State agreed in principle that such planning is needed. However, in light of budgetary constraints and the requirements for

diplomatic security construction, funding for other capital projects has been restricted. State has not yet developed plans, but is going to develop a building replacement strategy.

**Recommendation:** The Secretary of State should expend the requisite effort to ensure that State has an effective real estate management system that contains current, and reliable information for each post on a property-by-property basis. This effort should include: (1) training and follow-up assistance to the over 100 posts that do not have automated REMS; (2) better supervision at all posts to ensure accuracy of the data; and (3) obtaining feedback from posts on how to make the system more useful to them.

**Status:** Action in process. State has a pilot project underway to: (1) improve data quality; (2) simplify data collection; (3) provide useful reports to posts; and (4) strengthen State's oversight capabilities.

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**Conduct of Foreign Affairs**
**Export Controls: Extent of DOD Influence on Licensing Decisions**

NSIAD-89-155, 06/06/89

**Background**

Pursuant to a congressional request, GAO reviewed the Department of Commerce's and the Department of Defense's (DOD) roles in the export licensing process for commercial products which could also have a military use.

**Findings**

GAO found that: (1) Commerce and DOD agreed on 90 percent of 10,380 licensing actions for cases completed between June 1987 and June 1988; (2) Commerce followed DOD recommendations to conditionally approve some licensing actions; (3) Commerce denied 71 cases that DOD approved, based on its concerns about diversion or the Department of Energy's concerns about unacceptable nuclear uses; (4) DOD recommendations caused Commerce to change 36 percent of its initial licensing decisions or to place certain restrictions on 36 percent of proposed exports to

Soviet bloc countries and China; (5) DOD recommendations on proposed exports to free-world countries had little influence on Commerce's licensing decisions; (6) Commerce applied conditions prohibiting reexport, resale, or transfer in 43 of the 66 free-world cases reviewed, although those conditions restated regulatory requirements or commitments the consignee made during export application; (7) DOD did not consistently consider the reexport prohibition condition necessary, while Commerce did not consistently apply the reexport prohibition condition; (8) Commerce's Bureau of Export Administration had a fiscal year (FY) 1988 budget of \$37.47 million and 602 licensing-related staff and referred 10,804 of the 97,450 licensing applications it received during FY 1988 to DOD; and (9) the DOD Defense Technology Security Administration had a FY 1988 budget of \$9.78 million and 166 licensing-related staff.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Commerce should direct the Under Secretary for Export Administration, in consultation with the Departments of Defense and Energy, to review the necessity of applying procedural conditions and, if they are determined to be necessary: (1) amend the Export Administration Regulations to clearly state U.S. policy and prescribe procedures for the use of commonly used conditions for approving export licenses, especially no resale and no transfer; and (2) prescribe guidelines to ensure that conditions are consistently and correctly applied.

**Status:** Action in process. Estimated completion date: 12/89. Commerce is preparing and coordinating a Federal Register notice amending the Export Administration Regulations that would implement this recommendation.

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**Conduct of Foreign Affairs**
**State Department: Minorities and Women Are Underrepresented in the Foreign Service**

NSIAD-89-146, 06/26/89

**Background**

Pursuant to a legislative requirement, GAO reviewed the Foreign Service's

merit personnel system, focusing on recruitment, appointment, assignment, and promotion of minorities and women.

**Findings**

GAO found that: (1) minorities and women were underrepresented in the

Foreign Service work force when matched against comparable civilian labor force statistics; (2) the Department of State increased minority representation from 7 percent in 1981 to 11 percent in 1987, but the percentage of white women has remained essentially unchanged at about 24 percent; (3) State has nearly eliminated entry-level underrepresentation for Foreign Service officers, but underrepresentation continues to exist in mid- and senior-level and specialist positions; (4) State has not had an effective affirmative action plan for overcoming underrepresentation problems; and (5) State has not adequately reviewed some aspects of its personnel processes for possible barriers to the hiring of minorities and the advancement of minorities and white women.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of State should establish numerical goals for hiring and advancement by race, ethnic origin, and gender category.  
**Status:** Action in process. State has said that it is committed to altering its 5-year affirmative action plan. Work on this may take some time, since a new head of the EEO Office has just been appointed.

**Recommendation:** The Secretary of State should compile information needed, such as the race, ethnic origin, and gender of applicants for Foreign Service specialist positions, to monitor the implementation and progress of affirmative action efforts.  
**Status:** Action in process. State has begun to collect the information needed for future monitoring.

**Recommendation:** The Secretary of State should analyze personnel processes for artificial barriers and eliminate any barriers found. Such analyses should include determinations of: (1) whether the Foreign Service written examination is a valid predictor of success in light of current Foreign Service job requirements; (2) why minorities and women are eliminated at a higher rate than white men by the final review panel process; (3) why women and minorities are disparately assigned to certain cones; and (4) whether artificial barriers hinder the promotion of minorities and white women in the Foreign Service specialist ranks and the advancement of minorities in the Senior Foreign Service.  
**Status:** Action in process. Many of the items covered will be addressed through redesign of the Foreign Service Examination. The new examination may take up to 2 years to develop.

## Conduct of Foreign Affairs

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

NSIAD-89-164, 06/29/89

### Background

Pursuant to a congressional request, GAO reviewed U.S. participation in the International Joint Commission (IJC), focusing on the extent to which U.S. agencies have implemented IJC recommendations.

### Findings

GAO found that U.S. agencies did not: (1) fully implement at least 43 percent of IJC recommendations in biennial reports on water quality; or (2) acknowledge or respond to many IJC recommendations.

GAO also found that U.S. agencies have not thoroughly reviewed U.S. participation in IJC since 1972, even though the scope of the IJC mission has changed substantially since that time.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of State, in conjunction with officials from the Environmental Protection Agency (EPA), the Army Corps of Engineers, and other involved technical agencies, should establish a formal mechanism to

provide prompt U.S. responses to IJC recommendations. Such responses should include either a confirmation that the U.S. agencies plan to implement a recommendation or an explanation of their rationale for rejecting the recommended course of action.  
**Status:** Action in process. Estimated completion date: 04/90. State will coordinate government responses to IJC recommendations. Responses will include either a confirmation to implement or an explanation of rejection. State will provide oversight committees with a description of

involved procedures and a timetable within 6 months.

**Recommendation:** The Secretary of State, with the assistance of officials from EPA, the Army Corps of Engineers, and other involved technical agencies, should reevaluate U.S. participation in IJC. Among the issues that should be included in this assessment are whether:

(1) the U.S. commissioners should be required to have technical backgrounds or expertise; (2) the size and composition of the IJC staff are appropriate for the current IJC mission; (3) improvements can be made in the methods used for collecting and aggregating data from the states; and (4) greater public involvement would help to achieve IJC

goals and, if so, what the nature and extent of that involvement should be. **Status:** Action in process. Estimated completion date: 04/90. State will coordinate a review in conjunction with other interested U.S. agencies. The review will take into account the four points mentioned in this recommendation. This review will be completed within 6 months.

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## Conduct of Foreign Affairs

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

NSIAD-89-184, 07/12/89

### Background

Pursuant to a congressional request, GAO provided information about the Customs Service's problems in enforcing a U.S. ban on imports from South African state-owned or -controlled entities, better known as parastatals.

### Findings

GAO found that, although the Department of State issued a list of South African parastatals, the list did not identify specific products the parastatals produced, marketed, or exported. GAO also found that this lack of product information: (1) limited

Customs' import sanction enforcement to ensuring that importers complied with requirements to certify that South African imports were not produced, marketed, or exported by a parastatal; (2) precluded Customs from using existing trade data to obtain leads on illegal imports from parastatals, since the data were kept on a product-by-product basis; (3) hindered detection of parastatal products that entered the United States through third-country shipments; (4) limited U.S. importers' compliance with the ban, since they could determine a product's exporter but not necessarily its producer; and (5) caused confusion among Customs personnel as to the inclusion of gold

bullion under the ban, resulting in the possible entry of South African gold from such countries as Switzerland and the United Kingdom.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of State should direct the Assistant Secretary for African Affairs to publish a list of the products grown, produced, manufactured, marketed, or exported by each South African parastatal identified in the Department's list of parastatals. **Status:** Action in process. State agreed with this recommendation.

## Conduct of Foreign Affairs

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

NSIAD-89-182, 07/19/89

### Background

Pursuant to a congressional request, GAO reviewed issues concerning the Republic of Palau's transition to self-government, focusing on: (1) the Department of the Interior's oversight of Palau; (2) Palau's financial condition and practices; (3) Palau's law enforcement system and U.S. law enforcement assistance; and (4) problems with Palau's 1987 referenda to approve a Compact of Free Association with the United States.

### Findings

GAO found that: (1) Interior's 1979 decision to provide Palau with greater autonomy effectively reduced Interior's authority and responsibility for interceding in local decisions, and Interior has since not closely monitored Palau's financial situation and contract negotiations; (2) Interior's technical assistance program has been slow in achieving benefits, partly due to weaknesses in Interior's management and Palau's slowness in implementing projects; (3) Palau has not ensured that it will use compact funds as intended; (4) since 1981, Palau has experienced serious financial problems, resulting in several ill-advised contracts; and (5) Palau did not require competition for service contracts, and its draft procurement manual was deficient. GAO also found that: (1) Palau's housing policy did not provide specific guidance on housing for government officials or the extent to which government funds could be used to pay for renovations to privately owned property leased for

those officials; (2) Palau has not implemented its special prosecutor law, has experienced delays in hiring a public auditor, and lacks effective conflict-of-interest legislation; (3) five Palauan officials and businessmen received questionable payments totalling \$775,000 from a firm that built Palau's power plant; (4) Palau's public safety officers have improved their skills in routine law enforcement, but need U.S. assistance in more difficult cases; and (5) U.S. agencies have differing views on the applicability of U.S. laws in Palau and on U.S. authority to conduct investigations or make arrests there.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of the Interior should require the Assistant Secretary for Territorial and International Affairs (TIA) to assign the field representative in Palau responsibility for: (1) monitoring Palau's financial situation and obtaining information on progress in competing and negotiating major contracts and agreements; and (2) identifying situations in which Interior may need to advise Palau or take other actions concerning projects or agreements that appear questionable.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of the Interior should require the Assistant Secretary for TIA to establish procedures for ensuring that technical

assistance grants are routinely monitored and periodically evaluated.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of the Interior should require the Assistant Secretary for TIA to request the President of Palau to establish a central point of contact responsible for implementing technical assistance grants on a timely basis and ensuring that project managers comply with grant requirements.

**Status:** Action not yet initiated.

**Recommendation:** To better ensure that U.S. economic assistance funds under the compact will be used as intended, the Secretary of State should negotiate with the Republic of Palau to preclude Palau from using the compact investment fund as collateral for loans.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of the Interior should instruct the Assistant Secretary for TIA to: (1) request Interior's Inspector General to review Palau's draft procurement manual to ensure that it includes requirements and procedures for conducting feasibility studies to assess needs, competitive bidding for major projects, recordkeeping by contractors and subcontractors, and other sound procurement principles; (2) ensure that all Inspector General comments are addressed adequately prior to the manual's completion; and (3) recommend that Palauan officials revise their procurement law to require competitive bidding for service contracts.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of the Interior should instruct the Assistant Secretary for TIA to advise Palau to: (1) develop housing regulations that include more specific criteria defining the extent to which government funds may be used to pay for renovations to private housing rented for government officials; and (2) request Palau's Acting Public Auditor to review the propriety of funds expended to lease and renovate a residence for President Salii.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of the Interior should instruct the Assistant Secretary for TIA to advise Palau's President to: (1) appoint a special prosecutor within a reasonable amount of time; (2) request the Attorney General or Special Prosecutor, if appointed in a

timely manner, to investigate payments made by a firm to Palauan officials and determine whether sanctions under Palau's criminal or civil laws are warranted; and (3) develop more comprehensive conflict-of-interest legislation that includes criminal provisions, and reduces exclusions for certain categories of public officials with respect to civil provisions.

**Status:** Action not yet initiated.

**Recommendation:** To resolve the current uncertainty about U.S. law enforcement agencies' authority in Palau until the compact is implemented, the Attorney General should finalize and formally distribute the Department of Justice's opinion on federal criminal jurisdiction in Palau to all relevant U.S. agencies.

**Status:** Action not yet initiated.

**Recommendation:** The Attorney General should: (1) determine whether U.S. law enforcement agencies have authority to conduct investigations and make arrests in Palau for violations of U.S. criminal laws that specifically apply to Palau or the trust territory, such as the anti-drug laws; and (2) consider the view that U.S. law enforcement agencies other than the U.S. Attorney for Guam do have this authority.

**Status:** Action not yet initiated.

**Recommendation:** The Attorney General should authorize the Federal Bureau of Investigation to provide investigative assistance to Palau upon request from Interior, including providing the assistance requested regarding the 1987 murder.

**Status:** Action not yet initiated.

## Foreign Economic and Financial Assistance

# Foreign Aid: Impact of Overseas Private Investment Corporation Activities on U.S. Employment

NSIAD-87-109, 05/05/87

### Background

In compliance with a legislative requirement, GAO determined the impact of the Overseas Private Investment Corporation's (OPIC) activities on employment in the United States.

### Findings

GAO found that OPIC: (1) approved projects that it should have expected would have negative impacts on U.S. trade and potentially negative impacts on U.S. employment; (2) continued to assist some projects despite their

negative impacts on trade and employment; (3) did not ensure that its procedures provided adequate project screening and monitoring to prevent significant adverse effects from OPIC-assisted investments; (4) used a methodology for computing the economic impact of its projects that led to overly optimistic reports to Congress concerning direct economic benefits; (5) did not routinely consult such organizations as labor unions and trade associations before approving projects; (6) did not adequately document job loss data when it evaluated proposed projects and monitored ongoing projects; and (7)

has not determined the appropriateness of and circumstances for discontinuing assistance to projects whose operations have adverse effects on the U.S. economy.

### Open Recommendations to Agencies

**Recommendation:** The President, OPIC, in consultation with the Administrator, AID, should, in annual reports to Congress concerning the effects of OPIC-assisted projects on the U.S. economy, report: (1) without offsetting alternatives, the aggregate results of the

operations of projects expected to have positive direct impacts on U.S. trade and employment separately from the aggregate results of those expected to have negative direct impacts; (2) separately the economic effects on the United States of any alternatives and assumptions that were considered and

analyzed as part of the project approval process; and (3) separately the effect on trade and employment of project construction and start-up procurement. **Status:** Recommendation valid/action not intended. OPIC has not taken action on this recommendation as it believes it would result in an inaccurate portrayal

of the effects of OPIC-supported projects. GAO testified on this matter in July 1988 before the Senate Committee on Foreign Relations. In view of continued interest in separate reporting, GAO believes the recommendation should remain open.

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## Foreign Economic and Financial Assistance

# Food Aid: Improving Economic and Market Development Impact in African Countries

NSIAD-88-55, 12/21/87

### Background

In response to a congressional request, GAO examined the economic and market development impact of Public Law 83-480 food aid to four African countries.

### Findings

GAO found that: (1) U.S. agricultural and foreign policy interests, weak agreement provisions, and recipient governments' failure to fully implement some agreement provisions weakened developmental benefits; (2) long-term impact on the economy was difficult to measure; (3) self-help measures should be more measurable and better focused

on economic development objectives; and (4) the Agency for International Development's (AID) missions have not fully complied with requirements for monitoring and reporting on recipient governments' implementation of the programs. GAO also found that food programs have provided humanitarian assistance, but inadequate private voluntary organization (PVO) management limited efforts to alleviate malnutrition and poverty. In addition, GAO found that: (1) AID mission staff have other duties which they perceive as having a higher priority; (2) economic problems have precluded the African countries from progressing to the point of financing imports on commercial

terms; and (3) improvements in AID planning and oversight could enhance both programs' benefits.

### Open Recommendations to Agencies

**Recommendation:** The Administrator, AID, should assess a sample of Title II local currency projects in fiscal year (FY) 1988 to ensure that sales are being properly administered and local currencies are being used as intended.

**Status:** Action in process. AID is preparing a report to Congress on uses of Title II local currency in FY 1988. AID will provide GAO with a copy of the report upon its completion.

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**Foreign Economic and Financial Assistance**
**Drug Control: U.S.-Mexico Opium Poppy and Marijuana Aerial Eradication Program**

NSIAD-88-73, 01/11/88

**Background**

Pursuant to a legislative requirement, GAO reviewed the joint U.S.-Mexico opium poppy and marijuana aerial eradication program in terms of the extent to which: (1) the program reduced the Mexican poppy and marijuana crops; (2) Mexico effectively used U.S.-provided aircraft and other resources; and (3) formal bilateral agreements provided the ongoing cooperation needed to expeditiously eliminate opium poppies and marijuana in Mexico.

**Findings**

GAO found that: (1) although initially the aerial eradication program significantly reduced opium poppy and marijuana cultivation in Mexico, farmers developed new techniques to make such eradication difficult; (2) Mexico has reemerged as a prominent marijuana supplier; and (3) the gap

between crop cultivation and eradication will probably continue to widen. GAO also found that Mexico's Office of the Attorney General, which administered the aerial eradication program: (1) underused U.S. aircraft, primarily because of maintenance deficiencies and an insufficient number of pilots; and (2) disagreed with the United States and contractors as to the cause of and responsibility for correcting deficiencies. In addition, GAO found that U.S. and Mexican officials: (1) agreed that the program needed additional aircraft, but purchased them without a bilateral analysis of the need; (2) lacked formal bilateral agreements addressing the frequency or scope of aerial surveys, annual eradication targets, or program validation and evaluation; and (3) failed to address problems involving insufficient spare parts, low pilot salaries, and inadequate program monitoring.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of State should instruct the Assistant Secretary for International Narcotics Matters to negotiate with the government of Mexico to revise the formal agreements which form the framework of the bilateral program, to include provisions for: (1) developing comprehensive aerial surveys to identify the extent and location of opium poppy and marijuana cultivation; (2) setting annual eradication goals consistent with reasonable standards for aircraft use and availability; and (3) validating and evaluating the program's activities and progress.

**Status:** Action in process. Action is still in process. The Department of State presented a draft Memorandum of Understanding to the Mexican Government in February 1989. State had not received a response.

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**Foreign Economic and Financial Assistance**
**Agricultural Trade: Review of Targeted Export Assistance Program**

NSIAD-88-183, 05/24/88

**Background**

Pursuant to a congressional request, GAO reviewed the Department of Agriculture's Targeted Export Assistance (TEA) program, focusing on

the: (1) program's management, including the Foreign Agricultural Service's (FAS) documentation of its participant eligibility and funding allocation decisions; and (2) adequacy of

the FAS evaluation process, how evaluations affect present and future funding allocations, and the commodities, activities, and geographical markets receiving TEA funds.

## Findings

GAO found that: (1) FAS did not provide sufficient documentation for funding decisions, making it difficult to assess whether FAS applied funding criteria equitably and consistently; (2) FAS did not adequately solicit TEA applications at the onset of the program, which gave former or current participants in the Cooperator Market Development Program an advantage in applying for TEA funds; (3) FAS based most of its decisions on the TEA applications and not on the more detailed activity plans; (4) some TEA applications did not contain the necessary data for FAS to conduct in-depth marketing analyses of the proposed commodities and countries; (5) some participants did not have the opportunity to review TEA guideline changes; and (6) the tripling of TEA funding in the program's last 2 years would exacerbate management problems. GAO also found that: (1) contribution level and form requirements varied among participants, but FAS did not document the reasons for these variations; (2) participants did not adequately document the identities of third-party contributors and the methods used to derive their contribution levels; and (3) FAS did not closely monitor the nonprofit trade associations' administration of brand-identified promotion, resulting in some potential TEA participants not receiving timely program information. In addition, GAO found that FAS did not provide formal written guidelines on evaluation content, focus, cost, or characteristics of an acceptable third-party evaluator.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Agriculture should direct the Administrator, FAS, to: (1) document the funding allocation decision process to clearly show how funding criteria were applied and prioritized and the basis for those decisions; (2) base the funding allocation decisions not only on the applications and TEA proposals, but also on the activity plans; (3) conduct ongoing, in-depth marketing analyses for all TEA commodities and their countries or regions of promotion to ensure that TEA funds are allocated for those commodities and markets with the greatest potential for successful market development; and (4) provide all TEA participants with an opportunity to review and comment on proposed TEA guideline additions and changes, including a written record of any such proceedings.

**Status:** Action taken not fully responsive. FAS is still not adequately documenting its funding allocation process, preferring to rely on verbal information for many decisions. FAS has no plans to formally provide participants with the opportunity to review and comment on guideline changes. According to FAS, it is not conducting in-depth marketing analyses because the staff does not have time to do this.

**Recommendation:** The Secretary of Agriculture should direct the Administrator, FAS, to: (1) document in writing the basis for the form and level of contributions for each TEA participant; (2) define the importance of third-party contributions in the funding decision process and more closely enforce the FAS guideline that the

participants document the method by which third-party contributions are derived and the identities of the parties involved; and (3) more closely monitor TEA funds allocated for brand-identified promotion to ensure that all eligible private firms receive timely information about the program and have an opportunity to apply for TEA funds. **Status:** Action taken not fully responsive. It is still not clear how FAS determines contribution amounts. FAS does not document reasons for the variation and continues to state that each case must be individually assessed. Third-party contributions are not verified by activity, according to OIG, which could impact program effectiveness, if such contributions are significantly less than planned.

**Recommendation:** To help in the establishment of the new FAS Marketing Programs Division's Program Evaluation Section, the Secretary of Agriculture should direct the Administrator, FAS, to: (1) develop specific criteria to be included in the TEA guidelines for evaluating the TEA program; (2) require that the TEA evaluations be completed to coincide with the FAS application approval and funding allocation process; and (3) implement a formal system of internal controls for collecting, tracking, and documenting the progress and results of the TEA evaluations, including their impact on funding allocation decisions. **Status:** Action in process. FAS has a fully staffed program evaluation unit, under the direction of a new assistant administrator. This office may improve upon its tracking and utilization of evaluations; however, minimal effort has been made to date to address GAO concerns.

**Foreign Economic and Financial Assistance**

**International Trade: Commodity Credit Corporation's Export Credit Guarantee Programs**

NSIAD-88-194, 06/10/88

**Background**

In response to a congressional request, GAO reviewed the Foreign Agricultural Service's (FAS) management of the Commodity Credit Corporation's (CCC) export credit guarantee programs, focusing on the programs' efficiency and effectiveness.

purchase of U.S. agricultural commodities through its export guarantee programs; and (4) did not establish a procedure to verify that agricultural products arrived at the specified countries.

only U.S. agricultural commodities are eligible for program coverage. FAS, however, must still define what a U.S. agricultural commodity is. FAS is considering establishing a working group to deal with the issue.

**Findings**

GAO found that CCC: (1) failed to adequately enforce program regulations requiring exporters to include payment schedules with their export reports; (2) submitted inaccurate reports to Congress and rescheduled foreign debt guarantees without knowledge of the actual amounts outstanding; (3) lacked sufficient controls to ensure the

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Agriculture should direct the General Sales Manager, FAS, to clarify program regulations with specific definitions for a U.S. agricultural commodity and a firm sale and require acknowledgement of these requirements on guarantee applications.

**Status:** Action in process. FAS program regulations have been changed so that

**Recommendation:** The Secretary of Agriculture should direct the General Sales Manager, FAS, to provide timely and accurate decisions on document revisions requested by exporters or their assignees.

**Status:** Recommendation valid/action not intended. FAS maintains that it has always been responsive to issues raised by program participants. GAO continues to believe that FAS can do more to be responsive to participant inquiries.

**Foreign Economic and Financial Assistance**

**Foreign Aid: Issues Concerning AID's Private-Sector Revolving Fund**

NSIAD-88-185, 07/18/88

**Background**

In response to a congressional request, GAO reviewed the operations of the Agency for International Development's (AID) Private-Sector Revolving Fund, specifically, its: (1) financial management; (2) funding levels; and (3) management and monitoring of field projects.

**Findings**

GAO found that the fund had several financial management weaknesses, including: (1) a data base that was inadequate for accurately projecting cash flow and additional appropriations requirements; (2) a lack of complete and audited financial statements to ensure the integrity of its annual reports; (3) no

loss reserve account; and (4) inadequate procedures for converting loan reflows of principal, interest, and fees into U.S. securities. GAO also found that: (1) the \$8.5 million AID requested for its fiscal year (FY) 1989 appropriation would exceed its requirements; (2) staff limitations affected the quality of field mission project management and monitoring; (3) AID could not effectively

operate a larger program; and (4) AID did not have an overall risk policy for the fund that defined the balance between projects' credit worthiness and AID developmental goals. In addition, GAO found that AID took several actions to address the fund's financial difficulties, including: (1) revising cash flow projections, (2) preparing financial statements; (3) establishing a loss reserve account; (4) strengthening reflow investment procedures; and (5) hiring a financial consultant.

### Open Recommendations to Agencies

**Recommendation:** The Administrator, AID, should provide sufficient resources for strengthening the management and monitoring of revolving fund projects by adding fund staff and increasing the

direct involvement of its field missions in project management. The Administrator should also provide for annual audited revolving fund financial statements.

**Status:** Action in process. AID stated that it is committed to supporting the fund. AID documents indicate that: (1) the Administrator orally approved a three-position increase; (2) recruitment for additional investment offices is underway; and (3) every project obligated in 1988 was codesigned with relevant missions. However, the Fund's FY 1988 financial statements were not audited.

**Recommendation:** The Administrator, AID, should establish a fund policy on maximum collateral requirements for local banks. The policy should: (1) establish a ceiling on banks' collateral

requirements as a condition for fund loans and guarantees; (2) identify options for encouraging bank lending based on project performance and cash flow, instead of collateral-based lending; and (3) define, as part of an overall policy of what constitutes acceptable risk, the loss rates necessary and acceptable for balancing developmental goals and the objective of ensuring that revenue exceeds losses to retain revolving fund capital.

**Status:** Action in process. AID agreed that a fund risk policy is needed and is in the final process of developing one. Collateral issues are to be addressed with a goal of encouraging local banks in developing countries to offer term and cash-flow lending, as an alternative to heavily collateralized loans.

## Foreign Economic and Financial Assistance

### Foreign Aid: Use of Local Currencies for AID's Operating Costs

NSIAD-89-7, 10/17/88

#### Background

Pursuant to a congressional request, GAO reviewed the Agency for International Development's (AID) implementation and management of trust fund local currencies accruing from Economic Support Fund agreements to pay local operation expenses at AID missions overseas.

#### Findings

GAO found that AID: (1) increased the use of trust funds to pay the operating expenses of its missions from \$12.4 million obligated in fiscal year (FY) 1983 to \$55 million in FY 1985; (2) has not

always fulfilled its fiduciary responsibilities in reporting trust fund expenses to host governments; and (3) sometimes gave inaccurate information to Congress and did not disclose real property acquisitions.

#### Open Recommendations to Congress

**Recommendation:** Because of large capital expenditures by AID in Costa Rica and the potential for large capital expenditures in the future by other missions due to expanding trust funds, Congress may wish to consider whether

more statutory controls over trust fund real property acquisitions are needed.

**Status:** Action not yet initiated.

#### Open Recommendations to Agencies

**Recommendation:** The Administrator, AID, should direct AID missions with trust funds to maximize trust fund use by seeking opportunities to use reverse accommodation exchange to convert trust fund local currencies to dollars to pay local operating expenses payable only in dollars, and, if necessary, attempt to negotiate a larger trust fund to cover these additional expenses.

**Status:** Action taken not fully responsive. While the Administrator disagreed with the recommendation, he agreed that trust funds may be used to

pay dollar expenses through reverse accommodation exchange in instances where the expenditure would normally be made in local currency, but due to

specific overriding conditions, payments must be made in dollars.

## Foreign Economic and Financial Assistance

# Drug Control: U.S.-Supported Efforts in Colombia and Bolivia

NSIAD-89-24, 11/01/88

## Background

Pursuant to a legislative requirement, GAO evaluated the scope, purpose, and effectiveness of U.S. narcotics control efforts in Colombia and Bolivia.

## Findings

GAO found that U.S.-supported crop control, enforcement, and interdiction efforts in Colombia and Bolivia have not produced major reductions in coca and marijuana production and trafficking, and it is questionable whether the efforts will achieve major reductions in the near future. GAO found that Colombia's large-scale efforts have had little effect due to the: (1) unprecedented level of violence associated with narcotics control; (2) lack of an enforceable extradition treaty with the United States for narcotics offenses; (3) general reluctance of the Colombian military forces to become involved in narcotics enforcement; and (4) lack of safe and effective means of chemically eradicating coca. GAO also found that Bolivia's efforts have had little effect due to: (1) the lack of clear legislation in Bolivia outlawing coca cultivation and supporting government control and eradication programs; (2) an inexperienced and ineffective special narcotics police force; (3) limited Bolivian government funding for

program objectives; and (4) generalized corruption. In addition, GAO found that the Department of State's Bureau of International Narcotics Matters (INM): (1) did not systematically evaluate program and project performance to assess progress against established goals and objectives or to redirect activities; and (2) does not have guidelines which clearly establish the responsibility for ensuring that INM units perform evaluations. GAO also found that the Agency for International Development's development and narcotics awareness programs in Bolivia have not been effective due to the unwillingness or inability of the Bolivian government to introduce and implement effective coca control and enforcement measures.

## Open Recommendations to Agencies

**Recommendation:** To obtain greater participation in the narcotics control effort, the Secretary of State should encourage the government of Bolivia to: (1) improve the effectiveness of Bolivia's narcotics special police force; and (2) provide additional support for narcotics interdiction and enforcement activities. Such support does not have to be strictly financial, because several requirements for in-kind logistical support can be

provided by elements of the government of Bolivia at little or no additional cost. **Status:** Action in process. Although the U.S. Ambassador has placed renewed emphasis on pressuring the Bolivians to do more, very little has resulted. This may change with the new U.S. National Drug Strategy which offers increased U.S. military and economic assistance to the coca-producing countries of South America.

**Recommendation:** The Assistant Secretary of State for International Narcotics Matters should: (1) issue clear guidelines on the responsibility for conducting program and project evaluations; (2) establish an evaluation schedule; and (3) establish procedures to ensure that scheduled evaluations are performed.

**Status:** Action in process. An evaluation unit is to be consolidated into an eight-man 'Policy, Planning and Evaluation Section'. One position has been filled to date.

**Recommendation:** The Assistant Secretary of State for International Narcotics Matters should initiate a review of procedures for accounting for cash advances and ensure that proper control of advances are instituted and maintained.

**Status:** Action in process. A U.S. procurement specialist has been added to staff and now directs U.S. purchases for

the Bolivians. Cash advances have been reduced. Payments to Bolivian soldiers

are now conducted through a Bolivian bank.

## Foreign Economic and Financial Assistance

# Foreign Aid: Problems and Issues Affecting Economic Assistance

NSIAD-89-61BR, 12/30/88

### Background

In response to a congressional request, GAO identified key issues and problems relating to the U.S. foreign economic assistance program.

### Findings

GAO found that U.S. bilateral assistance programs had been undermined due to: (1) recipients' inability to provide agreed funding and recurrent cost financing; (2) U.S. failure to effectively use Economic Support Fund and food aid to achieve economic development and policy reforms overseas; (3) recipients' inability to service existing debt and borrow new funds; (4) unsuccessful efforts by the Agency for International Development (AID) to reduce narcotics cultivation through crop substitution and area development; (5) the impact of Acquired Immune Deficiency Syndrome on recipients, which would likely increase their demands for assistance; and (6) recipients' inadequate financial management and accounting procedures over cash transfers and local currency to ensure that assistance is used for intended purposes.

### Open Recommendations to Congress

**Recommendation:** Congress should structure U.S. bilateral assistance according to the recipient's capability to support projects. Options include emphasizing projects that lessen the administrative and financial burden on recipients, stressing alternatives to project assistance, and making new and continued project funding contingent on recipient compliance with counterpart and recurrent cost-funding agreements.  
**Status:** Action not yet initiated.

**Recommendation:** Congress should strengthen efforts to encourage recipient economic policy reform by clarifying specific reform objectives, establishing time frames or milestones for achieving stated reforms, and periodically assessing reform progress and impact of U.S. assistance.  
**Status:** Action not yet initiated.

**Recommendation:** Congress should develop budget strategies to minimize the pipeline problem, consider alternatives to earmarking funds and to programming development assistance by

functional accounts, and streamline reprogramming requirements.  
**Status:** Action not yet initiated.

**Recommendation:** Congress should focus AID programs on more manageable units by decreasing the total number of countries in which AID missions and field offices are located, concentrating AID resources and personnel on key countries and maintaining a limited in-country presence through U.S. embassy staff in other nations, concentrating resources on fewer or larger projects, and setting a minimum funding level per project.  
**Status:** Action not yet initiated.

**Recommendation:** Congress should develop an overall debt relief policy that determines how much aid is needed, the U.S. share, and the most appropriate mechanisms for delivery.  
**Status:** Action not yet initiated.

**Recommendation:** Congress should determine if AID should play a greater role in U.S. efforts to reduce narcotics production and, if so, what that role should be.  
**Status:** Action not yet initiated.

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**Foreign Economic and Financial Assistance**
**International Trade: Review of FAS Attache Service**

NSIAD-89-73, 02/23/89

**Background**

In response to a congressional request, GAO reviewed the Department of Agriculture's (USDA) Foreign Agricultural Service's (FAS) attache activities, focusing on: (1) how FAS overseas market development planning activities; and (2) attaches' role in reporting and coordinating FAS activities, overseas posting, and staff qualifications.

**Findings**

GAO found that FAS: (1) generally considers present or potential markets for U.S. agricultural products as a factor in selecting its overseas posts locations; (2) assigned a large percentage of its staff to Europe to maintain U.S. exports to Europe and to concentrate on major trade centers, and increased its staffing in third-world countries to meet a

projected growth in agricultural trade; (3) market planning and development did not incorporate benchmarks or measures for determining the program's success; (4) believes that an improved relationship between it and nonprofit commodity groups would enhance U.S. agricultural product marketing overseas; (5) planned to implement various external recommendations regarding its reporting requirements; (6) was responsible for planning and coordinating mission activities and arranging meetings between mission teams, private-sector representatives, and host countries; and (7) emphasized foreign language proficiency in its staff and training policies.

**Open Recommendations to Agencies**

**Recommendation:** To improve FAS overseas planning, the Secretary of Agriculture should direct the FAS Administrator to have annual work plans include specific activities that allow for measuring the achievement of post planning objectives.

**Status:** Action in process. FAS is in the process of revising its annual work plan.

**Recommendation:** To enhance attache performance overseas, the Secretary of Agriculture should direct the FAS Administrator to ensure that attaches assigned to overseas posts are able to effectively communicate with host-country officials in their principal language.

**Status:** Action in process. FAS is in the process of taking action to improve its language competency.

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**Foreign Economic and Financial Assistance**
**Foreign Assistance: Administration of Funds for the International Fund for Ireland**

NSIAD-89-53, 04/03/89

**Background**

GAO reviewed the Agency for International Development's (AID) role in monitoring the activities and administration of U.S. contributions to the International Fund for Ireland, established to promote economic and

social reconstruction and development in Northern Ireland and Ireland.

**Findings**

GAO found that AID: (1) disbursed \$120 million in congressional appropriations to the Fund for fiscal years (FY) 1986

through 1988 and planned to contribute between \$10 million and \$35 million for FY 1989; (2) stipulated that the Fund use the contribution to stimulate private-sector economic growth through activities that would produce visible and measurable results; (3) provided to Congress annual Fund activity status

reports, based largely on Fund documents and not on independent evaluations; (4) encouraged the Fund's board of directors to collect relevant economic data in an appropriate format to improve AID ability to report on the Fund's achievements; (5) expressed uncertainty over its ability to measure the Fund's impact on social change, although it continued efforts to develop meaningful criteria for measuring social change; (6) did not assess whether the

Fund immediately needed or used U.S. contributions; and (7) did not have the right to audit the Fund's activities, although an agreement between Ireland, the United Kingdom, and the United States stipulated that AID would receive audited financial reports on Fund operations and other information. GAO also found that the Fund's reports did address whether its activities complied with contributor intentions.

### Open Recommendations to Agencies

**Recommendation:** The Administrator, AID, should request the International Fund for Ireland's (IFI) Board of Directors to further develop its capability to collect, sort, analyze, and report economic indicators of the Fund's achievements.

**Status:** Action in process. AID is working toward this. IFI reports will reflect advances in this area.

## Foreign Economic and Financial Assistance

# Foreign Aid: Issues Concerning U.S. University Participation

NSIAD-89-38, 04/11/89

### Background

Pursuant to a congressional request, GAO reviewed efforts by the Agency for International Development (AID) and the Board for International Food and Agricultural Development (BIFAD) to implement title XII of the Foreign Assistance Act of 1961, which encourages the involvement of U.S. land-grant, sea-grant, and eligible universities in AID development activities, focusing on: (1) the impact of changes in the AID budgetary and administration environments on title XII implementation; (2) procurement issues that hinder title XII implementation; and (3) whether there has been improvement in AID-university efforts to increase commitment to supporting international agricultural development activities.

### Findings

GAO found that title XII project activity declined between 1982 and 1988, and

officials believe that the downward trend will continue because of: (1) a decrease in the primary funding source for title XII activities; (2) changing congressional and AID priorities; and (3) the reluctance of some AID staff to use title XII universities. GAO also found that: (1) neither AID nor BIFAD accurately tracked title XII activities; (2) AID has not submitted required annual reports to Congress since 1984; (3) although AID has issued several impact studies on university-implemented projects, the studies do not fully discuss all issues pertinent to title XII; (4) AID did not require its contracting officers to evaluate university compliance with the National Association of State Universities and Land Grant Colleges' (NASULGC) principles regarding international development activities; (5) BIFAD has not developed a comprehensive register of title XII universities which it could use to match university capabilities with AID needs; (6) AID was reluctant to use set-asides limiting contractor competition for title

XII projects to title XII universities because it did not have confidence in universities' capabilities and did not want to limit competition; and (7) the AID set-aside procurement mechanism was not consistent with statutory competition requirements.

### Open Recommendations to Agencies

**Recommendation:** The Administrator, AID, in consultation with BIFAD, should develop a means of accurately tracking and reporting title XII project activities.

**Status:** Action in process. AID and BIFAD are implementing this recommendation.

**Recommendation:** The Administrator, AID, in consultation with BIFAD, should reinstitute the mandated annual report to Congress on title XII, and ensure that it includes accurate and complete data, including anticipated title XII activities planned over the next 5 fiscal years.

**Status:** Action in process. AID and BIFAD are implementing this recommendation.

**Recommendation:** The Administrator, AID, in consultation with BIFAD, should make an evaluation of title XII projects, to include university performance, and distribute the results to AID missions and title XII universities.

**Status:** Action in process. AID and BIFAD are implementing this recommendation.

**Recommendation:** The Administrator, AID, in consultation with BIFAD, should require universities to include in their project proposals a statement, and supporting documentation, regarding the extent of their compliance with the NASULGC Basic Principles for College and University Involvement in International Development Activities.

**Status:** Action in process. AID and BIFAD are implementing this recommendation.

**Recommendation:** BIFAD should place priority on developing a comprehensive and current registry of university resources to facilitate its ability to match university capabilities with AID needs.

**Status:** Action in process. AID and BIFAD are implementing this recommendation.

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## Foreign Economic and Financial Assistance

# United Nations: U.S. Participation in the Environment Program

NSIAD-89-142, 06/21/89

### Background

Pursuant to a congressional request, GAO reviewed the: (1) United Nations Environment Program's (UNEP) accounting practices, financial reserves, and general efficiency and effectiveness; and (2) extent of U.S. influence in the organization.

### Findings

GAO found that UNEP: (1) received financing from the United Nations budget, trust funds, other miscellaneous income, and voluntary contributions to the Environment Fund, to which the United States was a major contributor; (2) for its 1988 through 1989 biennial budget, allocated \$25.8 million for operating expenses, \$60 million for its environmental programs and projects, and \$2 million for its fund program reserves; (3) adjusted its financial reserves each biennium to equal 7.5

percent of its budget to guarantee the Environment Fund's financial liquidity and integrity; (4) administered 22 trust funds with a total balance of \$17.4 million in December 1987; (5) has successfully created various conventions and protocols on environmental conservation, addressed several environmental issues of global importance, and coordinated several environmental initiatives of special interest to the United States; and (6) made several organizational changes and improved management procedures after conducting a comprehensive self-assessment which identified project design and project link weaknesses and a tendency to dispense funds on many small projects rather than on a few major programs. GAO also found that the Department of State: (1) was satisfied with the level of U.S. influence in UNEP; and (2) had general goals to guide its participation in UNEP, but no

longer prepared action programs defining U.S. goals and establishing specific and measurable plans for achieving objectives.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of State should direct the Assistant Secretary for International Organization Affairs to establish an action program or a similar formulation that would: (1) define objectives and priorities for U.S. participation in UNEP; and (2) specify a plan for achieving them.

**Status:** Action in process. The State Department agreed to the need for the development of long-term U.S. goals, objectives, and courses of action for participation in the U.N. Environment Program and stated that it has begun a planning process to accomplish these ends.

**Foreign Economic and Financial Assistance**

**United Nations: U.S. Participation in the Children's Fund**

NSIAD-89-204, 09/27/89

**Background**

Pursuant to a congressional request, GAO assessed various aspects of the United Nations Children's Fund (UNICEF), focusing on: (1) views of the United States and other major UNICEF donor countries on the effectiveness and efficiency of UNICEF programs; (2) UNICEF project monitoring and oversight; (3) UNICEF accounting practices and other financial information; and (4) the level of U.S. influence in UNICEF and the prospects for maintaining that level of influence.

**Findings**

GAO found that: (1) the Department of State and the Agency for International Development viewed UNICEF programs

favorably and, like representatives of other major donor countries, believed that UNICEF had well-managed and effective field programs; (2) U.S. officials believed that UNICEF should collaborate more with other agencies and do more to help recipient governments sustain UNICEF programs; (3) there were program and project deficiencies at some UNICEF projects that could be resolved through improved UNICEF oversight; (4) while 1985 and 1986 audits showed significant problems with certain UNICEF financial practices, UNICEF took corrective actions and subsequent audit statements were acceptable and unqualified; (5) overall, other major donor countries expressed satisfaction with UNICEF programs, but one major donor country was concerned that UNICEF was

expanding its programs to areas not directly related to women and children; and (6) the extent of U.S. influence over UNICEF may be declining, and two countries contributed more to UNICEF than did the United States in 1987.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of State should direct the Assistant Secretary for International Organization Affairs to intensify efforts to encourage the UNICEF Executive Board and management to increase the level of field monitoring and oversight of governments' implementation of UNICEF-assisted programs.

**Status:** Action not yet initiated.

**Foreign Information and Exchange Activities**

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

NSIAD-89-160, 07/12/89

**Background**

Pursuant to a congressional request, GAO reviewed the Voice of America's (VOA) and Radio Marti's personnel management practices to determine the validity of numerous employees' allegations regarding: (1) time and attendance abuses; (2) irregular employment, supervisory, and management practices; (3) improper

contract awards to purchase order vendors; and (4) discrimination and sexual harassment.

**Findings**

GAO found that VOA: (1) lacked sufficient internal control procedures to ensure that it paid employees only for actual hours worked, resulting in time and attendance reporting abuses and

noncompliance with overtime, compensatory time, and work scheduling rules; (2) did not adequately monitor its contracting with purchase order vendors and did not follow numerous contracting regulations and procedures, resulting in improper noncompetitive awards to former employees and relatives of current employees; (3) had different grade structures and advancement opportunities among its broadcasting

divisions; (4) has not met its affirmative action goals for increasing female and minority representation among broadcasters, radio broadcast technicians, and radio electronic technicians; (5) routinely sponsored temporary visas for foreign nationals it intended to hire permanently; (6) recommended that Radio Marti review its questionable use of its noncompetitive, excepted service hiring authority, but Radio Marti rejected the recommendation; and (7) Radio Marti initiated several actions to address personnel-related problems, including improving communications and manager, supervisor, and employee training and orientation.

**Open Recommendations to Agencies**

**Recommendation:** The Director, U.S. Information Agency (USIA), should direct the Director, VOA, to ensure full implementation of VOA initiatives to improve time and attendance control. **Status:** Action in process. Several initiatives have been taken and additional changes are being studied to better adapt government regulations to the VOA operating environment. A computer-assisted security system has been implemented, making it easier to

monitor time and attendance abuse on the weekends and evening shifts.

**Recommendation:** The Director, USIA, should direct the Director, VOA, to determine if artificial barriers are contributing to the underrepresentation of women and minorities and then take the necessary steps to increase the representation of women and minorities, especially at the senior levels. **Status:** Action in process. VOA has taken the following initiatives to enhance the minorities and women status: targeting recruitment, examining the application and selection process, analyzing career paths, improving its working relationship with USIA/EEO to identify affirmative action goals and strategies, and placing emphasis on senior management that EEO is a critical part of their job.

**Recommendation:** The Director, USIA, should direct the Director, VOA, to create a central unit to review and approve the use of purchase order vendors to ensure that VOA complies with federally prescribed standards in awarding contracts to purchase order vendors. **Status:** Action in process. VOA has designated a central unit to be responsible for oversight to ensure compliance with established policies and

procedures for use of purchase order vendors. In addition, a proposal to centralize all VOA small purchase activity is being developed.

**Recommendation:** The Director, USIA, should direct the Director, VOA, to continue to assess personnel practices in the areas of pay and classification of broadcasters and employment of noncitizens.

**Status:** Action in process. VOA has initiated a review of pay system proposals and employment policies for its non-U.S. citizens.

**Recommendation:** The Director, USIA, should direct the Director, VOA, to review the use of Radio Marti's Schedule B hiring authority with a view toward ensuring that those hired under that authority have the requisite knowledge of Cuba and that all the positions designated to be covered by the Schedule B authority are warranted.

**Status:** Action in process. Radio Marti has initiated a review of all Schedule B positions to determine whether successful performance in the job requires preexisting knowledge of Cuba. Action will be taken to move to the competitive service those positions which can no longer be justified as excepted service positions. This reporting will be an annual requirement.

**International Financial Programs**

**Inter-American Development Bank: Questions Concerning Payment to Nicaragua**

NSIAD-89-167, 07/05/89

**Background**

Pursuant to a congressional request, GAO reviewed the Inter-American Development Bank's (IDB) loan

disbursements to Nicaragua in November 1987, focusing on: (1) whether the payments complied with IDB regulations or violated U.S. law; (2)

whether IDB should recover the funds; and (3) an audit memorandum the IDB Auditor General prepared concerning the transaction.

**Findings**

GAO found that IDB: (1) followed procedures in notifying Nicaragua in May 1987 that it was in arrears on loan payments, and in suspending disbursements on all Nicaraguan loans; (2) did not follow established procedures in clearing Nicaragua's arrearages, since it acted on notification that the Nicaraguan government had instructed the Central Bank of Nicaragua to clear the arrearages and did not actually receive the payments until November 20, 1987; (3) after investigating disbursements, released a memorandum providing information about the Nicaraguan loan disbursements but not fully detailing the IDB Auditor General's conclusions and recommendations; (4) did not release the Auditor General's audit memorandum to

the Department of the Treasury or participating countries; and (5) issued revised procedures to strengthen loan payment collection procedures. GAO also found that: (1) its lack of authority to audit internal IDB records precluded it from independently determining how Nicaragua actually used the November 1987 disbursements or confirming whether IDB implemented the revised procedures; and (2) Nicaragua again fell into arrears before the end of November 1987.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of the Treasury should request, through the IDB U.S. Executive Director, the IDB Auditor General to determine whether

the: (1) revised procedures issued in 1988 for clearing arrears have been implemented by IDB and whether they satisfy the recommendations of the Auditor General; and (2) funds dispersed in November 1987 as advances have been actually used for loan purposes. **Status:** Action in process. Treasury has requested the U.S. Executive Director to initiate action on this recommendation.

**Recommendation:** If it is found that these funds, or equivalent funds of the government of Nicaragua, have not been used for valid loan purposes, the Secretary of the Treasury should request IDB to recover these amounts from the government of Nicaragua. **Status:** Action not yet initiated. The action is pending on the results of another GAO recommendation.

**Military Assistance**

**Arms Exports: Licensing Reviews for Exporting Military Items Can Be Improved**

NSIAD-87-211, 09/09/87

**Background**

In response to a congressional request, GAO reviewed the Department of State's Office of Munition Control's (OMC) arms export licensing activities and procedures and identified actions OMC took to cope with its increased work load.

insufficient facilities and automated capabilities to store and retrieve historical data which would be useful in license application reviews; and (2) inadequate systems and procedures to ensure compliance with some administrative and reporting requirements.

**Status:** Action taken not fully responsive. OMC has not implemented its automated system of screening licenses and cannot make use of all available data. The State Inspector General (IG) found continuing problems with the OMC automated system. It plans to follow up on this matter.

**Findings**

GAO found that OMC: (1) approved about 90 percent of the license applications it acted on; (2) acted on 80 percent in less than a month; and (3) did not routinely check export license application data for accuracy or veracity. GAO also found that OMC has: (1)

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of State should require OMC to use readily available information on parties involved in arms exports to help identify export license applications requiring closer scrutiny.

**Recommendation:** The Secretary of State should require OMC to develop procedures and criteria for requesting that U.S. embassies help verify license application information. **Status:** Action taken not fully responsive. OMC published standards for identifying high-risk exports for regular end-use verification in the September 26,

1988 Federal Register. However, a recent IG investigation found problems in case processing that show inconsistent application of these procedures. IG is following up on this matter.

**Recommendation:** The Secretary of State should require OMC to ensure exporter compliance with administrative and reporting requirements.

**Status:** Action taken not fully responsive. Tracking expired licenses and applications needing political

contribution and agent fee statements will require expanded automatic data processing capability. The OMC automated system to help monitor these requirements is not operational. IG is following up on this matter.

**Recommendation:** To minimize the effect on OMC timeliness, OMC should assess its long-term automation needs with a view toward automating much of the export license review process. In this connection, OMC should also examine

the feasibility of adapting for its use the automated review system being developed by the Department of Defense.

**Status:** Action taken not fully responsive. OMC has procured a \$1.8-million computer system that will largely automate the license application review process. Property Management, OMC, and IG officials report delays and cost overruns in developing the automated system's software. IG is following up on this matter.

## Military Assistance

# Foreign Aid: Improving the Impact and Control of Economic Support Funds

NSIAD-88-182, 06/29/88

## Background

In response to a congressional request, GAO reviewed the Agency for International Development's (AID) efforts to: (1) promote economic policy reform through the Economic Support Fund (ESF) program; and (2) control ESF cash transfer funds.

## Findings

GAO found that AID: (1) relied on cash transfers to encourage economic policy reforms and to address balance-of-payments problems; (2) did not establish

sufficient criteria to guide its policy reform efforts; (3) has had mixed success in encouraging policy reforms; (4) encountered problems in its efforts to implement separate accounting for cash transfers, since recipients continued commingling program funds with foreign exchange accounts; (5) failed to require separate accounting for certain ESF grants and projects because it did not consider them cash transfers; and (6) did not verify that recipients complied with its requirement to keep records on separate account disbursement or ensure that they used the funds for authorized purposes.

## Open Recommendations to Agencies

**Recommendation:** To ensure that AID implementation of separate accounting is consistent with congressional intent, the Administrator, AID, should require recipients to maintain all ESF cash grants, not just those termed cash transfers, in separate accounts.

**Status:** Action in process. AID is conferring with congressional committees on the issue of separate accounting for sector grants.

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

NSIAD-88-209, 09/26/88

**Background**

Pursuant to a congressional request, GAO reviewed the Agency for International Development's (AID) commodity import programs (CIP) in Egypt, Pakistan, Zambia, and Zaire to assess how CIP could achieve greater development impact.

**Findings**

GAO found that: (1) CIP have helped sustain economic production in countries experiencing foreign exchange shortages; (2) the Egypt and Pakistan CIP, which supplied commodities to public activities at subsidized prices, contradicted the AID goal of encouraging governments to eliminate subsidies; (3) in Zaire and Zambia, AID missions programmed local currencies to support specific development activities; (4) AID officials in Pakistan believed that emphasizing programming of local currency would reduce their leverage in economic policy reform discussions, and they minimized

local currency deposit requirements; and (5) as of January 1987, Egypt had accumulated about \$325 million in local currencies generated from commodity sales, instead of programming those funds to support development. GAO also found that: (1) in Pakistan, Egypt, and Zambia, AID did not ensure that funds were used for the intended purposes; (2) AID accounting systems for monitoring commodity arrival, disposition, and end use operated on a country-by-country basis and did not consistently account for imported commodities; and (3) when end-use checks showed that commodities were idle or not fully used, AID did not resolve the problems before approving further transactions, and the problems recurred.

**Open Recommendations to Agencies**

**Recommendation:** The Administrator, AID, should require missions to independently verify, on a sample basis,

host government reports on the uses of local currencies.

**Status:** Action in process. AID assessed controls on local currency use through its 1988 annual Federal Manager's Financial Integrity Act (FMFIA) process and found that 37 of 50 missions had satisfactory systems. AID is collecting additional information during its 1989 FMFIA study and plans to issue guidance to mission controllers after further analyses.

**Recommendation:** To ensure that AID can adequately account for the arrival and disposition of CIP commodities, the Administrator, AID, should specify the extent to which missions should conduct end-use checks and a minimum level of expected coverage.

**Status:** Action in process. AID has not yet completed its investigation of procedures for increasing the productivity of current resources devoted to end-use monitoring, and has not determined whether more detailed policy guidance will be issued.

**Military Assistance****Military Assistance: Improving the Way Congress Is Notified of Program Changes**

NSIAD-89-4, 11/22/88

**Background**

In response to a congressional request, GAO assessed the Department of

Defense's (DOD) congressional notification procedures for reprogramming of foreign military

assistance funds to determine whether changes in the process would provide Congress with better information on

significant reprogramming without undue administrative burden.

## Findings

GAO found that: (1) the Foreign Assistance Act required the executive branch to notify Congress of intended reprogramming of military aid 15 days prior to obligating funds for the Military Assistance Program (MAP) and the International Military Education and Training (IMET) Program; (2) foreign country budget levels were usually higher than the allocated levels because Congress traditionally appropriated less than requested; (3) changing the baseline would lower the reporting threshold and increase DOD reprogramming

notifications submitted each year, but would provide Congress with more accurate information on the intended use of the funds; (4) increasing a threshold for IMET would reduce the number of notifications required; (5) although 43 of the 77 reprogrammings in 1987 were for increases in IMET, 11 were for comparatively small amounts; and (6) if the act had required the executive branch to report program reductions and if DOD had excluded IMET reductions of less than \$25,000, DOD would have reported 24 more reprogrammings in 1987.

## Open Recommendations to Congress

**Recommendation:** Congress may wish to: (1) consider establishing the section 653(a) allocation report as the funding baseline, or justification, for notifying Congress of military aid reprogrammings; and (2) require that reductions be reported at the end of the fiscal year.

**Status:** Action in process.

**Recommendation:** Congress may also wish to consider including the \$25,000 threshold for notifying Congress of increases in IMET in the annual appropriations act.

**Status:** Recommendation valid/action not intended.

## Military Assistance

# Military Coproduction: U.S. Management of Programs Worldwide

NSIAD-89-117, 03/22/89

## Background

In response to a congressional request, GAO reviewed U.S. military coproduction agreements and programs worldwide, focusing on: (1) how the Departments of Defense (DOD) and State manage the programs to ensure compliance with agreement restrictions on production quantities and third-country sales; (2) how DOD and State review and approve the programs; and (3) the remedies available if a foreign country fails to comply with quantity and sales restrictions.

## Findings

GAO found that: (1) although DOD coproduction and international

agreement directives did not clearly specify the procedures and criteria to use in the memorandum-of-understanding (MOU) review and approval process, DOD and State reasonably coordinated and reviewed the cases GAO reviewed; (2) DOD guidance did not require the military services or overseas security assistance organizations to monitor or ensure compliance with MOU restrictions on quantities and third-country sales; (3) DOD lacked established criteria for closing out or terminating oversight of coproduction programs when the programs were no longer active; (4) although DOD withheld certain critical components from foreign production and monitored the quantities that the United States purchased, it only controlled the

end items produced, not unauthorized sales; (5) DOD revised its coproduction management guidance to provide more specific guidance on MOU provisions, including production validation clauses, management responsibilities, and compliance-related activities; (6) State usually issued a diplomatic protest against violations of sales agreements, since State and DOD considered suspension of foreign military sales (FMS) credits too severe; and (7) existing reporting requirements applied mostly to sales, rather than to coproduction MOU.

**Open Recommendations to Congress**

**Recommendation:** Congress may wish to require DOD and/or State to notify it of all coproduction MOU, whether implemented by letter of offer and acceptance under FMS procedures or by commercial licensing or technical assistance agreements, regardless of the coproducing country or the value of the related sale.

**Status:** Action in process.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Defense should update Directive 2000.9 and incorporate management objectives and specific responsibilities for the military services and overseas security assistance organizations related to monitoring for compliance with coproduction agreement restrictions. Since the Defense Security Assistance Agency (DSAA) is currently responsible for coproduction agreements involving fielded U.S. weapons and equipment, it may be the appropriate agency to update the directive.

**Status:** Action in process. Estimated completion date: 01/90. DOD has completed a draft and coordinated a new directive and instructions which would incorporate recommendations at the staff level. The new directive, accompanied by two specific DOD instructions, has not yet been through final official coordination. DOD Acquisition has taken the lead on the directive and instructions, in close coordination with DSAA.

**Recommendation:** The Secretary of Defense should include in the updated directive guidance on provisions to be included in coproduction agreements regarding verification of production quantities reported or inventories. In the event that such provisions cannot be negotiated, the Secretary should design and incorporate alternative control measures in the program.

**Status:** Action in process. Estimated completion date: 01/90. DOD is coordinating a new directive and instructions.

**Recommendation:** The Secretary of Defense should direct the military services to include a section on

compliance-related activities in the required semiannual coproduction status reports.

**Status:** Action in process. Estimated completion date: 01/90. DOD is coordinating a new directive and instructions.

**Recommendation:** The Secretary of Defense should establish criteria for deciding when to close out or terminate U.S. oversight of mature coproduction programs.

**Status:** Action in process. Estimated completion date: 01/90. DOD is coordinating a new directive and instructions.

**Recommendation:** The Secretary of Defense should incorporate procedures and guidance on closing out coproduction programs in the updated directive, including considerations for continued spare parts production, some level of oversight, and periodic reviews of mature programs and agreements.

**Status:** Action in process. Estimated completion date: 01/90. DOD is coordinating a new directive and instructions.

**Military Assistance**

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

T-NSIAD-89-37, 06/08/89

**Background**

GAO discussed the transfers of aviation fuels purchased for El Salvador with U.S. Military Assistance Program (MAP) funds. GAO found that: (1) by refuelling aircraft that supplied Nicaraguan anti-government forces, El Salvador violated an agreement not to transfer U.S.-supplied defense items or services without U.S. consent; (2) U.S. military

officials at the U.S. Embassy in El Salvador stated that they had no role in arranging the use of El Salvadoran base facilities or U.S.-supplied fuel; (3) the Salvadoran Air Force sold over 61,000 gallons of aviation fuel to the Nicaraguan supply operation; (4) the Defense Security Assistance Agency (DSAA) and the Embassy determined that no significant diversion of U.S.-

supplied fuel occurred; (5) DSAA and the Embassy failed to question any individual with direct knowledge of the supply operation; (6) there was no evidence that El Salvador ever sought U.S. consent for the transfers and, if it had, such consent would have violated the Arms Export Control Act; (7) it informed State of the unauthorized transfers by January 1989; and (8) the

transfer may have violated a prohibition on the use of MAP funds for support of the Nicaraguan forces.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of State should determine whether the transfer to the Contra supply operation may have constituted a substantial

violation and if so, report it to Congress as such.

**Status:** Recommendation valid/action not intended. The Secretary determined that the transfer did not constitute a substantial violation. No further action is required.

## Military Assistance

# El Salvador: Limited Use of U.S. Firms in Military Aid Construction

NSIAD-89-132, 07/12/89

### Background

Pursuant to a congressional request, GAO reviewed Military Assistance Program (MAP)-funded construction contracts the Army Corps of Engineers awarded in El Salvador, focusing on the legality, propriety, and effects on U.S. firms of approved offshore procurement waivers, which opened competition to Salvadoran firms.

### Findings

GAO found that: (1) U.S. firms obtained 5 of 18 Salvadoran construction contracts authorized between fiscal year (FY) 1985 and May 1988, although no U.S. firm has obtained a construction contract since the Defense Security Assistance Agency (DSAA) approved offshore procurement in July 1986; (2) Salvadoran firms were typically able to provide the same services at a lower cost than U.S. firms, whose reasonable, competitive bids included higher costs due to overhead and mobilization and difficulty in obtaining bonding; (3) DSAA lacked written procedures for reviewing or approving offshore procurement waivers or for considering the waivers' impact on labor surplus areas; (4) the Departments of State and the Treasury

initially concurred with DSAA regarding the offshore procurement waivers, since MAP funds could be stretched further by permitting local competition; (5) State and Treasury relied on the Department of Defense (DOD) for information about changes in projects' scopes or costs, although DOD lacked a mechanism to inform them of any modifications; (6) the Army complied with procedures and regulations in awarding the contracts to Salvadoran firms; and (7) the Defense Contract Audit Agency (DCAA) had difficulty obtaining relevant documentation regarding Salvadoran contractors and has not conducted any in-country audits of the Salvadoran contracts.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should direct the Director, DSAA, to establish guidance and criteria for reviewing and approving offshore procurement determinations, including documenting its assessment of the impact on labor surplus areas before making offshore procurement determination decisions.

**Status:** Action in process. DSAA is establishing guidance and criteria for reviewing and approving determinations.

**Recommendation:** The Secretary of Defense should direct the Director, DSAA, to provide more specificity in each offshore procurement determination, including, at a minimum, the scope of work, monetary ceilings, and approximate time frames to provide clear limitations on the extent that a determination can be used.

**Status:** Recommendation valid/action not intended. DSAA does not concur with the recommendation.

**Recommendation:** The Secretary of Defense should direct the Director, DSAA, to establish a mechanism to periodically inform the Departments of State and Treasury of significant changes in the scope of work and modifications to previously approved offshore procurement determinations.

**Status:** Recommendation valid/action not intended. DSAA does not concur with the recommendation.

**Recommendation:** The Commanding General, Army Corps of Engineers, should work with DCAA to ensure that

contracts awarded for construction in El Salvador are fully audited in accordance with pertinent DOD regulations.

**Status:** Action in process. Clarification of agency roles will be included in

guidance that is being prepared to ensure that contracts are fully audited.

## Military Assistance

# El Salvador: Transfers of Military Assistance Fuels

NSIAD-89-186, 08/29/89

### Background

Pursuant to a congressional request, GAO reviewed the Department of State's efforts to investigate: (1) the propriety of fuel purchases with U.S. military assistance program (MAP) funds for El Salvador and fuel transfers to aircrews involved in a supply operation supporting the Nicaraguan Contras; and (2) whether any U.S. personnel approved or were aware of the transfers.

### Findings

GAO found that: (1) El Salvador transferred MAP-funded fuel to third parties without U.S. government consent; (2) the transfers involved 61,107 gallons of aviation gas and commercial jet fuel sold to aircrews and pilots involved in the Nicaraguan supply operation and an unknown quantity of fuel provided to private and foreign government parties; (3) the transfers violated sales agreements between the United States and El Salvador and required reporting to Congress under the Arms Export Control Act; (4) the State investigation focused only on aviation gas because there were no allegations of

any other type of fuel transfers; (5) although State did not question anyone with direct knowledge of the refuelling activities and concluded that no substantial diversion had occurred, it could have determined that the transfers had occurred if it had expanded its inquiry; (6) penalties for third-party transfers were not applicable to the unauthorized MAP-funded fuel transfers, since the Salvadoran government received MAP grant funds, rather than credits; (7) from 1985 to 1988, El Salvador transferred about 942,509 gallons of MAP-funded commercial jet fuel to the U.S. government for refuelling U.S. military aircraft and received about \$691,732 in direct payments; and (8) due to concern about the propriety of direct payments to El Salvador and lack of U.S. control over the use of the funds, implementation of a new credit system resulted in the return of sales proceeds to a holding account for El Salvador in the Foreign Military Sales trust fund.

### Open Recommendations to Congress

**Recommendation:** If Congress wishes to include the revocation of eligibility for MAP grant funds among the specific penalties that may be triggered under the Arms Export Control Act by a substantial violation involving an unauthorized third-party transfer, it will need to amend the act.

**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of State should report MAP-funded fuel transfers in 1986 as a violation of the 1986 and 1988 sales agreements under section 3(e) of the Arms Export Control Act.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of Defense should take steps to ensure that proceeds from the sale of MAP-funded items will normally be returned to the FMS trust fund account of the recipient country.

**Status:** Action not yet initiated.

# Multiple Functions

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## Telecommunications and Radio Frequency Spectrum Use (Civilian-Related)

### Telephone Communications: Controlling Cross-Subsidy Between Regulated and Competitive Services

RCED-88-34, 10/23/87

#### Background

In response to a congressional request, GAO evaluated the Federal Communication Commission's (FCC) proposed implementation of accounting controls to prevent cross-subsidization between regulated and nonregulated telephone service in order to facilitate competition among telephone companies.

#### Findings

GAO found that: (1) the FCC allocation process was inefficient because it impeded companies from offering new

services and imposed costs on the public; (2) the new process of cost allocation procedures and manuals, and an annual independent audit of the companies' cost allocation manuals, should ensure compliance; and (3) FCC believes that there is a need to further regulate the telephone companies in order to prevent cross-subsidizing of nonregulated services with regulated services and discrimination against competitors.

#### Open Recommendations to Agencies

**Recommendation:** The Chairman, FCC, should develop a strategy for providing greater levels of oversight and assurance that carriers are properly implementing its cost allocation procedures.

**Status:** Action in process. Estimated completion date: 12/89. FCC requested three additional staff and \$50,000 in travel funds for auditing carrier records in its fiscal year 1990 budget request. FCC does not yet know whether this request will be approved.

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## Telecommunications and Radio Frequency Spectrum Use (Civilian-Related)

### ADP Modernization: FCC's Automation Planning Is Inadequate

IMTEC-88-51, 09/15/88

#### Background

Pursuant to a congressional request, GAO reviewed the Federal Communications Commission's (FCC) information resource management (IRM) and automation planning process, including its development of the Record Image Processing System.

#### Findings

GAO found that the FCC strategic automation planning process was inadequate, since FCC did not: (1) state

annual plan goals, objectives, and priorities or specify ways to achieve goals; (2) submit its annual plans for review by its automatic data processing (ADP) steering committee or involve the committee in any planning over the last 3 years; (3) adhere to federal system development life-cycle methodologies in developing its Record Image Processing System; (4) identify all potential users and their requirements; and (5) adequately identify or consider alternatives or their costs and benefits. GAO believes that these flaws could

increase the risk of FCC selecting a system which will not: (1) meet mission objectives; (2) meet user needs; or (3) achieve the expected cost reductions and benefits.

#### Open Recommendations to Agencies

**Recommendation:** To improve the FCC automation planning process, the Chairman, FCC, should require the Managing Director to: (1) ensure that ADP strategic automation plans identify

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**Multiple Functions**

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how each automation program objective supports FCC mission goals and prioritize these automation program objectives; (2) activate the ADP steering committee or designate another group or individual to carry out the responsibilities stated in the committee's charter; and (3) ensure that budgetary

decisions on automation matters are guided by requirements and activities contained in the strategic plan.  
**Status:** Action in process. Estimated completion date: 12/89. FCC revised its strategic IRM plan to tie automation objectives to mission goals and priorities, and issued the plan in August 1989. A

steering committee was reactivated and is periodically meeting. FCC management committed that plan priorities will be incorporated into the FCC budgetary decision process for 1991, and will be used to allocate resources for the 1990 budget authorization.

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# National Defense

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## Naval Audit Service: Effectiveness of Navy's Internal Audit Organization Is Limited

AFMD-88-12, 02/24/88

### Background

In response to a congressional request, GAO reviewed the Naval Audit Service's (NAS) effectiveness, specifically its: (1) allocation of audit resources; (2) report quality; and (3) independence.

### Findings

GAO found several problems which significantly reduced NAS audit effectiveness, including: (1) the concentration of audit resources in areas not likely to produce significant monetary savings; (2) management's undue emphasis on auditors' strict adherence to standard work programs and to time limitations, preventing the full development of findings; (3) audits with insufficient evidence to support their findings; (4) a lack of management concurrence with findings and

recommendations, delaying some reports and causing auditors to drop others that warranted action; (5) inaccurate and incomplete audit reports; and (6) an apparent inability to correct systemic weaknesses. GAO also found that, although there was no evidence that NAS was not conducting its activities independently and impartially, there were conditions which gave the appearance of impaired independence, including the: (1) close working relationship between NAS and the Office of the Assistant Secretary for Financial Management; and (2) rotation of military officers as auditors and directors to units to which they were once assigned or to which they could be assigned in the future.

### Open Recommendations to Agencies

**Recommendation:** One year after receiving the report from the Secretary of the Navy, the Secretary of Defense should conduct, or should have conducted, a review to evaluate the effectiveness of actions taken to correct the reporting, evidence, supervision, and independence deficiencies cited in this report. This review should provide Congress and the Secretary of Defense assurance that actions have been taken to improve the effectiveness of the Navy's internal audit function.

**Status:** Action in process. Estimated completion date: 12/89. The DOD Office of the Inspector General (DOD/IG) has started a review of NAS operations. DOD/IG will evaluate the effectiveness of NAS actions to correct the deficiencies reported by GAO.

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## Reserve Training: An Alternative to the Active Army Education Program for National Guard Technicians

NSIAD-88-164, 06/28/88

### Background

Pursuant to a legislative requirement, GAO examined the Military Education Program (MEP) for Army National Guard technicians to determine: (1) whether the Reserve Component Noncommissioned Officer (NCO)

Education Program provided a viable alternative to MEP; (2) how participation in MEP affected technicians' readiness; and (3) how MEP affected technicians personally, including their leave and other benefits.

### Findings

GAO found that: (1) the Army is revising the NCO program to align it more closely with MEP; (2) MEP and the new Reserve Component Program were generally similar in content but sometimes varied in duration; (3) MEP

costs were about three times the Reserve Component Program's costs; (4) participation in MEP did not measurably affect units' readiness but it sometimes disrupted their operations; and (5) although MEP training requirements did not impose financial hardship on technicians, it did create some inconveniences. GAO believes that the Reserve Component Program offers a viable alternative to MEP due to its lower costs and greater convenience.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of the Army should ensure, through continued

monitoring, that the remaining revisions to the Reserve Component Program are similar to those of MEP.

**Status:** Action in process. Estimated completion date: 10/90. The Assistant Secretary of Defense/Reserve Affairs has tasked the Secretary of the Army to conduct this monitoring. The Army has provided periodic progress reports to DOD and continues to develop reserve component configured courses. It expects to complete the revisions by the first quarter of fiscal year 1991.

**Recommendation:** The Secretary of the Army should monitor and evaluate the implementation and administration of the Reserve Component Program by the

National Guard's noncommissioned academies to ensure that effective training is provided.

**Status:** Action in process. The Assistant Secretary of Defense/Reserve Affairs has tasked the Secretary of the Army to monitor and evaluate the implementation and administration of the reserve component program. Specifics for monitoring and evaluating the implementation and administration of the reserve component program are still being worked out. The date of completion is not known.

## Army Audit Agency: Staff Reductions and Audit Quality Issues

AFMD-89-1, 04/21/89

### Background

Pursuant to a congressional request, GAO assessed the Army Audit Agency's (AAA): (1) allocation of audit resources; (2) audit quality; and (3) independence.

### Findings

GAO found that: (1) AAA audits resulted in reported monetary benefits of \$1.6 billion for fiscal year (FY) 1987 and included significant recommendations for improved Army operations; (2) AAA generally provided extensive audit coverage of Army program and budget areas; (3) AAA could improve its audit coverage by conducting more Army-wide financial management audits, more closely monitoring the Army's \$380-million accounting system redesign, and auditing Army financial reports and the

accounting systems generating financial management information; (4) AAA did not ensure follow-up of audit recommendations until it conducted a subsequent audit, which could take place 1 to 10 years after the recommendations; (5) the Army's 3-percent reduction of AAA staffing would not seriously affect operations, coverage, or audit quality, although further reductions could adversely affect AAA ability to respond to increasing and expanding responsibilities; (6) a recent Army reorganization increased AAA organizational independence; (7) AAA audit working papers sometimes lacked sufficient evidence to support audit report statements, differed with audit reports on the extent of reported problems, and were not always cross-indexed with audit reports; and (8) AAA

audit reports did not always cite the underlying causes of reported problems.

### Open Recommendations to Agencies

**Recommendation:** To enhance audit coverage and ensure that audit recommendations are implemented to improve Army operations, the Secretary of the Army should direct the Auditor General to follow up to determine whether appropriate corrective actions have been taken on all significant AAA audit findings and recommendations. **Status:** Action in process. AAA has established a trial procedure for receiving data from the Army Inspector General on the status of significant recommendations. The Auditor General

intends to review the benefits of this approach.

**Recommendation:** To ensure the accuracy and validity of AAA audit reports, the Secretary of the Army should direct the Auditor General to schedule a quality assurance review to

determine if causes of problems are being appropriately identified, analyzed, and reported following implementation of the recommended report review procedures, and report to the Secretary within 1 year on the progress toward correcting this weakness.

**Status:** Action in process. Estimated completion date: 07/90. AAA includes a review of reports in each of its quality assessments. These reviews specifically require that cause be identified in each input. The Auditor General plans to report to the Secretary of the Army after July 1990.

**Atomic Energy Defense Activities**

**Environment, Safety, and Health: Environment and Workers Could Be Better Protected at Ohio Defense Plants**

RCED-86-61, 12/13/85

**Background**

Pursuant to a congressional request, GAO reviewed the Department of Energy's (DOE) effectiveness in protecting its workers, the community, and the environment at three of its defense production facilities.

**Findings**

GAO noted that: (1) in two previous reports, it recommended that DOE develop a system to independently verify environmental monitoring data reported by contractors; and (2) DOE did not adopt the recommendation because it believed the contractors' quality assurance programs provided an effective method for ensuring data reliability. GAO found that: (1) each Ohio contractor collects, evaluates, and reports its own radioactive air and water releases; (2) quality assurance programs help ensure that water and air samples are accurately analyzed, but do not verify that data collected are adequate; (3) each plant had environmental problems which resulted in groundwater, soil, or drinking water contamination; (4)

two of the plants were not in compliance with hazardous waste laws; and (5) one of the plants was not in compliance with state permits because it had not completed two of four pollution control projects. GAO also found that: (1) the contractors did not always follow the DOE radiological monitoring guide, which recommended that they monitor on- and off-site wells to assess environmental impacts of plant operations; (2) DOE did not adopt the recommendation that it make radiological monitoring guides mandatory for all DOE facilities because it believed contractors would lose flexibility in designing their monitoring programs; (3) contractors received sizable fees even though environmental safety and health (ES&H) problems existed; and (4) DOE appraisal programs were not identifying major ES&H problems.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Energy should require that radiological monitoring guides be mandatory for all DOE facilities.

**Status:** Action in process. Estimated completion date: 12/89. Mandatory requirements for DOE operations will appear in the DOE orders Radiation Protection of the Public and the Environment and Radiological Effluent Monitoring and Environmental Surveillance. The issuance of both orders is expected to be in the latter part of 1989.

**Recommendation:** The Secretary of Energy should develop a coordinated DOE/state/contractor system to verify contractor-reported data.

**Status:** Action in process. Estimated completion date: 12/89. A DOE order on General Environmental Protection Program Requirements was issued on November 11, 1988. The order requires implementation of independent data verification programs. Designing the program elements for the independent data verification is still being worked on with an expected implementation date of December 1989.

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**Atomic Energy Defense Activities**
**Nuclear Safety: Safety Analysis Reviews for DOE's Defense Facilities Can Be Improved**

RCED-86-175, 06/16/86

**Background**

Pursuant to a congressional request, GAO reported on the adequacy of the Department of Energy's (DOE) safety analysis reviews (SAR) for its existing nuclear defense facilities. GAO examined eight facilities to determine the effectiveness of DOE efforts to protect workers and the environment.

**Findings**

GAO found that: (1) DOE did not approve the reviews for three of the eight facilities, each of which had the potential for significant on-site or off-site releases of radioactive material in a major accident; (2) the reviews' safety design criteria varied considerably between the facilities; (3) the reviews

used different approaches to identify and analyze potential accidents at DOE facilities, with some approaches being more comprehensive than others; and (4) DOE reviewed and approved the reviews internally, which precluded an independent review process.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Energy should complete and approve SAR for all high-hazard facilities in a timely fashion.

**Status:** Action in process. As of September 1987, all existing high-hazard facilities, according to DOE, have approved SAR.

**Recommendation:** The Secretary of Energy should develop more consistent requirements to be followed in preparing reviews, outlining appropriate methodologies and assumptions to be used in analyzing accidents and their consequences.

**Status:** Action in process. A draft format and guidance document for the consistent preparation of SAR has been developed and is currently being reviewed for coordination with other environmental and health assessments and identification policies. A technical assistance contractor has been engaged to help DOE develop DOE-wide guidance with a draft expected to be ready for review by the end of 1989.

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**Atomic Energy Defense Activities**
**Nuclear Energy: Environmental Issues at DOE's Nuclear Defense Facilities**

RCED-86-192, 09/08/86

**Background**

Pursuant to a congressional request, GAO: (1) identified key environmental issues at nine Department of Energy (DOE) nuclear defense facilities; and (2) evaluated the status of DOE efforts to strengthen its environmental, safety, and health oversight programs.

**Findings**

GAO found that: (1) eight facilities have groundwater contaminated with radioactive or hazardous substances at levels higher than the proposed standards; (2) although six facilities have soil contamination in unexpected areas, including off-site locations, DOE sees a potential public health threat at only

one of the facilities; (3) four facilities are not in full compliance with the Clean Water Act; (4) to obtain permits under the Resource Conservation and Recovery Act (RCRA), all nine facilities are significantly changing their waste disposal practices by closing existing disposal facilities or building new treatment facilities; and (5) it may cost over \$1 billion to bring the facilities into

full compliance with environmental laws and obtain the necessary permits.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Energy should establish a groundwater and soil protection strategy that would reflect DOE policy on the extent groundwater and soil can become contaminated and include specific guidelines, to the extent practical, to protect groundwater and soil around DOE facilities.

**Status:** Action in process. DOE has prepared a groundwater strategy paper that encompasses soil protection which is expected to be issued as a DOE notice. Both the strategy paper and draft DOE notice have been prepared and are expected to be transmitted to management and administration for formal coordination in the DOE directive system by the end of 1989.

**Recommendation:** The Secretary of Energy should provide to Congress a comprehensive report setting forth DOE plans, milestones, and cost estimates for

bringing DOE defense facilities into compliance with all applicable environmental laws.

**Status:** Action in process. DOE has prepared an Environmental Restoration and Waste Management 5-Year Plan. The plan is being reviewed by selected states, EPA and several Indian nations, and the draft plan is expected to be available by the end of 1989 for public and congressional review.

**Atomic Energy Defense Activities**

**Environmental Funding: DOE Needs To Better Identify Funds for Hazardous Waste Compliance**

RCED-88-62, 12/16/87

**Background**

In response to a congressional request, GAO reviewed the Department of Energy's (DOE) funding for activities to comply with the Resource Conservation and Recovery Act of 1976 (RCRA) and the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA).

**Findings**

GAO found that DOE cannot: (1) specifically identify budgeted or expended RCRA and CERCLA funds, since they are not part of its defense operations allotment; (2) demonstrate compliance with Executive Order 12088, which requires agencies to ensure that they request sufficient funds for

compliance with environmental standards; (3) demonstrate proper internal controls over the funding; and (4) promptly respond to congressional concerns regarding its environmental funding. GAO noted that, although DOE has taken some action to separately budget and account for RCRA and CERCLA funds, these efforts will not identify funding for a major portion of its compliance activities.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Energy should specifically budget and account for all DOE RCRA and CERCLA funds. This effort should include: (1) identifying the funds in future DOE

budgets and highlighting them to the Congress; and (2) creating separate accounts in the DOE accounting system to track expended RCRA and CERCLA dollars.

**Status:** Action in process. DOE developed an Environmental Activities Report System (EARS) to identify funds in the budget and create separate accounts to track RCRA and CERCLA dollars. The Secretary called for a review of environmental compliance, cleanup, and waste management activities, and the establishment of a 5-year plan has caused DOE to revise the EARS reporting structure.

## Atomic Energy Defense Activities

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

RCED-88-169, 08/03/88

### Background

Pursuant to a congressional request, GAO reviewed the Department of Energy's (DOE) management of inactive waste sites at six defense installations, focusing on: (1) DOE identification of the number of sites at the installations; (2) DOE assessment of sites; and (3) environmental problems at the sites.

### Findings

GAO found that: (1) the installations lacked accurate site inventories, with DOE headquarters citing a total of 605 inactive waste sites, while DOE installation officials cited 1,447; (2) DOE inconsistently assessed the sites' potential hazards, sometimes using the Environmental Protection Agency's (EPA) Hazard Ranking System, variations of that system, or not evaluating the sites at all; (3) the installations used different approaches for applying the Resource Conservation and Recovery Act of 1976 (RCRA) or the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA) to the sites for

remediation; (4) each installation had high levels of groundwater contamination with radioactive and hazardous substances, and two installations also had high levels of soil contamination and some surface water contamination; (5) one installation is on the EPA National Priority List (NPL), and the other five have severe enough problems for likely placement on NPL; (6) the installations require a massive cleanup effort, costing as high as \$60 billion; and (7) DOE is currently revising DOE Order 5480.14, outlining its program for identifying, assessing, and cleaning up inactive waste sites, to incorporate additional requirements imposed by the 1986 amendments to CERCLA. GAO believes that DOE needs to develop a comprehensive plan, including milestones and cost estimates, to bring DOE facilities into full compliance with environmental laws.

### Open Recommendations to Agencies

**Recommendation:** To improve DOE oversight of its inactive waste sites

nationwide, the Secretary of Energy should develop and prescribe, in cooperation with EPA and the appropriate states, a comprehensive approach to address inactive waste sites which integrates provisions of both CERCLA and RCRA. For those inactive waste sites where CERCLA and RCRA authorities overlap, assessments and remedial action plans should be developed that address the sites as both a CERCLA and RCRA site. In issuing the revised DOE Order 5480.14, DOE should incorporate provisions that specify this comprehensive approach to be followed by DOE installations nationwide.

**Status:** Action in process. DOE will coordinate with EPA to integrate the provisions of CERCLA and RCRA. DOE Order 5400.3, concerning the Hazardous and Radioactive Mixed Waste Program, was issued on February 22, 1989. The other Order 5400.xx, dealing with the CERCLA Program, has been delayed because of continuing discussions on conflict-of-interest provisions.

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**Atomic Energy Defense Activities**
**GAO's Views on DOE's New Production Reactor Selection Process**

T-RCED-89-46, 05/24/89

**Background**

GAO discussed the Department of Energy's (DOE) new production reactor (NPR) selection process. GAO found that: (1) DOE recommended a two-reactor strategy that will provide tritium for national defense purposes in 12.5 years, but it did not provide Congress with information concerning the total time necessary to construct and obtain tritium from the two suggested reactors or the actions required to ensure reliability for at least 10 years; (2) some

cost estimates were inaccurate because DOE used unrealistic assumptions in development; (3) the DOE safety review process was uncertain; and (4) DOE did not provide an indepth or realistic analysis of schedule, costs, and benefits associated with its acquisition strategy. GAO believes that: (1) future operation of the reactors depends on resolving numerous technical and resource problems; (2) DOE must analyze the condition and remaining usefulness of each reactor; and (3) environmental challenges and construction risks may

increase the schedules for new production reactors.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Energy should, prior to reaching a final decision on the new production reactors, now scheduled for late 1991, provide Congress with an in-depth analysis of schedule, costs, and benefits of each option.

**Status:** Action not yet initiated.

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**Atomic Energy Defense Activities**
**Nuclear Waste: DOE's Management of Single-Shell Tanks at Hanford, Washington**

RCED-89-157, 07/18/89

**Background**

Pursuant to a congressional request, GAO reviewed the Department of Energy's (DOE) management of its Hanford, Washington, site's underground single-shell waste storage tanks containing radioactive and nonradioactive hazardous liquid and solid wastes from nuclear materials production.

**Findings**

GAO found that DOE: (1) through 1988, identified 66 definite or possible leaks in

66 of 149 single-shell tanks, with an estimated leakage of about 750,000 gallons; (2) in 1987, completed an environmental impact statement for waste disposal, but deferred decisions until the issuance of a supplemental environmental statement in 2000; (3) signed a tri-party agreement with the Environmental Protection Agency and Washington for the removal of feasibly pumpable liquid waste from single-shell tanks by 1996 and for final disposal or removal of any such remaining waste by 2018; (4) did not collect data upon which to sufficiently base management decisions, establish program priorities,

or take remedial actions; (5) lacked convincing evidence to support its assertions that the tank leaks had extremely low or nonexistent environmental impact; (6) reduced the volume of single-shell tanks' liquid waste by solidifying liquids or pumping them from tanks; (7) could further reduce the risk of future tank leaks by accelerating its liquid-pumping program and providing better ground covering in the tank farm areas; (8) cited a lack of convincing data indicating problems with accelerated movement of wastes as a reason for not placing new ground surface materials over the tank farm's

gravel surface; and (9) repeatedly emphasized the production of nuclear materials to the detriment of environmental concerns.

**Open Recommendations to Agencies**

**Recommendation:** To minimize the environmental effects of tank leaks on the surrounding soil and, eventually, on the groundwater, the Secretary of Energy should conduct a data-gathering program sufficient to assess the risks and extent of groundwater contamination from tank leaks of

mobile, nonradioactive contaminants and mobile, long-lived radioactive substances.

**Status:** Action not yet initiated.

**Recommendation:** To minimize the environmental effects of tank leaks on the surrounding soil and, eventually, on the groundwater, the Secretary of Energy should assign appropriate resources and priority to the single-shell tank pumping program to ensure that: (1) at a minimum, all feasibly pumpable liquid is removed from the tanks by 1996; and (2) the 1996 goal is not used to

delay removal of liquid that could be pumped before 1996.

**Status:** Action not yet initiated.

**Recommendation:** To minimize the environmental effects of tank leaks on the surrounding soil and, eventually, on the groundwater, the Secretary of Energy should develop specific plans to replace the gravel surfaces at the tank farms with a less permeable material and promptly replace the gravel surfaces if ongoing studies indicate that these surfaces could promote the movement of waste toward the groundwater.

**Status:** Action not yet initiated.

**Defense-Related Activities**

**DOD Tempest Protection: Better Evaluations Needed To Determine Required Countermeasures**

NSIAD-86-132, 06/27/86

**Background**

Pursuant to a congressional request, GAO reviewed the Department of Defense's (DOD) and military services' adherence to national TEMPEST policy. TEMPEST refers to technical investigations and studies of compromising emanations from electronic data processing equipment. National security policy requires federal agencies to protect classified information from such emanations.

**Findings**

GAO found that: (1) TEMPEST countermeasures are very costly to implement; (2) while total DOD TEMPEST-related costs are unknown, they are estimated at hundreds of millions of dollars annually; (3) DOD has not issued an implementing regulation in connection with the national

TEMPEST policy directive; (4) DOD has issued conflicting TEMPEST policy memoranda and, as a result, the services are interpreting and implementing TEMPEST policy in different ways; (5) the services sometimes acquire TEMPEST countermeasures without determining whether they are needed; (6) the services and defense contractors are sometimes processing classified information without performing TEMPEST evaluations; (7) the services do not always conduct follow-up evaluations at contractor facilities to ensure that TEMPEST countermeasures are being implemented as needed; and (8) the Defense Investigative Service, which performs many TEMPEST evaluations for other DOD components, believes that its personnel are not adequately trained to perform TEMPEST evaluations or compliance inspections.

**Open Recommendations to Agencies**

**Recommendation:** To minimize delay in implementing national security policy, the Secretary of Defense should promptly implement a new security policy, on an interim basis if necessary, and ensure that the services promulgate implementing instructions to the field in a timely manner.

**Status:** Action in process. The DOD TEMPEST directive has not been issued even though National Communications Security Instruction 5004 has been revised and replaced by another instruction.

**Recommendation:** To minimize unnecessary TEMPEST-related expenditures, the Secretary of Defense should require all DOD components to conduct TEMPEST evaluations before

implementing TEMPEST countermeasures. Such evaluations are also needed to ensure proper protection of classified information.

**Status:** Action in process. DOD has not issued the new TEMPEST directive.

Therefore, the requirement for TEMPEST evaluations has not been established.

## Defense-Related Activities

# Army National Guard: Opportunities To Improve the Condition and Operation of Armories

HRD-86-49, 08/07/86

## Background

In response to a congressional request, GAO reported on: (1) the Army National Guard's expanding federal role; (2) the adequacy of armories to accommodate the Guard's changing federal mission; (3) states' ability and willingness to pay their required 25-percent matching share for construction costs and 100 percent of maintenance and repair costs for state-owned armories; and (4) recent actions and proposals to increase the federal share of armory operating costs.

## Findings

GAO found that: (1) since the Department of Defense (DOD) initiated its total force policy in 1970, the Guard's national defense role has expanded, placing new demands on the Guard's 2,655 state-owned armories; (2) troop levels have increased by over 25,000; (3) the number of full-time federal personnel working in the armories has increased, as has the amount of

equipment stored at them; and (4) 42 percent of the armories were inadequate, largely due to lack of sufficient training, office space, and equipment storage space. According to the state adjutants general: (1) many armories were in a poor state of repair, resulting in an estimated \$172-million backlog of maintenance and repair projects; (2) replacement or repair of armories is dependent on the availability of state funds; and (3) states have not committed the funds needed for construction, modification, maintenance, and repair because of fiscal problems, a relatively low priority placed on Guard facilities, and the expectation that armories would primarily carry out the federal mission.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should require the Chief of the National Guard Bureau to develop and implement a policy requiring each state

to maintain its prior year's level of funding of armory operations, maintenance, and repair as a condition for receiving new federal funds for armory operations, maintenance, and modification.

**Status:** Action in process. Estimated completion date: 12/89. Because of in-house problems, there has been some slippage in the publication of DOD regulations regarding this recommendation.

**Recommendation:** The Secretary of Defense should require the Chief of the National Guard to develop and implement a policy to consider each state's maintenance and repair record when reviewing the state's proposal for the construction of new armories.

**Status:** Action in process. Estimated completion date: 12/89. Because of some in-house problems, the publication of regulations regarding this recommendation has slipped.

## Defense-Related Activities

# Hazardous Waste: DOD Efforts To Preclude Disposal of Contaminated Property Need Improvement

NSIAD-87-45, 12/15/86

### Background

In response to a congressional request, GAO evaluated the Department of Defense's (DOD) efforts to preclude the disposal of contaminated excess real property.

### Findings

GAO noted that federal property management regulations require federal agencies to report excess property to the General Services Administration (GSA), including whether the property's present condition would be hazardous to health and safety. GAO found that: (1) the military services' reports were often either missing or incomplete; (2) because the services have conducted incomplete inspections, they may risk exposing the public to hazardous waste contamination and increase the government's potential liability for future cleanups; (3) since excess real properties can be part of active installations, they are sometimes located in the vicinity of potential hazardous waste sites; and (4) the services do not require evaluations of the effects of possible contamination migration, although state environmental officials believe that migration could affect excess real property and the government's liability for future decontamination expenses.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should direct the services to: (1) require that both records searches and visual inspections be performed and documented; (2) mutually agree to and use consistent criteria in the identification of potential contamination and certification of excess real property; and (3) update disposal documentation for excess real properties that are still in the disposal process to conform with current requirements.

**Status:** Action in process. DOD issued a directive, but it does not contain the level of detailed guidance recommended. Services' interim guidance has been superseded by Environmental Protection Agency (EPA)-proposed rules. Army and Navy implementing documents do not specifically address the recommendations. The EPA-proposed policy went to OMB for approval, but the estimated completion date of EPA final rules is not known.

**Recommendation:** The Secretary of Defense should emphasize to the services the importance of disclosing to GSA the potential contamination on the excess property identified through a records search and a visual inspection, actions

taken to confirm the extent of contamination, and plans for any necessary decontamination.

**Status:** Action in process. DOD issued a directive, but it does not contain the level of detailed guidance recommended by GAO. Services' interim guidance has been superseded by EPA-proposed rules. Army and Navy implementing documents do not specifically address the recommendations. The EPA-proposed policy went to OMB for approval in July 1988, but the estimated completion date of EPA final rules is not known.

**Recommendation:** The Secretary of Defense should direct the services to require in their disposal policies, and fully disclose to GSA, an evaluation of any potential contamination migrating from hazardous waste sites in the vicinity of the excess property.

**Status:** Action in process. DOD issued a directive, but it does not contain the level of detailed guidance recommended by GAO. Services' interim guidance has been superseded by EPA-proposed rules. Army and Navy implementing documents do not specifically address the recommendations. The EPA-proposed policy went to OMB for approval in July 1988, but the estimated completion date of EPA final rules is not known.

Defense-Related Activities

# Polygraph Training: DOD Program Meets Standards But Expansion Requires Better Planning

NSIAD-87-161, 09/18/87

## Background

Pursuant to a congressional request, GAO reviewed the Department of Defense's (DOD) training program for polygraph examiners and its planned expansion.

## Findings

GAO found that the polygraph training program meets or exceeds almost all available criteria, but DOD could improve its program by: (1) making faster progress in defining the role of its Polygraph Institute in its polygraph research; (2) developing a policy for nonfederal Institute students; (3) ensuring that the Institute does not have more instructors than it needs; and (4) ensuring that the Institute does not have more polygraph instruments than it needs.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should direct the Deputy Under Secretary of Defense for Policy to revise DOD directives to specify the Institute's role in planning, conducting, managing, and evaluating the DOD polygraph research program, and establish a policy with respect to reimbursement for training nonfederal examiners at the Institute.

**Status:** Action in process. The standard operating procedure has been updated. There has been no change in status of directives and regulations.

**Recommendation:** The Secretary of Defense should direct the Secretary of the Army to assess faculty requirements, resources, and plans to ensure that the number of full-time instructors is maintained at the minimum needed to operate efficiently and effectively.

**Status:** Action taken not fully responsive. DOD concurred with this

recommendation, but did not institute the type of corrective action intended. DOD still believes that it needs one instructor for every two students and plans to maintain 18 instructors, even though classes have seldom been at the capacity level of 36 students. The Institute currently has 17 instructors and 24 students.

**Recommendation:** The Secretary of Defense should direct the Secretary of the Army to reassess the number and type of polygraph instruments needed by the Institute and make any excess instruments available to other Army, DOD, or federal activities that may be planning to acquire such instruments.

**Status:** Action taken not fully responsive. DOD stated that it had already reassessed its \$400,000 procurement of 80 instruments. That number is still substantially more than is needed, and excess instruments should be made available to other DOD or government groups. DOD still has 80 instruments at the Institute.

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**Defense-Related Activities**

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

NSIAD-88-22, 03/07/88

### Background

Pursuant to a legislative requirement, GAO reviewed the national defense role of federally funded research and development centers (FFRDC), specifically: (1) the relationships of FFRDC with their sponsoring agencies; (2) compliance with government-wide policy on establishing and placing work with FFRDC; and (3) exemption of FFRDC from competitive procurement requirements.

### Findings

GAO found that: (1) because sponsoring agencies generally regarded FFRDC as objective, competent, flexible, and convenient, they generally did not place

work with FFRDC on a competitive basis; (2) FFRDC generally carried out their research work within their charters; (3) the lack of competition limited the government's ability to know whether entities other than FFRDC could do work better or at less cost; and (4) some agencies successfully use Broad Agency Announcements to invite proposals for research.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should implement a program to test the use of Broad Agency Announcements to determine whether the use of such announcements improves

its ability to assess whether some non-FFRDC can collaborate meaningfully with FFRDC to pursue Department of Defense (DOD) research goals. If Broad Agency Announcements prove useful, they should be made a permanent part of the FFRDC program.

**Status:** Action taken not fully responsive. DOD did not endorse this recommendation to strengthen management of FFRDC, but it will issue a directive in 1989 which DOD believes will achieve this goal. The directive has been completed for review and comment by all interested parties.

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**Defense-Related Activities**

## Army Training: Need to Strengthen Internal Controls Over Troop Schools

NSIAD-88-208, 08/04/88

### Background

GAO evaluated the Army's management of its contractor-operated troop schools, to determine whether the: (1) Army determined troop school courses and the number of soldiers attending them in accordance with Army regulations; (2) contractors taught courses that were consistent with Army standards and doctrine; and (3) Army established

effective controls over the schools' operations.

### Findings

GAO found that: (1) since none of the facilities conducted adequate needs assessments or considered training alternatives before contracting for courses, the Army did not know whether it needed the courses or how many

soldiers should attend them; (2) although many installations had certification programs to test soldiers' proficiency in certain duty positions, they did not implement review procedures to ensure that the tests met Army standards or adequately measured soldier proficiency; (3) the facilities had no internal controls to ensure that contractors did not use the certification programs to create a

false demand for courses; (4) the Army had no established criteria to determine cross-training requirements; (5) many troop schools taught tactical or combat-related and leadership courses that duplicated courses that Army personnel taught; (6) many troop school officials did not submit course programs of instruction to the Army for review and approval, resulting in course content varying from base to base and the use of outdated Army doctrine; and (7) the Army had not developed course monitoring and evaluation guidance.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of the Army should develop guidance on factors that commanders should consider, including alternative training sources, in conducting needs assessments.

**Status:** Action in process. Estimated completion date: 12/89. The Army has drafted revisions to chapter 11, Army Regulation (AR) 351-1, which provides guidance to commanders in conducting needs assessments. These revisions should be published by late 1989.

**Recommendation:** The Secretary of the Army should develop standardized criteria for commanders to use to: (1) determine the number of soldiers who should be cross-trained to provide

adequate backup expertise; (2) establish entrance qualifications for enrollment in troop school courses; and (3) evaluate program effectiveness.

**Status:** Action in process. Estimated completion date: 12/89. The Army has drafted revisions to chapter 11, AR 351-1, which state that, for company-size units, no more than two soldiers attend troop schools for the purpose of being trained as backup. Soldiers selected for troop school will have minimum of 2 years retention in the unit after course completion. The program effectiveness will be evaluated by the Army's Troop School proponent.

**Recommendation:** The Secretary of the Army should develop and implement internal control procedures to ensure that adequate needs assessments are conducted before installations contract for training and that troop school programs are properly monitored and evaluated.

**Status:** Action in process. Estimated completion date: 12/89. The Army plans to implement internal control measures to ensure that needs assessments are accurate and that the total program is monitored for effective training. Draft regulations contain internal controls to ensure proper monitoring and evaluation. The regulations are expected to be published by late 1989.

**Recommendation:** The Secretary of the Army should determine whether soldier certification tests should be continued in view of the Skill Qualification Test Program in place throughout the Army. If certification is found to be necessary, the Army should develop standardized tests for use in all troop school programs.

**Status:** Action in process. Estimated completion date: 12/89. The Army plans to evaluate the need to continue soldier certification testing in troop school programs. If such testing is determined to be appropriate, standardized tests would be developed by the Army Training and Doctrine Command (TRADOC) for implementation in late 1989. Draft regulations provide that TRADOC will develop a standardized certification test.

**Recommendation:** The Secretary of the Army should ensure that programs of instruction currently used in troop schools are reviewed and approved by TRADOC schools.

**Status:** Action in process. Estimated completion date: 12/89. TRADOC plans to review current troop school programs of instruction and make the revisions needed to comply with current Army doctrine. TRADOC review of troop schools' programs of instruction is scheduled for completion by late 1989.

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**Defense-Related Activities**

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

NSIAD-88-169, 09/06/88

**Background**

Pursuant to a congressional request, GAO reviewed Army and Air Force civilian substitution, focusing on their: (1) processes for identifying military positions for possible substitution; (2) procedures for making substitutions; and (3) internal controls for managing substitutions.

**Findings**

GAO found that: (1) the Army and Air Force did not monitor civilian substitution practices or routinely keep records on substitutions or the disposition of military positions freed as a result of substitutions; (2) due to the

lack of records, it could not compare budgeted to actual substitutions or determine whether the services had reallocated freed military positions to higher priority missions to enhance readiness; (3) cost was not the primary consideration in making substitutions; (4) the services believed that civilians generally cost less than military personnel; and (5) each service had several thousand positions with potential for civilian substitution.

**Open Recommendations to Agencies**

**Recommendation:** Before the Army and the Air Force request funding for

additional civilian substitutions, the Secretary of Defense should direct them to examine the feasibility of implementing internal control procedures that would facilitate management oversight and enable the services to compare planned versus actual substitutions.

**Status:** Action in process. The Department of Defense is developing and testing a data base to be used in overseeing civilian substitutions. Reviews of the data base for quality and consistency are not completed.

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**Defense-Related Activities**

**Toxic Substances: PCB Spill at the Guam Naval Power Generating Plant**

NSIAD-88-217, 09/22/88

**Background**

Pursuant to a congressional request, GAO evaluated the Navy's actions in response to the release of polychlorinated biphenyls (PCB) at its Piti Power Plant in Guam.

**Findings**

GAO found that the Navy: (1) immediately initiated cleanup efforts after the spill; (2) may have exposed

some employees and cleanup personnel to other toxins, since it did not immediately determine if the PCB spill generated other toxins; (3) did not have a prenegotiated contract for site characterization and cleanup recommendation; (4) did not provide cleanup personnel with adequate personal protective equipment; (5) did not provide hazardous materials management training to all cleanup personnel; (6) included all employees in

the plant at the time of the spill, cleanup personnel, and continuing operations personnel in its medical monitoring program, but did not ensure that all personnel received baseline medical examinations or timely examinations after the spill; (7) after the spill, established a medical monitoring program to ensure timely examinations for potentially affected personnel; (8) had scheduled replacement of a faulty PCB transformer during fiscal year 1989; and

(9) will spend about \$6 million for site cleanup.

### Open Recommendations to Agencies

**Recommendation:** In view of the problems encountered at Piti Power Plant and the potential for similar

problems at other Navy facilities, the Secretary of the Navy should determine the feasibility of having prenegotiated testing, sampling, and detailed characterization contracts available at all installations using PCB equipment.

**Status:** Action in process. The Navy is studying the problem and identified a contractor to use for cleanup, but has

not yet issued a report. What the Navy refers to as clean contracts will provide coverage to all Navy sites using PCB equipment. Three have been awarded to cover West Coast and Pacific area sites. Contracts to cover the rest of the continental United States are due in late 1989.

## Defense-Related Activities

# Stars and Stripes: Inherent Conflicts Lead to Allegations of Military Censorship

NSIAD-89-60, 12/14/88

### Background

Pursuant to a legislative requirement, GAO investigated allegations of censorship, news management, and command influence at the Stars and Stripes newspapers.

### Findings

GAO found that: (1) institutional and cultural differences between the military and media made it difficult for the papers to simultaneously accomplish their missions to provide accurate, uncensored news and their military mission to provide mission-oriented material; (2) although the Department of Defense (DOD) revised its publications policy in 1984 in order to help prevent censorship, the revision actually permitted greater military influence by establishing an advisory board for each paper to be chaired by the appropriate unified command's public affairs officer, and by prohibiting investigative reporting; (3) according to a panel formed by the Society of Professional Journalists, evidence of censorship and inappropriate news management was conclusive at the Pacific Stars and

Stripes, but inconclusive at the European Stars and Stripes; (4) allegations at the Pacific paper concerned attempts by military officials to influence reporting on subjects sensitive to host countries, attempts to influence Stars and Stripes personnel actions, and military unresponsiveness to reporters' inquiries; (5) most of the allegations in Europe involved external influence by commanders and their public affairs officers, who caused stories to be withheld or delayed, or were unresponsive; and (6) although 47 percent of the wire services' stories on DOD were negative, only 35 percent of the wire services' DOD stories published in the European paper were negative, and only 27 percent were negative in the Pacific paper.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should direct that guidance be issued stating that: (1) Stars and Stripes shall have a civilian editor in chief whose term of office shall be fixed for a period of 3 to 5 years; (2) Stars and

Stripes shall have editorial and news policy provisions that emphasize subjects of interest to the readership; (3) military officers shall not interfere with or attempt to influence news content; (4) investigative reporting is allowed; and (5) content analyses, similar to the one GAO performed, shall be done on a periodic basis to ensure that U.S. troops in the two different parts of the world are exposed to approximately the same news from back home. Also, the new guidance should either abolish the advisory board or change its mission to help Stars and Stripes to report on news of interest to the readership.

**Status:** Action in process. Estimated completion date: 01/90. DOD initiated a review of instruction 5120.4. As part of that review, the unified commanders were tasked to provide their comments. Comments were received from unified commanders from the two Stars and Stripes. DOD approved and established an ombudsman position to represent the interests of the readership and staff. An Office of Inspector General report is scheduled for completion in January 1990.

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**Defense-Related Activities**
**Hazardous Waste: DOD Efforts to Reduce Waste**

NSIAD-89-35, 02/07/89

**Background**

In response to a congressional request, GAO reviewed the Department of Defense's (DOD) and the services' efforts to minimize their generation of hazardous waste by: (1) changing production, repair, and maintenance processes; (2) substituting less hazardous materials; and (3) changing technical documents to allow substitution.

**Findings**

GAO found that: (1) through the services, DOD made progress in meeting the required elements of its hazardous waste minimization program by establishing goals, setting time frames, developing plans to accomplish the goals, and making organizational changes; (2) although the services began to implement waste minimization programs, the degree of implementation

varied; (3) the Air Force delegated review of technical documents for all systems and equipment to identify opportunities for material substitution, but only one air logistics center had an approved review plan; (4) neither the Army nor the Navy had technical document review requirements; (5) the services had not formally integrated required hazardous waste minimization considerations into their acquisition programs; and (6) the services plan to reduce their hazardous waste generation levels by 50 percent by 1992, but will have difficulty monitoring their progress due to unreliable data collection and reporting.

**Open Recommendations to Agencies**

**Recommendation:** To provide the services with accurate, consistent, and

comparable hazardous waste generation data for monitoring minimization efforts and progress toward meeting waste reduction goals, the Secretary of Defense should establish a standard methodology for collecting and reporting hazardous waste generation data within DOD, which should include data on significant changes in production.

**Status:** Action in process. The Office of the Secretary of Defense has initiated a study of service reporting systems. By January 1990, the study will identify data being generated by DOD components. Once this phase is completed, DOD will assess how the data can best be accumulated and normalized to reflect overall DOD hazardous waste progress.

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**Defense-Related Activities**
**Military Child Care: Extensive, Diverse, and Growing**

HRD-89-3, 03/08/89

**Background**

Pursuant to a congressional request, GAO reviewed child care services provided by continental U.S. military installations.

**Findings**

GAO found that: (1) as of February 9, 1988, child development centers had the

capacity to care for 38,505 children, and family day care homes could serve 23,719 children; (2) day care centers generally offered more care to young children and more part-time care than child development centers; and (3) although child care capacity increased by 82 percent since 1984, 24,729 children were on waiting lists for center care on February 9, 1988.

**Open Recommendations to Congress**

**Recommendation:** Congress should consider whether child development center care should be made available for all military parents who want this care or whether program eligibility for military parents should be limited. These decisions would involve balancing the cost of program expansion and

operation against the Department of Defense's stated benefits of maintaining

readiness, increasing productivity, and improving morale.

Status: Action in process.

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### Defense-Related Activities

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

NSIAD-89-194, 07/27/89

### Background

Pursuant to a congressional request, GAO reviewed the Navy's implementation of the executive personnel financial disclosure system.

### Findings

GAO found that: (1) the Navy and Marine Corps executive financial disclosure system was working well, with minor exceptions, and there was no evidence of any conflicts of interest; (2) the Navy and Marine Corps did not identify some potential conflicts of interest because some disclosure report reviewers did not search references on

corporate affiliations to determine whether filers had a financial involvement with affiliates of Department of Defense contractors; and (3) two of the three offices involved in implementing the program did not evaluate management controls over the program as part of the Navy and Marine Corps Federal Managers' Financial Integrity program.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of the Navy should standardize the use of the Directory of Corporate Affiliations by all

Navy and Marine Corps reviewers as an additional means of detecting potential conflicts of interest.

Status: Action not yet initiated.

**Recommendation:** The Secretary of the Navy should review management controls over the Navy and Marine Corps executive financial disclosure reporting program in the Navy and Marine Corps implementation of the Federal Managers' Financial Integrity Act.

Status: Action not yet initiated.

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### Defense-Related Activities

## Army Procurement: Water Purification Equipment May Not Meet All Performance Requirements

NSIAD-89-200, 09/11/89

### Background

GAO reviewed an Army procurement for design and development of a reverse osmosis water purification unit.

### Findings

GAO found that the Army: (1) awarded two full-scale engineering and development contracts to design, develop, and fabricate three prototype units; (2) awarded a production contract to one contractor but discovered during testing that the contractor's prototype

design did not meet some critical performance requirements; (3) planned to rely on first-article testing under the production contract to determine whether the contractor's modified design would meet performance requirements; and (4) had limited assurance that the contractor would produce a unit that

would meet all the operational requirements.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of the Army should direct procurement officials to take the action necessary to

ensure that the planned expanded first-article testing is carried out and that the tests are carefully analyzed to ensure that all critical requirements are addressed.

**Status:** Action not yet initiated.

## Department of Defense - Military (Except Procurement and Contracting)

# Opportunities To Improve the DOD Personal Property Shipping Program

NSIAD-85-10, 11/09/84

### Background

GAO reviewed the Department of Defense's (DOD) Personal Property Shipping Program to identify opportunities to reduce costs and improve the efficiency of the program.

### Findings

GAO found that DOD has been consolidating its personal property shipping offices and planning to automate them. However, due to a lack of coordination, the full potential for consolidation cannot be achieved and money may be spent to automate offices that should be merged with others. In addition, GAO found that, due to the delay in the development of a standardized automated system for use in managing its shipping program, many offices have become frustrated and developed their own systems, which are not compatible and cannot be merged with a standardized system. On

November 8, 1983, DOD issued a memorandum restricting the development of additional new systems. GAO also found that the DOD cost of storing household goods awaiting delivery has increased substantially since 1978. These costs could be reduced significantly if DOD leased storage space and provided the service in-house or used government-owned space where available, rather than having moving companies arrange space.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should direct the Assistant Secretary for Defense, Manpower, Installations, and Logistics, to expedite development of a standard automated system for processing personal property shipments, while closely monitoring compliance with the November 8, 1983, memorandum restricting independent development of shipments.

**Status:** Action in process. Hardware is in place at many sites. Prototypes are in place at some sites. The agency is making software enhancements and buying extra necessary circuit boards. This system should be operational in the spring of 1990.

**Recommendation:** The Secretary of Defense should direct the Assistant Secretary of Defense, Manpower, Installations, and Logistics, to integrate plans to automate the personal property shipping offices with plans to consolidate them.

**Status:** Action in process. Due to difficulty in obtaining an agreement between the services on a consolidation plan, the Military Traffic Management Command has turned the matter over to the Deputy Assistant Secretary of Defense (Acquisition and Logistics) for resolution. No completion date is known at this time; however, completion should occur by early 1990.

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**Department of Defense - Military (Except Procurement and Contracting)**
**DOD Should Adopt a New Approach To Analyze the Cost Effectiveness of Small Hospitals**

HRD-85-21, 03/15/85

**Background**

GAO discussed the need for the Department of Defense (DOD) to adopt a new approach to analyzing the cost-effectiveness of providing inpatient services at small hospitals.

**Findings**

GAO found, through its studies of nonfederal hospitals, that smaller hospitals are less economical to operate than larger ones. The studies indicate that the most economical hospital size is between 200 and 300 beds. GAO also found that, in fiscal year (FY) 1983, DOD operated 69 hospitals having daily inpatient loads of 50 or less. The cost to operate these hospitals totalled about \$506 million. Using a model that compared the costs of operating small military hospitals to the estimated costs

of converting them to outpatient clinics, GAO found that DOD could have saved \$3.9 million in FY 1981 costs had it converted smaller hospitals to clinics.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Defense should direct the Assistant Secretary of Defense for Health Affairs and the Surgeons General of the Army, Navy, and Air Force to: (1) develop criteria to determine when providing inpatient services at small military hospitals is economical and necessary to meet the wartime or peacetime benefit missions, and the criteria should include the minimum work load needed to justify offering inpatient care, the distance to other civilian or federal hospitals, alternative treatment settings for active duty patients who require

limited care, and other relevant considerations; (2) use a methodology similar to the one discussed in this report, and analyze each small military hospital in the direct-care system to determine its potential for conversion to an outpatient clinic; and (3) perform such analyses before requesting funds from Congress, or before expending any already approved funds, for reconstructing or renovating any small hospital in the DOD system.

**Status:** Action in process. DOD is developing a Military Health Service System Sizing Model. This model will identify where it might be cost-effective to increase or decrease service. GAO does not know the status of sizing model development. GAO plans on doing a follow-up review at some point in the future, so the recommendation will remain open.

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**Department of Defense - Military (Except Procurement and Contracting)**
**Routing Small Shipments of Hazardous or Sensitive Cargo**

NSIAD-86-34, 12/20/85

**Background**

GAO evaluated the Military Traffic Management Command's (MTMC) actions in response to previous GAO recommendations concerning the routing of small shipments of hazardous or sensitive cargo.

**Findings**

GAO found that MTMC has attempted to comply with earlier report recommendations by: (1) obtaining and issuing additional installation shipping and receiving data; (2) making and documenting cost comparisons; (3) making more disclosures of shipping

requirements; (4) maintaining more distribution records; and (5) establishing standard operating procedures which assign responsibilities and define procedures for selecting carrier service on small shipments of ammunition, explosives, and weapons. However, GAO found that MTMC instructions and guidelines are sometimes incomplete,

unclear, or not followed, resulting in: (1) the preclusion of the use of the lowest-cost air taxi service; (2) reliance on incomplete and conflicting information; (3) questionable cost analysis; and (4) inconsistent consideration of shipment time factors.

### Open Recommendations to Agencies

**Recommendation:** The Commander, MTMC, should verify routinely that MTMC guidelines are followed. These instructions and guidelines should specifically: (1) require shippers to

certify the necessity for palletization when it is used on small shipments; (2) provide for a requirement that information on air taxi landing fields be continuously updated and any discrepancies between the shippers' information and MTMC information be resolved quickly; (3) require development and use of a MTMC-approved methodology for computing air taxi pickup and delivery costs, which would result in a greater degree of consistency in the costs among installations, and which would be available to the air taxi industry; and (4) define the required delivery date as it is to be used in

requesting routing advice and how it, along with the transportation priority, will be used in making the mode and carrier choice.

**Status:** Action in process. Estimated completion date: 12/90. Action on items one and four of this recommendation have been completed. Concerning item 2, implementation of the computerized terminal facilities guide has been delayed. Completion is now projected for fiscal year (FY) 1991. Completion of action on item three has been hindered by service disagreements.

## Department of Defense - Military (Except Procurement and Contracting)

# Emergency Airlift: Responsiveness of the Civil Reserve Air Fleet Can Be Improved

NSIAD-86-47, 03/24/86

### Background

GAO reviewed the Civil Reserve Air Fleet (CRAF) program to determine whether: (1) the Department of Defense's (DOD) efforts to ensure that CRAF was ready for mobilization were sufficient and effective; and (2) commercial carriers were prepared to support CRAF aircraft, particularly at foreign airfields.

### Findings

GAO found that it was uncertain whether CRAF could effectively meet DOD mobilization requirements because: (1) Military Airlift Command (MAC) tests of the program through simulation and field exercises were very limited; (2) DOD had provided limited mobilization planning data to CRAF carriers, making it very difficult for the carriers to plan for utilization of the system in an emergency; (3) MAC had not sufficiently

monitored carrier compliance with contract provisions designed to help ensure effective mobilization; and (4) the incompatibility of data communications services at some military airfields with existing commercial services could hinder effective communications. GAO also found that, at overseas airfields, CRAF might not get the support needed because responsible carriers were unaware of the estimated work load for each location. Having allies provide this support under host-nation support agreements is an option that DOD is pursuing.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should require MAC to: (1) provide typical work-load information to key carrier representatives and evaluate

the carriers' abilities to perform their missions; (2) assess CRAF capability of using data obtained from the carriers, field exercises, and simulations; (3) evaluate CRAF carriers' efforts to meet contractual requirements, such as number of qualified crews with security clearances, the availability of Geneva Convention cards, and navigational route kits; and (4) consider the need for additional data communications capabilities at key military airfields for use by CRAF carriers during a national emergency.

**Status:** Action in process. The Air Force has taken action on all of the recommendations. Field exercises were held, but CRAF did not participate as planned because the information was classified and secure communications equipment was not installed. As of late 1989, DOD intends to have CRAF participate in the field exercise. Secure

communications equipment is being delivered.

**Recommendation:** The Secretary of Defense should require MAC to: (1) provide carriers responsible for supporting CRAF aircraft overseas with general work-load data on the numbers

and types of aircraft to be supported at each foreign airfield for their use in planning the efficient movement of combat personnel and cargo; and (2) fully consider CRAF senior lodger support requirements in negotiating host-nation support agreements.

**Status:** Action in process. Estimated completion date: 09/90. DOD stated that it concurred with the recommendations and had started corrective action on all of them. As DOD negotiates host-nation support agreements, these issues are supposed to be addressed on a case-by-case basis.

## Department of Defense - Military (Except Procurement and Contracting)

# Military Airlift: Management Controls Over Charter Airlift Need To Be Strengthened

NSIAD-87-67, 03/06/87

### Background

Pursuant to a congressional request, GAO reviewed: (1) the Department of Defense's (DOD) policies and procedures for chartering commercial aircraft; (2) oversight procedures for monitoring carrier performance and compliance with Federal Aviation Administration (FAA) safety regulations; and (3) the investigation of the accident at Gander, Newfoundland, that resulted in the deaths of 248 U.S. military personnel.

### Findings

GAO found that: (1) the Military Airlift Command (MAC) did not include appropriate safety clauses in its contracts with foreign airlines; (2) the ramp inspection program did not provide sufficient coverage of contractor aircraft or air taxi operators; (3) the safety clauses in current transportation agreements do not specifically charge contractors with the responsibility for flight safety; (4) in-flight quality checks were very limited; (5) DOD and FAA did not effectively communicate on charter oversight; (6) MAC did not include an evaluation of airline security programs in its airlift capability surveys; and (7)

the December 1985 DC-8 accident was still under investigation to determine the aircraft's loaded weight and balance, the possible influence of ice buildup, and the aircraft's maintenance record.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should direct the Commander, MAC, to develop ways to obtain and evaluate information on the capabilities and safety records of potential foreign airlift contractors.

**Status:** Action in process. MAC is exploring ways to obtain safety data on foreign airlift contractors.

**Recommendation:** The Secretary of Defense should direct the Secretary of the Air Force to establish a permanent policy on MAC interim passenger and baggage weight criteria and the Commander, MAC, to inform existing contractors of the interim passenger and baggage weight criteria and include these criteria in its new airlift contracts.

**Status:** Action in process. DOD is revising passenger weight and baggage criteria.

**Recommendation:** The Secretary of Defense should direct the Commander, MAC, to improve the passenger comments process by: (1) developing and using a two-copy form with one copy always sent to MAC; (2) centrally evaluating the comments categorized by contractor; and (3) redesigning the form to focus passengers' reporting on safety and quality problems they might have noticed.

**Status:** Action in process. MAC and MTMC will improve the customer comments form on service and safety concerns.

**Recommendation:** To help ensure optimum results from the DOD study and recommendations on commercial passenger airlift policies and procedures, the Secretary of Defense should direct the DOD Inspector General to provide an independent assessment of the implementation of the recommendations.

**Status:** Action in process. DOD intends to implement corrective actions, as stated in its response to the report.

**Recommendation:** To help ensure air transportation security on military charters, the Secretary of Defense

should direct the Commander, MTMC, to include airport and in-flight security clauses in MTMC transportation

agreements and monitor the implementation of those clauses.  
**Status:** Action in process. MATA now include security clauses. Procedures are

being finalized to ensure complete inspection criteria are used.

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**Department of Defense - Military (Except Procurement and Contracting)**

**Military Airlift: Requirements for Aerial Port Personnel in Wartime Need To Be Determined**

NSIAD-87-115, 05/11/87

**Background**

Pursuant to a congressional request, GAO evaluated the Military Airlift Command's (MAC) requirements for aerial port personnel to support wartime operations. MAC is responsible for providing technical supervision and assistance to the military services and providing and operating specialized materiel-handling equipment when it is not otherwise available.

**Findings**

GAO found that: (1) MAC plans to provide personnel to perform wartime unit movement functions that are assigned to the Navy and Marine Corps; (2) the Army needs to make its field manual consistent with the joint service regulation; (3) the Army has not established active organizations to perform certain duties, as required by joint service regulations; and (4) MAC

should focus on strengthening the services' capabilities, rather than performing their functions.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Defense should direct the Air Force to validate the need for the personnel it has programmed to support unit-move and aerial port operations and, consistent with its evaluation of the services' capabilities, reduce the number of personnel MAC has programmed for functions that are the services' responsibility.

**Status:** Action in process. Unit-move team requirements will be incorporated in war plans and excess personnel authorizations identified to manpower officials.

**Recommendation:** The Secretary of Defense should direct the Army to revise

its field manual to clearly place the responsibility on the moving services for the functions outlined in the joint service regulation.

**Status:** Action in process. The Army plans publication of the joint service regulation in late 1989.

**Recommendation:** The Secretary of Defense should periodically evaluate the services' and MAC capabilities and revalidate MAC staffing levels.

**Status:** Recommendation valid/action not intended. While the Department of Defense (DOD) concurred with this recommendation, it stated that the Air Force regularly validates its staffing levels. Other services' capabilities to mobilize are already evaluated through exercises and inspections. GAO believes that service-specific validations will not likely identify duplication among the services.

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**Department of Defense - Military (Except Procurement and Contracting)**
**Navy Manpower: Squadron Manpower Program Needs Improvement**

NSIAD-87-101, 05/19/87

**Background**

Pursuant to a congressional request, GAO evaluated the Navy Squadron Manpower Document (SQMD) program to determine whether the Navy based its manpower requirements on sound and rigorous processes.

**Findings**

GAO found that the Navy: (1) has not established staffing standards on work loads for all ground officers and about 20 percent of ground enlisted personnel; (2) did not document the initial standards development for ground enlisted

personnel, or require that revised standards be based on efficiency reviews; (3) does not independently verify, consistently calculate, or completely document work loads; (4) uses allowances for nonproductive time that are not based on supportable evidence; and (5) has neither updated nor adequately supported the work-week standard it uses to determine SQMD requirements. GAO noted that limited program support affects the SQMD program in the form of insufficient travel funds, key position vacancies, high staff turnover, and inexperienced program personnel.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of the Navy should direct that staffing standards be developed for as many position requirements as practical, both officer and enlisted.

**Status:** Action in process. Estimated completion date: 10/91. A ground officer staffing standard has been developed and a plan has been implemented to ensure that all standards are developed or revalidated by the end of fiscal year 1991. Action is still ongoing.

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**Department of Defense - Military (Except Procurement and Contracting)**
**Inventory Management: Defense Logistics Agency Inventory Accuracy Problems**

NSIAD-88-39, 12/24/87

**Background**

In response to a congressional request, GAO reviewed the Defense Logistics Agency's (DLA) inventory records, its inventory research, and its inventory security.

**Findings**

GAO found that: (1) while DLA data showed a net inventory gain for fiscal years 1985 and 1986, GAO data showed a net inventory loss; (2) DLA did not

include 88 percent of its inventory adjustments in its inventory accuracy reports; (3) items stored in caged areas had lower-than-expected accuracy rates; (4) DLA could better research the causes of inventory discrepancies; and (5) DLA was improperly storing drugs and other pilferable items.

**Open Recommendations to Agencies**

**Recommendation:** To ensure that physical inventories are representative and that causative research is an effective tool for identifying and correcting recurring causes of inventory variances, the Director, DLA, should require that statistical samples of items be taken by commodity type and that the record, quantity, and dollar value accuracy indicators be collectively

analyzed to identify areas for further analysis.

**Status:** Action in process. Estimated completion date: 04/90. The Department of Defense recently published a revision

to its Instruction 4140.35, which requires an annual statistical sample inventory by each component to measure record accuracy. Also, DLA has a statistical sampling initiative to give depot

management a tool for examining record accuracy and identifying areas needing improvement.

## Department of Defense - Military (Except Procurement and Contracting)

# Navy Supply: Economic Order Quantity and Item Essentiality Need More Consideration

NSIAD-88-64, 01/06/88

### Background

GAO evaluated the economic order quantity (EOQ) and safety-level aspects of the Navy's requirements determination process for replenishment materiel for peacetime operating stocks to determine whether the process could lead to inflated procurements and unnecessary costs.

### Findings

GAO found that the Navy: (1) ordered \$133.7 million in materiel in fiscal year 1986 that exceeded EOQ; (2) incurred additional costs of \$10.5 million on this materiel because the increased holding costs more than offset the decreases in

ordering costs and implied shortage costs; (3) increased overbuying rates by ordering a year's supply of materiel instead of EOQ; (4) lowered the acceptable risk of running out of stock, which increased safety-level requirements by \$80.6 million; and (5) provided safety-level requirements of \$11.1 million for items that aircraft did not need to perform their missions.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of the Navy should direct the Commander, Naval Supply Systems Command, to base safety-level requirements on the relative importance of the items, rather

than constrain acceptable stockout risks for certain items. The Secretary should also direct the Commander to use mission essentiality in safety-level requirement determinations when this information is available.

**Status:** Action in process. Estimated completion date: 01/90. DOD agreed with this recommendation and stated that the Navy intends to use item essentiality for both initial provisioning and replenishment stocks. Full capability to use essentiality will be available when processing modernization efforts are completed in the 1990 time frame. In the interim, the Aviation Supply Office is testing the use of essentiality codes.

## Department of Defense - Military (Except Procurement and Contracting)

# Electronic Warfare: Multiple Developments of Costly Threat Simulators

NSIAD-88-93, 02/01/88

### Background

GAO reviewed the Department of Defense's (DOD) simulator program, specifically the: (1) need for the armed

services to avoid paying for the development of duplicate simulators; and (2) acquisition of simulators which misrepresent Soviet threat systems.

### Findings

GAO found that: (1) the armed services are paying for multiple development of

simulators for emitter-receiver processors (ERP) and emitters; (2) total ERP development costs exceeded \$560 million, while the emitter program costs exceeded \$600 million; (3) a perceived lack of authority within DOD for managing the services' simulator programs and the services' desire to control their separate programs contributed to multiple ERP development; and (4) the Joint Executive Committee on Air Defense Threat Simulators and its agent committee have attempted to develop cooperation among the services without much success. GAO also found that: (1) 35 of 46 simulators it

examined deviated substantially from estimates of the threat characteristics and affected system range, accuracy, and resistance to countermeasures; and (2) the services were accepting deficient simulators without review by or approval from potential users.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should require the services to strengthen internal controls over simulator acquisitions by segregating responsibilities for development, testing,

and acceptance of simulators as valid representations of the threat.

**Status:** Action in process. Estimated completion date: 12/89. The services are reviewing and revising internal simulator development, testing, and acceptance to comply with Office of the Secretary of Defense simulator validation procedures. The Army and Air Force documented and submitted their programs. The Air Force developed a standardized process that will be staffed with all services. Navy validation plans are expected to be completed in December 1989.

## Department of Defense - Military (Except Procurement and Contracting)

# Command and Control: Upgrades Allow Deferral of \$500 Million Computer Acquisition

IMTEC-88-10, 02/23/88

### Background

GAO reviewed the Department of Defense's (DOD) modernization program for its Worldwide Military Command and Control System (WWMCCS) and its corresponding information system (WIS), focusing on: (1) the justification for the planned \$500-million WIS joint mission computer system acquisition; and (2) whether completed or planned upgrades to the current system met the defined user requirements.

### Findings

GAO found that: (1) completed or planned upgrades will correct six of the seven system deficiencies DOD identified and will bring system capability to the level of current computer technology; (2) the remaining deficiency in system security is not correctable by currently available computer technology; and (3)

DOD is developing the Joint Operation Planning and Execution System (JOPES) in two increments, with the first increment modernizing and integrating current information management activities, and the second supporting upgraded system activities. GAO also found that, although DOD has identified a need for important new joint mission and security capabilities, DOD has not: (1) defined system requirements for supporting JOPES Increment II capabilities; (2) established a security policy, defined security requirements, or explored alternative approaches for meeting those requirements; or (3) established a computer performance measurement and capacity planning program to help guide future computer system upgrades or replacement decisions.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should defer the currently planned \$500-million WIS joint mission computer system acquisition until: (1) requirements for the acquisition are defined and approved, especially the processing capabilities needed for JOPES Increment II; (2) a formal security policy is established, security requirements are defined, alternatives for implementing these requirements are evaluated, and the most cost-effective means of meeting security requirements are selected; and (3) the above processing and security requirements can no longer be met by upgrading the current computer systems.

**Status:** Action in process. The Defense Communications Agency (DCA) is working on the following actions: (1)

eliminate the planned computer acquisition; (2) define requirements for JOPES Increment II; (3) develop a plan for establishing security requirements; and (4) make users responsible for satisfying computer requirements. However, this new strategy is awaiting approval by the Defense Acquisition Board.

**Recommendation:** To ensure a proper and timely acquisition, the Secretary of Defense should establish milestones and monitor the development and approval of the requirements for the additional

mission capabilities needed in JOPES Increment II, incorporate these milestones into the WIS acquisition schedule, and target completion of development and approval for 1992. **Status:** Action in process. DCA plans to initiate action to combine WIS milestones with those for the development of JOPES, however, this strategy is awaiting approval by the Defense Acquisition Board.

**Recommendation:** To ensure a proper and timely acquisition, the Secretary of Defense should establish a network-wide

performance management and capacity planning program to: (1) measure computer system performance against DOD standards; (2) identify future needs for computer system resources; and (3) project when the current computer systems can no longer provide cost-effective mission support.

**Status:** Action not yet initiated. Action taken will depend on the approach approved by the Defense Acquisition Board.

## Department of Defense - Military (Except Procurement and Contracting)

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

HRD-88-51, 03/01/88

## Background

In response to a congressional request, GAO reviewed the Veterans Administration's (VA) and the Department of Defense's (DOD) implementation of legislation to promote their sharing of health care resources, to determine: (1) whether the two agencies took full advantage of opportunities to share their resources; (2) the adequacy of current incentives to share resources; (3) whether there were any barriers to their sharing arrangements; and (4) whether administrative or legislative changes could further encourage sharing.

## Findings

GAO found that: (1) VA and DOD made significant progress in sharing their health care resources; (2) as of September 1986, the agencies had entered into 240 agreements; (3) although the agencies did not estimate

cost reductions resulting from the agreements, both VA and DOD data indicated that reductions occurred; (4) local hospitals believe that the sharing agreements provide patients with better access to health care; and (5) VA and the Air Force developed agreements for the joint use of hospitals, which could serve as models for other federal facilities. GAO also found that: (1) the high reimbursement rates at VA medical centers discouraged many military hospitals from sharing their health care services with VA; (2) DOD reimbursement procedures did not provide sharing incentives; (3) the Office of Management and Budget (OMB) rejected a VA proposal to allow DOD dependents to be treated under sharing agreements; and (4) congressional and DOD restrictions on the use of Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) funds

have limited DOD use of nearby medical centers.

## Open Recommendations to Congress

**Recommendation:** Congress should enact legislation authorizing VA to accept all categories of DOD beneficiaries under a VA/DOD sharing agreement on a space-available, referral basis when care of VA beneficiaries would not be adversely affected. Specifically, 38 U.S.C. 5011(d)(1) should be amended to remove the restriction on VA providing health care to DOD beneficiaries.

**Status:** Action not yet initiated.

**Recommendation:** Congress should amend the National Defense Authorization Act for fiscal year 1987 to specifically authorize the military services to use CHAMPUS funds to

purchase care from VA medical centers, when it is cost-effective to do so. **Status:** Action not yet initiated.

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**Department of Defense - Military (Except Procurement and Contracting)**

**Navy Inventory Management: Inventory Accuracy Problems**

NSIAD-88-69, 03/04/88

**Background**

Pursuant to a congressional request, GAO reviewed the: (1) accuracy of inventories at the Naval Supply Center in Norfolk, Virginia; and (2) management of these inventories by the Navy Ships Parts Control Center (SPCC).

**Findings**

GAO found that the Norfolk Center: (1) inconsistently implemented or misinterpreted Department of Defense (DOD) or Navy policies concerning physical inventories, adjustments, causative research, and reversals; (2) did not know if its inventory records accurately reflected the status of its on-hand inventories; (3) used inadequate and incomplete data to measure

inventory accuracy, and subsequently overstated the amount of inventoried items and inventory accuracy; (4) postponed discrepancy adjustments pending completion of causative research; and (5) consistently exceeded the deadline for completing causative research. GAO also found that: (1) current policies concerning adjustment reversal and inclusion of unscheduled inventories in accuracy measures cause overstatement or understatement of inventory accuracy; (2) the Navy plans to implement the Statistical Accuracy Techniques and Measurements Analysis sampling and analysis tool to improve inventory accuracy; and (3) SPCC did not maintain adequate control over items sent to contractors or interservice maintenance facilities for repair. GAO

believes that the Navy's reports of supply system accuracy are unreliable, since they are based on rates computed from questionable and inaccurate data.

**Open Recommendations to Agencies**

**Recommendation:** To improve inventory accuracy and develop more meaningful accuracy measures, the Secretary of the Navy should require that SPCC stock records be established and kept current with regard to items sent to non-Navy facilities for repair. **Status:** Action in process. Estimated completion date: 12/89. The Navy is implementing a Commercial Asset Visibility Program which should correct this problem.

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**Department of Defense - Military (Except Procurement and Contracting)**

**Internal Controls: Status of Army Efforts To Control Contractor Access to the DOD Supply System**

NSIAD-88-98, 03/11/88

**Background**

In response to a congressional request, GAO reviewed the Army's: (1) efforts to better control contractor access to the Department of Defense (DOD) supply

system; and (2) financial accountability for government-furnished materiel (GFM).

**Findings**

GAO found that: (1) in 1981, DOD directed the services to establish management control activities (MCA) over maintenance contractors' access to

the DOD supply system, but the Army did not expect total implementation of MCA until 1989; (2) the Army had not developed a GFM accounting system that would identify or control the amount of GFM provided to contractors; (3) the Army allowed contractors uncontrolled access to the DOD supply system to requisition GFM; and (4) the Army is studying the feasibility of establishing MCA controls at the base level and expects to implement the study's recommendations in 1988.

### Open Recommendations to Agencies

**Recommendation:** Since over 6 years have passed since DOD required better controls over contractor access to the DOD supply system, the Secretary of the Army should give priority to developing a plan of action with firm milestones for implementing the needed controls.

**Status:** Action in process. Estimated completion date: 01/90. Army milestones for implementing controls over

contractor access to the DOD supply system were incorporated in the recent update of the Army Supply Master Plan. Implementation at the wholesale level is now expected by December 1989. The plan for retail-level controls should be completed during the first quarter of fiscal year 1990.

## Department of Defense - Military (Except Procurement and Contracting)

# Internal Controls: Air Force Can Improve Controls Over Contractor Access to DOD Supply System

NSIAD-88-99, 03/18/88

### Background

Pursuant to a congressional request, GAO examined the Air Force's policies, procedures, and practices for providing and controlling government-furnished materiel (GFM) to Department of Defense (DOD) contractors, focusing on the Air Force's: (1) compliance with requirements to justify and document decisions to provide GFM; (2) management controls for validating and approving contractors' GFM requests; and (3) oversight of contractor maintenance of GFM.

### Findings

GAO found that the Air Force: (1) violated the existing Federal Acquisition Regulation (FAR) and DOD and Air Force policies by routinely providing GFM to contractors without adequate evaluation or justification; (2) provided GFM even when materials were commercially available at lower prices; (3) did not properly implement an Air

Force Logistics Command (AFLC) regulation requiring identification of specific parts and quantities contractors needed; (4) established Management Control Activities (MCA) to control GFM requisitions on the wholesale, but not retail, level; (5) cited accuracy problems in its D034A Special Support Stock Control and Distribution System and its D049 data base, both intended to track contractors' requisitions for and receipt of GFM; (6) improperly allowed contractors direct access to supply sources or used military codes instead of the contractors' DOD Activity Address Codes to requisition supplies; (7) is unable to verify the amount of GFM contractors received or maintained, since government property administrators did not provide appropriate oversight, such as verification of contractors' receipt records or annual property surveys; and (8) has implemented some controls to correct internal problems, but still does not have independent means to identify the amount of GFM contractors have,

the amount provided annually, and the amount of excess GFM.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of the Air Force should direct that procedures similar to those performed by MCA at the wholesale level be adopted at the retail level as soon as possible to review and validate all retail-level contractor requisitions before they are sent to the source of supply.

**Status:** Action in process. Estimated completion date: 10/90. The Air Force has started assigning special codes to contractors that support base operations and maintenance service contracts. AFLC is now programming its computers so the change can be incorporated in the stock control and distribution system. The Air Force Audit Agency will perform an audit during 1989 or early 1990 of GFM which, among

other things, will follow up on the actions taken.

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**Department of Defense - Military (Except Procurement and Contracting)**

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

NSIAD-88-107, 03/28/88

**Background**

GAO assessed the Defense Logistics Agency's (DLA) actions in response to 16 GAO recommendations for improving management controls and effectiveness.

**Findings**

GAO found that DLA: (1) completed actions in response to seven recommendations and has actions underway in response to nine; and (2) could further improve the steps it has already taken to improve strategic and mobilization planning and management controls. GAO also found that DLA: (1) did not identify the resources necessary for strategic, mid-, and short-range planning; (2) the services disagreed over the types of items to include in mobilization requirements, which delayed plan revisions; (3) field activity reports of potential contractor overpayments included incomplete data;

(4) program offices did not provide managers with the data needed to assess their effectiveness in reducing the growth of nonstandard parts in its inventory; (5) lacked actual cost data for its existing automatic data processing (ADP) operations to make the appropriate cost-benefit and other financial decisions related to its modernization program; (6) did not centralize management control over its information resources activities; and (7) continues to work on improving its weapon system support and its productivity program.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Defense should ensure that DLA regional offices make accurate and complete reports about possible overpayments to contractors.

**Status:** Action in process. Estimated completion date: 09/90. DLA has implemented two mechanized programs to assist in detecting possible overpayments to contractors. It is also redesigning the payment system used by Defense Contract Administrative Service Regions to allow upfront validation of new transactions. Planned completion of this system has slipped to September 1990.

**Recommendation:** The Secretary of Defense should develop a system that will allow DLA to identify the costs of its ADP operations on a system-by-system basis.

**Status:** Action in process. The existing accounting system has been expanded to accommodate the cost tracking requirements of the Logistics System Modernization Program. Job accounting techniques will be interfaced with existing accounting systems in early fiscal year 1990.

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 Department of Defense - Military (Except Procurement and Contracting)

# Federal Catalog System: Continuing Item Identification Problems

NSIAD-88-121, 05/05/88

## Background

In response to a congressional request, GAO assessed the nature and extent of deficiencies in the Department of Defense's (DOD) Federal Catalog System.

## Findings

GAO found that: (1) the system fell short of its mandate of ensuring unique identifiers for federal supply items; (2) 30 percent of all cataloged items did not have approved names, while another 29 percent lacked descriptive data; (3) numerous items were misclassified or assigned duplicate numbers; (4) improper identification of supply sources in the cataloging systems could inhibit competitive procurement; and (5) using a Defense Logistics Services Center (DLSC) cost estimate, it would cost about \$14.1 million to maintain inventory records of 3,800 duplicate items, not including the price of the duplicates.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force, and the Director, Defense Logistics Agency, to improve item identifications by: (1) expanding the list of approved item names and closely monitoring their use; (2) developing additional Federal Item Identification Guides and updating existing guides; (3) giving more attention to the Item Identification Improvement Program; (4) providing greater emphasis on working with contractors to have them more timely submit technical data; and (5) establishing more effective mechanisms for challenging contractor proprietary data claims and obtaining and entering technical data in the Federal Catalog System for items already cataloged, but inadequately described.

**Status:** Action in process. Estimated completion date: 06/90. DOD has initiated actions to implement this recommendation. While some interim actions will be taken, those involving

major changes, such as improving the item name process, will not be implemented before 1990. However, DOD implemented a non-approved item name challenge system on November 1, 1988.

**Recommendation:** The Secretary of Defense should direct the Secretaries of the Army, Navy, and Air Force, and the Director, Defense Logistics Agency, to significantly reduce the number of duplicate items in the Federal Catalog System through such programs as the special DLSC study that identified duplication in the catalog, and exploring alternative ways to search out items that do not belong in the system.

**Status:** Action in process. Estimated completion date: 06/90. All of the initiatives described by DOD have as their ultimate goal the reduction of existing, and prevention of new, duplicate items in the catalog. Additional actions are underway that have not been mentioned previously. A contract was awarded during the first quarter of 1989 to perform a technical validation of non-approved item names.

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**Department of Defense - Military (Except Procurement and Contracting)**
**Inventory Management: Air Force Inventory Accuracy Problems**

NSIAD-88-133, 05/12/88

**Background**

Pursuant to a congressional request, GAO evaluated the Air Force's: (1) physical inventory procedures to determine their accuracy and completeness; (2) research into differences between inventory counts and records; and (3) physical security over inventory.

**Findings**

GAO found that, although the Air Force has implemented a variety of policies and practices that have improved the Air Force Logistics Command's (AFLC) inventory management and accuracy, it: (1) cited inventory management controls as a material weakness in its fiscal year 1986 Federal Managers' Financial Integrity Act (FMFIA) report; (2) adopted a new physical inventory

statistical sampling approach which may have overstated inventory accuracy, since it assumed that zero-balance item records with no storage location were correct; (3) adopted, without specific Department of Defense (DOD) authority or sufficient support, a policy for researching and adjusting potential inventory variances; (4) continues to experience problems in conducting adequate causative research into the differences between physical inventory counts and its records; (5) did not routinely conduct trend analysis of causative research at air logistics centers; and (6) allowed privately owned and contractor vehicles to park adjacent to warehouse facilities.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of the Air Force should direct the Commander, AFLC, to reevaluate its research and adjustment policies, especially the policy of not adjusting discrepancies under \$5,000, which do not involve more than 10 percent of recorded items, to ensure that they do not have adverse effects on inventory management. If the policy is determined to be supportable, ensure that approval to implement it has been obtained from DOD.

**Status:** Action in process. AFLC is evaluating the impact of this criteria. Early results showed inventory accuracy improving and that criteria goals were being met. DOD will decide if the Air Force may continue to use criteria. DOD has requested the Air Force to continue testing and evaluating criteria.

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**Department of Defense - Military (Except Procurement and Contracting)**
**Navy Maintenance: Ship Maintenance Strategies Need Better Assessments**

NSIAD-88-187, 06/14/88

**Background**

GAO reviewed the Navy's revised ship maintenance strategies.

**Findings**

GAO found that the Navy: (1) scheduled fewer ship overhauls and performed shorter and more frequent depot-level repairs; (2) incurred \$5.6 million in ship maintenance and modernization costs in fiscal year 1987; (3) lacked essential

management features in its ship management program, such as evaluation criteria, a management information system, or documentation procedures for determining the strategies' effectiveness; and (4) responded primarily to unfunded

maintenance requirements and budget cuts in initiating changes and did not support them with a detailed engineering analysis to determine the optimal frequency and level of repair. GAO believes that the Navy cannot reasonably predict the strategies' impact on its ships' material readiness, operational availability, and maintenance costs.

### Open Recommendations to Agencies

**Recommendation:** So that data are available for an effective feedback loop, the Secretary of the Navy should establish criteria for evaluating the effects of changes in maintenance strategies and operating cycles.  
**Status:** Action in process. Estimated completion date: 06/90. The Navy will develop a plan for establishing criteria to evaluate effects of changes in maintenance strategies.

**Recommendation:** So that data are available for an effective feedback loop, the Secretary of the Navy should collect the data needed for evaluating different maintenance strategies in the management information systems.  
**Status:** Action in process. Estimated completion date: 06/90. Implementation of new criteria for evaluating different maintenance strategies is scheduled for June 1990.

## Department of Defense - Military (Except Procurement and Contracting)

# Internal Controls: Controls Over Material Furnished to Navy Contractors Can Be Improved

NSIAD-88-150, 06/21/88

### Background

In response to a congressional request, GAO reviewed the Navy's controls over government-furnished materiel (GFM) provided to its contractors to determine: (1) if the Navy properly implemented the Federal Acquisition Regulation (FAR) and Department of Defense (DOD) policy requirements to justify and document decisions to provide contractors with GFM; (2) the adequacy of Navy controls to validate and approve contractor GFM requisitions; and (3) the adequacy of government oversight of GFM in contractors' possession.

### Findings

GAO found that the Navy: (1) routinely provided GFM to its contractors without adequate justification or documentation, even though government policy required contractors to provide their own materiel unless otherwise justified; (2) did not have adequate management and

control systems to control GFM provided to contractors; (3) prepared a draft instruction that would improve GFM control procedures for all contracts, but did not establish a target date for implementation; (4) reported weaknesses in contractor controls over GFM in past audits without initiating improvements; (5) had not fully implemented DOD policies or complied with its own policies; (6) did not maintain adequate oversight over its contractors' property control and did not ensure that contractors reported potential excess GFM due to personnel shortages; and (7) had not met DOD financial accounting manual requirements.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of the Navy should ensure that Navy contractors and organizations fully comply with and enforce FAR, DOD, and Navy policies on authorizing, issuing,

and overseeing GFM. To ensure that this is done, monitoring may be required until it is evident that the long-standing problems in controlling GFM have been corrected.

**Status:** Action in process. Estimated completion date: 11/90. To ensure adherence to the policy of allowing contractors to obtain only the government-furnished property that has been authorized, the Navy plans to implement, by November 1990, an approved change to the Military Standard Requisitioning and Issue Procedure.

**Recommendation:** The Secretary of the Navy should further improve property accountability for government materiel and develop and implement a financial accounting system that satisfies DOD accounting manual requirements.

**Status:** Action in process. Estimated completion date: 01/90. The Navy stated that it will implement a new reporting

system in late 1989 or early 1990 to correct its property accountability problems.

## Department of Defense - Military (Except Procurement and Contracting)

# Military Manpower: Problems in Accounting for Occupational Shortfalls

NSIAD-88-188, 07/15/88

### Background

In response to a congressional request, GAO reviewed the Department of Defense's (DOD) personnel management accounting and reporting systems to determine whether they provide DOD managers with the kind of information they need to determine personnel shortfalls and excesses in occupational specialties in the event of a major mobilization.

### Findings

GAO found that: (1) DOD does not reconcile the total military force by occupational specialties; (2) although the services do not consolidate and analyze occupation-specific skill data for their total-force requirements, the Army is refining a process to reconcile mobilization requirements and resources for all its military occupational specialties; (3) the services' current manpower and personnel management systems do not require any type of consolidated total-force occupational analysis; (4) although the services collect the raw data needed to perform total-force reconciliation, the data would require many adjustments before the services could use it for that purpose; (5)

occupational data was not consistent and comparable across the services; and (6) DOD has no procedures for comparing requirements, authorizations, and inventory data on an occupation-specific, total-force basis.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should review the services' central manpower and personnel management accounting and reporting systems to determine what changes can be made to these systems so that total-force occupational requirements and resources can be related, monitored, and reported.

**Status:** Action in process. Estimated completion date: 09/90. The Office of the Secretary of Defense (OSD) oversight of service manpower requirements and authorizations data bases has been improved. New guidance has been implemented and data is currently being assembled.

**Recommendation:** The Secretary of Defense should develop and implement policies and procedures for reconciling, analyzing, and reporting total military force needs and resources by occupation

for peacetime, mobilization, and wartime operations.

**Status:** Action in process. Estimated completion date: 09/90. Significant progress in capability to match inventory, authorizations, and requirements is expected over the next year.

**Recommendation:** The Secretary of Defense should use the results of total-force occupational reconciliation and analysis to review and monitor service recruiting, training and assignment plans, strength changes, and force readiness.

**Status:** Action in process. Estimated completion date: 09/90. The Defense Manpower Data Center is developing a total occupational force analysis capability using data submitted by the services.

**Recommendation:** The Secretary of Defense should maintain documentation of total-force reconciliations and analyses to support statements of shortfalls and excesses.

**Status:** Action in process. Estimated completion date: 09/90. OSD is in the process of determining what documentation is required.

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Department of Defense - Military (Except Procurement and Contracting)

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

NSIAD-88-222, 09/07/88

## Background

In response to a congressional request, GAO reviewed issues relating to job opportunities for women in the military services, to determine how: (1) combat exclusion policies affected the number and assignment of women in the military; and (2) military procedures unrelated to combat exclusion limited job opportunities for women.

## Findings

GAO found that the: (1) military services excluded women from about 1.1 million jobs based on combat exclusion policies and related program needs; (2) services further limited the number of certain noncombat jobs that women could hold based on their job availability policies; (3) Marine Corps distributed some unrestricted noncombat jobs equally between men and women; (4) Navy limited women to no more than one-half of the unrestricted noncombat pilot positions; (5) Air Force limited the number of new pilot and navigator openings available to women; (6) Army limited the number of women it

recruited and the availability of jobs to women; and (7) size of the berthing areas on noncombat Navy ships prevented women from filling sea duty positions open to them.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of the Navy should consider berthing area configurations when establishing the male and female distribution of noncombat sea duty positions.

**Status:** Action in process. Estimated completion date: 09/90. The Navy is reviewing the ship alteration plan to determine the number of billets that will be available to women. This information is being provided to the Naval Sea Systems Command for planning purposes.

**Recommendation:** To enable the services to obtain the most capable people overall, and to gain the maximum benefit possible from available resources, the Secretary of the Army should remove limits resulting from the

implementation of accession goals for women enlistees.

**Status:** Recommendation valid/action not intended. The Army disagreed with the recommendation. The Army believes that gender-neutral recruiting without specific accession goals would reduce the number of women accessed into the Army.

**Recommendation:** To enable the services to obtain the most capable people overall, and to gain the maximum benefit possible from available resources, the Secretary of the Navy should review the procedures used by officer career field managers for determining proposed female accession goals for women officers to eliminate unnecessary restrictions on job availability which may result from those procedures.

**Status:** Action in process. Estimated completion date: 09/90. The Navy has concurred and is developing a handbook for career field managers to provide guidance on determining accession goals. It is also reviewing current procedures to eliminate unnecessary restrictions on job availability.

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**Department of Defense - Military (Except Procurement and Contracting)**
**Army Construction: Some Vehicle Wash Facility Designs Can Be Modified to Save Money**

NSIAD-89-16, 10/27/88

**Background**

In response to a congressional request, GAO reviewed whether the Corps of Engineers gave adequate guidance to planners in designing centralized vehicle wash facilities (CVWF) that met the needs of Army installations at the lowest possible cost.

**Findings**

GAO found that: (1) the Corps inadequately assisted planners in deciding which CVWF features to choose; (2) development of definitive

design guidance based on objective criteria was feasible; and (3) eliminating unnecessary features could result in substantial savings.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of the Army should direct the Chief of Engineers, in developing the Corps' new technical manual, to incorporate definitive guidance, based on objective criteria, that facilitates the design of CVWF that meet the needs of military

installations at the lowest possible cost. The criteria should: (1) cover peculiarities such as soil and weather conditions and numbers and types of vehicles supported by an installation; and (2) reflect lessons learned from value engineering studies done on earlier projects.

**Status:** Action in process. Estimated completion date: 09/90. The Army is preparing a new technical manual for vehicle wash facilities to be published in fiscal year 1990. This manual will include the guidance recommended by GAO.

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**Department of Defense - Military (Except Procurement and Contracting)**
**Reserve Components: Opportunities to Improve National Guard and Reserve Policies and Programs**

NSIAD-89-27, 11/17/88

**Background**

GAO reviewed the Department of Defense's (DOD) reserve components' management systems and practices to determine how the services could improve management to enhance reserve force capabilities.

**Findings**

GAO found that: (1) DOD did not develop force mix and mission assignment guidance because it had difficulty developing the methodology; (2) DOD had problems maintaining the updated

personnel information necessary to train and mobilize the Individual Ready Reserve (IRR); (3) DOD did not know the capability of a large number of individual ready reservists, since it transferred personnel without adequate screening; and (4) no guidance existed in key management areas to determine personnel requirements and to utilize and train personnel. GAO also found that: (1) although DOD recently took actions to improve the status of reserve component equipment, shortages still existed and were a major factor affecting capability; (2) although Congress

approved funds to increase reserve equipment procurement, the services reduced the amounts they planned to use for procuring the equipment; (3) the Army Reserve had difficulty using special reserve appropriations because some of its equipment requirements did not fit into its procurement actions; (4) although DOD did not separate reserve component equipment budgets as mandated, it presented an alternative for providing oversight that would establish reserve equipment expenditure minimums; and (5) certain Army National Guard and Reserve equipment

distribution practices resulted in reductions in capability of some higher-priority units. In addition, GAO found that: (1) about 277,000 selected reservists did not have the required individual skills for their positions; (2) training time limited to 38 days a year constrained DOD from providing sufficient individual skill training; and (3) although the services had generally well-integrated financial and management information systems, they had long-standing accuracy and timeliness problems with their pay systems and slippages in their mobilization, management, and administrative information systems.

### Open Recommendations to Congress

**Recommendation:** Congress may wish to consider discontinuing the requirements for DOD to separately budget for National Guard and Reserve equipment and instead establish within each service's equipment authorization and appropriation a minimum amount for reserve equipment expenditures. This would provide visibility over reserve equipment expenditures and would better integrate the reserve components into their parent services' planning and budgeting processes.

**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should take steps to ensure the timely development of force-mix and mission assignment decision guidance that would ensure the consistent consideration of relevant factors pertaining to the decisions. At a minimum, the guidance should address such factors as cost, capability, personnel training, and equipment requirements.

**Status:** Action in process. Estimated completion date: 12/89. The Rand Corporation is conducting a study of force mix decision factors for DOD. The Assistant Secretary of Defense (Force Management and Personnel) is developing procedural guidance for service force mix decisions.

**Recommendation:** The Secretary of Defense should examine alternatives for ensuring that reservists report current addresses and other personal information.

**Status:** Action in process. Estimated completion date: 05/90. DOD has several initiatives underway such as the credit bureau reporting system, etc. Actions will be continuous.

**Recommendation:** The Secretary of Defense should report the IRR personnel data base deficiencies as a material weakness in the DOD system of internal controls and identify plans and milestones for correcting those deficiencies.

**Status:** Recommendation valid/action not intended. DOD believes that this is not a material weakness.

**Recommendation:** The Secretary of Defense should direct the military services to ensure that unit commanders analyze the mobilization potential of unsatisfactory performers and participants before transferring them to IRR.

**Status:** Action in process. Estimated completion date: 05/90. The Office of the Secretary of Defense's (OSD) March 1988 testimony before the House Armed Services Committee stated that policy of transferring non-performers to IRR was questionable. There has been no congressional action to date. The Army is currently examining IRR transfer procedures, and will test them after completing application of total Army personnel data base to reserve components.

**Recommendation:** The Secretary of Defense should direct the Secretaries of the military services to ensure that procurement plans address the availability of mission-essential equipment needed by reserve units, especially when this equipment is unique to the reserve components.

**Status:** Action in process. Estimated completion date: 12/89. OSD established procedures using the P-1R report, which facilitates monitoring of reserve equipment plans. In addition, a DOD directive on reserve component equipment, 1225.6, should be published in late 1989.

**Recommendation:** The Secretary of Defense should direct the Secretary of the Army to reexamine the guidance for equipment distribution and redistribution in the Army National Guard and Reserve and to include consideration of unit deployment priorities in the resource allocation process.

**Status:** Action in process. Estimated completion date: 05/90. The Army believes current equipment distribution guidance is adequate. However, OSD will continue to monitor equipment distribution programs.

**Recommendation:** The Secretary of Defense should ensure that plans for improving the levels of individual military skill qualification include strengthening management control and practices to ensure that reserve component training programs are effectively administered and implemented.

**Status:** Action in process. Estimated completion date: 05/90. All services have reserve component training improvement programs in process. OSD will ensure that the Army includes management controls in new training programs.

**Recommendation:** The Secretary of Defense should examine the possible costs and benefits of using full-time support personnel for those military skill specialities that are difficult to obtain or maintain in the reserve components. If this approach is found to have merit, an analysis should be made of the utilization of existing full-time support personnel before any additional personnel are requested.

**Status:** Action not yet initiated. Current status and activities of full-time support programs is in a state of flux pending reports on full-time programs. Existing continuing controversy over use of technicians and active guard reserve personnel makes it difficult for services to acquire additional manning.

**Recommendation:** The Secretary of Defense should direct the Secretaries of the Army and Navy to develop programs to expedite the retraining of prior service personnel through such practices as establishing and enforcing time limits for completion of requalifications and scheduling required retraining prior to enlisting these personnel in units.

**Status:** Action in process. Estimated completion date: 05/90. The services currently have training initiatives in process to address aspects of individual qualification problems. However, establishing time limits may not be sensible given constraints of the reserve environment.

**Recommendation:** The Secretary of Defense should consider establishing a policy selectively requiring active duty for training for IRR members who transferred from the Selected Reserve. This should apply only to IRR members who have not served on active duty other than for initial entry training.

**Status:** Recommendation valid/action not intended. DOD did not concur with this recommendation. A current GAO job may provide additional support.

**Recommendation:** The Secretary of Defense should direct the Secretary of the Army to report to him on whether opportunities exist to expedite the integration of reserve component pay systems and the elimination of the Army National Guard's unique accounting and information systems. Also, the Secretary

of the Army should report the reserve component mobilization data deficiencies as a material weakness and include plans for correcting the weakness in the fiscal year 1988 report on internal controls.

**Status:** Action in process. Estimated completion date: 07/92. The Army M06 data deficiencies were reported as weaknesses. The Army plans to adopt the Air Force Reserve pay system by late 1989. Elimination of unique Army Guard accounting systems is planned to occur when active Army financial management systems are compliant with GAO standards and in conjunction with Reserve Component Accounting System fielding.

**Recommendation:** The Secretary of Defense should direct the Secretary of the Navy to develop a single pay system for reserve pay.

**Status:** Action in process. Estimated completion date: 06/92. The Navy is upgrading its pay and accounting system for reserve pay which corrects many of the pay system deficiencies. This will eventually interface with the automated personnel system.

## Department of Defense - Military (Except Procurement and Contracting)

# Army Equipment: Distribution and Documentation Problems Impede Operations

NSIAD-89-71, 01/13/89

### Background

GAO assessed the appropriateness of the Army's corrective actions regarding force modernization and its equipment distribution and documentation system.

### Findings

GAO found that: (1) although the Army initiated some actions to improve its equipment distribution system, there were disparities between the distribution of equipment to units and units' authorization documents; (2) Army commanders were unable to make full use of equipment due to problems in

requisitioning required repair parts and related support items; (3) the Army did not report its equipment distribution and documentation problems as a material weakness in its fiscal year (FY) 1987 annual assurance statement on internal controls; and (4) there was no evidence that the Army complied with a regulatory requirement that it review

internal control checklists to ensure controls over equipment distribution and documentation.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of the Army should include the equipment distribution and documentation disparity problem in his next annual assurance statement.

**Status:** Action in process. Estimated completion date: 12/89. The Army has begun actions to include this problem in its next annual assurance statement. This statement is expected to be published in late 1989.

**Recommendation:** The Secretary of the Army should direct the Deputy Chiefs of Staff for Operations and Plans and for Logistics to examine existing and planned internal control checklists to

ensure that adequate coverage of equipment distribution and documentation is provided.

**Status:** Action in process. Estimated completion date: 03/90. The Army is reviewing its checklists to ensure that adequate coverage is given to equipment distribution. Internal control checklists are under development and completion is anticipated by the end of the second quarter, FY 1990.

**Department of Defense - Military (Except Procurement and Contracting)**

**Financial Management: Military Departments' Response to the Reorganization Act**

NSIAD-89-49, 02/09/89

**Background**

Pursuant to a congressional request, GAO reviewed the military services' reorganization of their financial management structures, focusing on the: (1) effect on civilian control; and (2) extent to which the reorganization complied with the Department of Defense Reorganization Act of 1986, which required the military departments to designate a single financial management office in their secretariats and strengthen civilian control.

**Findings**

GAO found that the: (1) Army complied with the act and strengthened civilian

control by integrating two financial management offices into a new office headed by a presidentially appointed assistant secretary for financial management; (2) Navy made minimal changes, maintaining its civilian presidential appointee to serve as both comptroller and assistant secretary for financial management; (3) Navy believed that the Marine Corps' special position within its department necessitated its long-standing policy of delegating some financial management responsibilities to the Marine Corps Fiscal Division; and (4) Air Force complied with the act's requirement by moving its comptroller position to the secretariat, but did not meet the goal of strengthening civilian authority, since it eliminated its

assistant secretary for financial management position, transferred many senior-level civilian supervisors to areas other than financial management, and assigned most of its financial management responsibilities to its comptroller, a military officer.

**Open Recommendations to Congress**

**Recommendation:** Congress may wish to consider whether or not the Department of Defense Reorganization Act of 1986 needs to be modified to reflect the Marine Corps' special position within the Department of the Navy.

**Status:** Action not yet initiated.

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**Department of Defense - Military (Except Procurement and Contracting)**
**Household Goods: Evaluation of Department of Defense Claims Payment and Recovery Activities**

NSIAD-89-67, 02/24/89

**Background**

In response to a congressional request, GAO reviewed the Department of Defense's (DOD) and the military services' procedures for resolving claims for damaged or lost household goods, focusing on whether DOD claims: (1) payments to service members were excessive; and (2) settlement was effective and efficient.

**Findings**

GAO reviewed claims payments data at 11 military installations, and found that: (1) the payments were reasonable and in accordance with claims regulations and

procedures; (2) although the average military claims settlement value was higher than for commercial shipments, it was not an indication that military payments were overly generous; (3) temporary storage of military shipments prior to delivery and the potential for loss or damages accounted for the differences in the average settlements; (4) although claims payments were usually reasonable and timely, the services encountered difficulties in recovering claims from liable carriers; (5) 4 of the 11 installations that GAO reviewed had carrier claims backlogs, but the Air Force had successfully recovered a higher percentage of funds

from carriers; and (6) the statutory 2-year filing period for household goods claims and DOD failure to use claims data to measure carrier performance contributed to claims management and adjudication problems.

**Open Recommendations to Congress**

**Recommendation:** Congress should amend the statutory periods for household goods claims to limit the time allowable for filing claims to 1 year after the claim accrues.

**Status:** Recommendation valid/action not intended.

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**Department of Defense - Military (Except Procurement and Contracting)**
**Navy Supply: Questionable Decisions Increased Initial Spares Costs for AV-8B Aircraft**

NSIAD-89-103, 03/02/89

**Background**

In response to a congressional request, GAO reviewed the Navy's initial provisioning policies and practices for the AV-8B aircraft program, focusing on whether the Navy: (1) complied with Department of Defense (DOD) guidelines for ordering the aircraft's initial spare parts; and (2) purchased the amount of aviation materials that it required.

**Findings**

GAO found that: (1) the Navy spent about \$203,000 for parts the aircraft would not require during initial service; (2) the Navy's Aviation Supply Office (ASO) failed to follow DOD directives regarding comparative analysis when it placed initial orders for aircraft spare parts; (3) although the ASO mathematical approach followed the DOD guidelines, it authorized purchases for all types of spare parts without

considering the outcome of its requirements calculations; (4) ASO had spare parts in excess of its current needs because of its minimum-buy policy, its failure to consider prior orders, and its adherence to contractor-imposed minimum order requirements; and (5) ASO lacked internal control mechanisms to correct inadvertent errors or omissions and contract processing problems.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of the Navy should direct the Commander, Naval Supply Systems Command, to ensure that ASO and other supply organizations comply with the DOD policy on minimizing initial provisioning costs. Specifically, the Commander should take steps to ensure that: (1) appropriate mechanisms are established to assure upper-level management that policies are being followed or, if not, why

not; (2) only the number of spares calculated as needed by the requirements formula are ordered unless it can be shown that special circumstances justify larger quantities; (3) spares already on hand and on order are considered in determining current order quantities; (4) efforts are made to reduce or eliminate contractor minimum order requirements to the extent possible; and (5) consideration is given to whether an item is essential to the mission capability of a weapon system

prior to ordering currently needed spare parts.

**Status:** Action in process. Estimated completion date: 03/90. Requirement review boards, budget execution reviews, internal audits, and inventory management training courses will be used to provide assurance that policies are being followed and vulnerability to excessive provisioning costs are minimized. In addition, policy and guidance on initial spares computations has been reiterated and amplified.

## Department of Defense - Military (Except Procurement and Contracting)

# Navy Training: Safety Has Been Improved, but More Still Needs to Be Done

NSIAD-89-119, 03/07/89

## Background

Pursuant to a congressional request, GAO investigated the circumstances surrounding the death of a Navy enlistee during swimming training, focusing on: (1) how and why the incident occurred; (2) the Navy's action to prevent a recurrence; (3) the adequacy of an investigation into the enlistee's death; and (4) whether safety problems have contributed to other Navy training deaths since January 1986.

## Findings

GAO found that: (1) command pressure to produce more graduates, an intimidating atmosphere, and inadequate internal controls were factors that contributed to the enlistee's death; (2) the Navy school did not adequately supervise and train its instructors, lacked an adequate student feedback system, improperly screened students, and did not have a system to

alert instructors to student problems; (3) the Navy school's high-level command did not pay sufficient attention to high attrition and rollback rates, follow up on injury incidents, establish safety audit or inspection responsibilities, or review its curriculum; (4) the Navy's initial investigation was flawed and hasty and did not thoroughly analyze the circumstances of the incident; (5) although the investigation resulted in procedural changes, additional changes were necessary to clarify policies, eliminate coercion, improve instructor selection and training, and improve internal controls; and (6) safety problems were responsible for 16 other training-related deaths, some of which the Navy did not properly investigate.

## Open Recommendations to Agencies

**Recommendation:** The Chief of Naval Education and Training should clarify the way the drop-on-request and

training-time-out policies are communicated to the students and staff and how students are to signal that they are invoking the policies.

**Status:** Action not yet initiated. The agency's reply to the report identified proposed corrective actions which GAO will examine as part of the congressionally requested followup.

**Recommendation:** The Chief of Naval Education and Training should eliminate the negative sanctions imposed on those who drop out of voluntary training programs because of safety concerns.

**Status:** Action not yet initiated. The agency's reply to the report identified proposed corrective actions which GAO will examine as part of the congressionally requested followup.

**Recommendation:** The Chief of Naval Education and Training should clarify the aviation anti-submarine warfare

operator enlistment contract to include a better description of the kind of training that is required.

**Status:** Action not yet initiated. The agency's reply to the report identified proposed corrective actions which GAO will examine as part of the congressionally requested followup.

**Recommendation:** The Chief of Naval Education and Training should ensure that schools comply with requirements to submit accident or injury reports and safety officers perform independent safety investigations of those incidents.

**Status:** Action not yet initiated. The agency's reply to the report identified proposed corrective actions which GAO will examine as part of the congressionally requested followup.

**Recommendation:** The Chief of Naval Education and Training should ensure that training course model managers receive information on attrition and accidents or injuries.

**Status:** Action not yet initiated. The agency's reply to the report identified proposed corrective actions which GAO will examine as part of the congressionally requested followup.

**Recommendation:** The Chief of Naval Education and Training should improve the student critique system to ensure that information is also gathered from students who do not complete training courses and that the student evaluation forms are redesigned to provide useful assessments.

**Status:** Action not yet initiated. The agency's reply to the report identified proposed corrective actions which GAO will examine as part of the congressionally requested followup.

**Recommendation:** The Chief of Naval Education and Training should ensure that the selection process for instructors of high-risk courses includes an assessment of their suitability for that kind of environment and that instructor training for those courses includes preparation on how to deal with students in a high-stress or high-risk environment.

**Status:** Action not yet initiated. The agency's reply to the report identified proposed corrective actions which GAO will examine as part of the congressionally requested followup.

**Recommendation:** The Chief of Naval Education and Training should ensure that the student selection process also includes some psychological screening of their suitability for high-risk occupations.

**Status:** Action not yet initiated. The agency's reply to the report identified proposed corrective actions which GAO will examine as part of the congressionally requested followup.

**Recommendation:** The Chief of Naval Education and Training should ensure that course safety review teams include personnel with safety expertise.

**Status:** Action not yet initiated. The agency's reply to the report identified proposed corrective actions which GAO will examine as part of the congressionally requested followup.

**Recommendation:** The Chief of Naval Education and Training should ensure that controls on student status changes are sufficient to provide supervisors with clear indication of what status changes have been made.

**Status:** Action not yet initiated. The agency's reply to the report identified proposed corrective actions which GAO will examine as part of the congressionally requested followup.

**Recommendation:** The Secretary of the Navy should require that investigator notes be retained with the Judge Advocate General Manual investigation file.

**Status:** Action not yet initiated. The agency's reply to the report identified proposed corrective actions which GAO will examine as part of the congressionally requested followup.

**Recommendation:** The Secretary of the Navy should direct that any legal opinions that affect the course of an investigation be documented and made a part of the case file.

**Status:** Action not yet initiated. The agency's reply to the report identified proposed corrective actions which GAO will examine as part of the congressionally requested followup.

**Recommendation:** The Secretary of the Navy should review the regulations and procedures applicable to death investigations to clarify under what circumstances investigations should be performed, who should perform them, how investigative authorities are informed that death has occurred, and how the findings of death investigations should be disseminated.

**Status:** Action not yet initiated. The agency's reply to the report identified proposed corrective actions which GAO will examine as part of the congressionally requested followup.

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**Department of Defense - Military (Except Procurement and Contracting)**
**Programming Language: Status, Costs, and Issues  
Associated With Defense's Implementation of Ada**

IMTEC-89-9, 03/24/89

**Background**

In response to a congressional request, GAO reviewed the Department of Defense's (DOD) use of its Ada programming language, focusing on: (1) the cost to implement Ada; and (2) Ada technical issues.

**Findings**

GAO evaluated 100 Ada projects and found that: (1) 87 percent of the projects were either planned or in developmental stages; (2) the Air Force and the Army issued Ada procedures; (3) DOD inventories on Ada projects were incomplete and DOD could not assess whether Ada's use would achieve its intended objectives; (4) DOD has not designed projects to assess long-term Ada cost-effectiveness; (5) DOD expended about \$201 million on three organizations to implement Ada or develop new software engineering techniques; (6) 23 of the 100 Ada projects focused on studies and demonstrations using Ada in certain applications and developing related software; and (7) there were technical issues concerning DOD use of Ada, included software availability, compiler quality, useability in real-time systems, and applicability of Ada to data base management systems.

**Open Recommendations to Agencies**

**Recommendation:** To more fully develop information that will allow more informed judgments on the use of Ada,

the Secretary of Defense should direct the Ada Joint Program Office (AJPO) to develop performance data that demonstrate whether DOD use of Ada is achieving its goals.

**Status:** Action in process. In September 1989, AJPO began action to identify up to six Ada projects, on a voluntary basis, and have these projects collect software cost and benefit data. If funding is available, AJPO also plans to establish an initiative to develop standard metrics for collecting software cost and performance data from projects.

**Recommendation:** To more fully develop information that will allow more informed judgments on the use of Ada, the Secretary of Defense should direct AJPO to develop a DOD-wide repository of computer applications and modules written in Ada, and make them available for reuse.

**Status:** Action taken not fully responsive. Responsibility for the development of repository technology is currently with the STARS program. Two contractors are developing separate repositories. However, access is limited to participating contractors, the repositories are not DOD-wide, and AJPO sees no participation or responsibility in this area.

**Recommendation:** To more fully develop information that will allow more informed judgments on the use of Ada, the Secretary of Defense should direct AJPO to gather and disseminate complete lists of all DOD projects using Ada.

**Status:** Action not yet initiated. No direction has been given to AJPO. The completeness of the list is better than it was, but it is still incomplete. One-third of the additional Ada projects identified by GAO during the review have not yet been verified or added to the list.

**Recommendation:** The Secretary of Defense should establish a committee of independent experts on Ada and software engineering technology to monitor and periodically report to the Secretary on DOD actions to implement Ada. Specifically, the committee should: (1) assess existing projects and propose additional projects, if necessary, to demonstrate the intended cost savings associated with using Ada; (2) assess existing research efforts and identify where there is a need for further research to overcome the technical problems in using Ada in real-time, distributed, and data base applications; (3) assess the progress and results of AJPO in developing a repository of software written in Ada; and (4) recommend appropriate courses of action in employing Ada.

**Status:** Recommendation valid/action not intended. DOD disagreed with the establishment of a separate committee and stated that it can accomplish the four specific tasks of this recommendation under existing DOD organizations and structures. There is no evidence of any organized or specific actions taken by AJPO or DOD in general regarding this recommendation.

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**Department of Defense - Military (Except Procurement and Contracting)**
**Tactical Airlift: Issues Concerning Air Force Plans for Pacific Distribution System**

NSIAD-89-81, 03/30/89

**Background**

GAO reviewed the Air Force Pacific Distribution System (PDS) to assess: (1) the need for PDS; and (2) whether it can effectively and efficiently satisfy its planned objectives.

**Findings**

GAO found that PDS included: (1) a logistics command, control, and communications (LOG C3) system to provide theater-wide visibility over tactical aircraft spare parts; (2) a stockage warehouse to stock depot-level material; and (3) light-utility aircraft to provide delivery of mission-essential spare parts to U.S. tactical air bases in the Pacific. GAO also found that: (1) although the Air Force planned to use

PDS to deliver spare parts between a logistics center, an intermediate repair facility, and its tactical air bases, it phased out the repair facility and eliminated the principal operations center that PDS would serve; (2) the Air Force planned to use PDS to provide rapid lateral support between bases, but selected an aircraft that was not fully capable of carrying out the PDS mission; (3) Congress disapproved funding for PDS in 1988 because the Air Force had not thoroughly evaluated the European Distribution System LOG C3 system before proceeding with the PDS LOG C3 system; (4) the aircraft designated for PDS continued to operate a similar service, while the warehouse only stocked a few items; and (5) the Air Force left several bases' operations

similar to the planned PDS, since it expected to obtain authority to resume PDS operations with 1990 appropriations.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of the Air Force should not resume developing PDS until it has sought congressional authority and provided to Congress a detailed analysis of the need for and benefits to be gained from having such a system, fully considering the issues discussed.

**Status:** Action in process. The Department of Defense agreed not to pursue PDS until congressional guidance is obtained.

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**Department of Defense - Military (Except Procurement and Contracting)**
**Acquisition Reform: Military Departments' Response to the Reorganization Act**

NSIAD-89-70, 06/01/89

**Background**

In response to a congressional request, GAO assessed: (1) whether the military departments' reorganizations satisfied the requirements and objectives of the Department of Defense Reorganization Act of 1986; (2) the roles of the military staffs in the acquisition process; and (3) the changes in the civilian/military

balance within the acquisition organizations.

**Findings**

GAO found that: (1) although the act was succeeding in its goal of strengthening civilian control of acquisition functions, the extent of independent program expertise within

the military secretariats remained a concern; (2) the Army undertook the most extensive restructuring of its headquarters acquisition activities by integrating the former secretariat functions and staff and its acquisition organizations; (3) the Army has eliminated some of its systems coordinators for specific weapons systems programs by putting some of the

functions in its chief of staff organizations, which may result in program expertise migrating to those organizations and detract from strengthening civilian control; (4) the Air Force merged its chief of staff acquisition office with the secretariat acquisition office, but retained military officers as the dominant leadership positions and assigned certain acquisition functions to readiness support, which did not comply with the act's requirements; (5) although the Air Force reorganization resulted in a transfer of some program element monitors to the acquisition secretariat, other program element monitors remained in the chief of staff organization and limited the Secretary's direct access to program information; (6) although the Navy made less extensive changes, a planned staff restructuring to augment the acquisition secretariat staff was still in process; (7) although civilians dominated the leadership positions in the Navy's acquisition organization, its reorganization did not consolidate the acquisition authority into one office; (8) the Navy's program expertise resided with the chief of naval operations (CNO) staff and detracted from strengthening civilian control over the acquisition process; and (9) the Marine Corps made

substantial realignments, which brought it into compliance with the act.

### Open Recommendations to Agencies

**Recommendation:** To bring the Air Force into compliance, the Secretary of the Air Force should transfer responsibility for acquisition activities now assigned to the assistant secretary for readiness to the assistant secretary for acquisition.

**Status:** Action in process.

**Recommendation:** The Secretary of the Navy should take appropriate action to bring the Navy into compliance with the requirements of the act.

**Status:** Action in process.

**Recommendation:** To provide the secretariat with direct access to program information, a key ingredient to strengthening civilian control, and to ensure that the concept of civilian control is reflected in the organizational structure of each of the acquisition secretariats, the Secretary of the Air Force should consider: (1) enhancing secretariat management of logistics programs; and (2) seeking a more balanced mix of civilian and military personnel in leadership positions.

**Status:** Action in process.

**Recommendation:** To provide the secretariat with direct access to program information, a key ingredient to strengthening civilian control, and to ensure that the concept of civilian control is reflected in the organizational structure of each of the acquisition secretariats, the Secretary of the Army should monitor implementation of the program executive office concept to ensure that a sufficient level of program expertise remains under the direct control of the Army Acquisition Executive.

**Status:** Action in process.

**Recommendation:** To provide the secretariat with direct access to program information, a key ingredient to strengthening civilian control, and to ensure that the concept of civilian control is reflected in the organizational structure of each of the acquisition secretariats, the Secretary of the Navy should clarify the roles and responsibilities of secretariat staff and CNO program coordinators in line with the objective of ensuring that independent program expertise resides within the secretariat.

**Status:** Action in process.

## Department of Defense - Military (Except Procurement and Contracting)

# Army Training: Management Initiatives Needed to Enhance Reservists' Training

NSIAD-89-140, 06/30/89

### Background

Pursuant to a congressional request, GAO examined the Army's training of its National Guard and Army Reserve units to determine the: (1) extent of

individual reserve component soldiers' training in both critical job tasks and battlefield survival skills; and (2) factors affecting reserve units' ability to provide adequate training.

### Findings

GAO found that the Army reservists' training: (1) provided little instruction on equipment that the Army expected reservists to operate and sometimes

provided instruction on equipment it never expected reservists to use; (2) was frequently limited by shortages of essential equipment; (3) sometimes omitted skills reservists needed to perform their units' mission-essential tasks, since commanders lacked the necessary guidance or experience to design effective training programs; (4) did not comply with Army policy and regulations to train reservists in survival skills or under realistic conditions to help them cope with complex, stressful, and lethal battlefield situations; (5) was hindered by the wide geographic distribution of units and reservists' limited training time; and (6) did not always effectively use the scarce training time available for reservists. GAO also found that: (1) only about 60 percent of reservists required to take a skill qualification test actually did so, and the percentage of reservists who passed was about 25 percent lower than the percentage of active-duty soldiers who passed; (2) information on reservists' proficiency was essentially limited to commanders' perceptions; (3) deficiencies in reservists' training could significantly affect the Army's ability to carry out its defense strategies; and (4) the Army's plans to improve reservists' training focused on training reservists in fewer mission-essential tasks than their active-duty counterparts.

## Open Recommendations to Agencies

**Recommendation:** To enable unit commanders to train soldiers in all soldier manual tasks that support the units' missions, the Secretary of the Army should make arrangements, when feasible, with active units or other reserve units to share valuable equipment with units that lack mission-essential equipment for training.  
**Status:** Action not yet initiated. The Army supports actions which enable commanders to train soldiers for their

missions. Reserve units already borrow equipment from a variety of sources. Unfortunately, this does not provide a broad solution to equipment shortages. The availability of equipment is often limited due to a lack of low-density items or by active training or operational missions.

**Recommendation:** To enable unit commanders to train soldiers in all soldier manual tasks that support the units' missions, the Secretary of the Army should identify and evaluate the feasibility of options to establish advanced initial training programs that provide instruction on equipment used by the unit to which reserve soldiers are assigned.

**Status:** Action in process. The Army will identify and evaluate options for improving Advanced Individual Training programs for reservists. The Army Training and Doctrine Command will recommend alternative strategies to increase skill-level-1 tasks on appropriate equipment by the end of 1989.

**Recommendation:** To enable unit commanders to train soldiers in all soldier manual tasks that support the units' missions, the Secretary of the Army should ensure that unit commanders are adequately trained to fully understand the mission-essential task list development process.

**Status:** Action in process. The Army will continue to provide guidance and assistance to subordinate commanders in developing unit mission-essential task lists.

**Recommendation:** The Secretary of the Army should emphasize the responsibility of leaders throughout the Army in establishing a training environment for reservists that stresses training in battlefield survival.

**Status:** Action in process. The U.S. Forces Command and the National

Guard Bureau are publishing a coordinated regulation, which directs all reserve units to train with a battle focus.

**Recommendation:** The Secretary of the Army should direct unit commanders to follow Army guidance and train noncommissioned officers: (1) in all common soldier tasks; and (2) under realistic battlefield conditions so that noncommissioned officers can in turn train the other soldiers.

**Status:** Action in process. The Forces Command/National Guard Regulation 350-2, will provide detailed implementing instructions for reserve commanders to integrate individual and collective training, noncommissioned officer training, individual skills training, and training under battlefield conditions.

**Recommendation:** The Secretary of the Army should direct unit commanders to plan training activities to maximize the limited training time available.

**Status:** Action in process. Regulations are being revised to provide consistent training guidance to reserve commanders. Tight Reserve Component Training Development Action Plan initiatives were developed to assist reserve commanders and units in making better use of limited training time.

**Recommendation:** The Secretary of the Army should encourage states and Army reserve units that have not already done so to adopt initiatives aimed at consolidating administrative requirements.

**Status:** Action in process. In August 1988, the Army established a task force to reduce reserve training detractors. The task force is conducting a total review of reserve component administrative requirements, and requirements and will recommend

requirements to be deleted, or consolidated.

**Recommendation:** The Secretary of the Army should direct commanders at all levels to ensure that soldiers take the Skill Qualification Test once the Army Training and Doctrine Command has implemented the revised tests.

**Status:** Action not yet initiated. New guidance was to be published in the revised Army Regulation (AR) 350-37, Individual Training Evaluation Program, by July 1, 1989.

**Recommendation:** The Secretary of the Army should direct unit commanders to keep job books current.

**Status:** Recommendation valid/action not intended. The Army Training and

Doctrine Command has stated that job books are still a requirement and directed all units to keep them current.

**Recommendation:** The Secretary of the Army should direct: (1) commanders at all levels to ensure that soldiers take the Common Task Test, as required by Army regulation; and (2) the Army Training and Doctrine Command to develop guidance on evaluating soldiers to preclude the administrative problems that currently bias Common Task Test results.

**Status:** Action in process. The Army Training and Doctrine Command is clarifying guidance on the evaluation of soldiers during common task testing. The new guidance will be published in

the revised AR 350-37, Individual Evaluation Program.

**Recommendation:** The Secretary of the Army should: (1) ensure that the strategy for training reservists is fully implemented; and (2) provide details to Congress on how the new strategy will affect the total force policy, which implies that Army reserve component units will complement active forces with equal capability.

**Status:** Action not yet initiated. The Reserve Component Training Strategy and Reserve Component Training Development Action Plan are specifically designed to reinforce the total force policy and the training readiness of reserve component units.

**Department of Defense - Military (Except Procurement and Contracting)**

**Navy Maintenance: Aviation Component Repair Program Needs Greater Management Attention**

NSIAD-89-171, 07/06/89

**Background**

Pursuant to a congressional request, GAO reviewed the Navy's aviation component repair program, focusing on: (1) whether repair prices were well-supported and reasonable; (2) Navy efforts to improve efficiency and contain costs; and (3) internal program management controls.

**Findings**

GAO found that naval aviation depots: (1) during fiscal year (FY) 1988, overhauled almost 200,000 components, with revenues of about \$601 million; (2) based their repair charges on standards reflecting the estimated number of labor hours that the repair required; (3) lacked

or had inaccurate documentation to support 68 percent of 75 component repair charges GAO reviewed; (4) were not required to and did not analyze price variances, resulting in continuing overcharges or undercharges for some component repairs; (5) frequently charged for more labor hours than they actually used for component repair; and (6) did not comply with requirements to establish and track performance goals. GAO also found that the Naval Air Systems Command: (1) had inadequate controls to ensure that depots complied with instructions requiring accurate, current, and auditable work-load standards; (2) has not identified or corrected the causes of the depots' 13-percent decline in component repair

efficiency between FY 1985 and 1988; and (3) has several major initiatives underway to improve the depots' efficiency and contain costs, but some are limited by design problems.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of the Navy should instruct the Commander, Naval Air Systems Command, to direct the naval aviation depots to comply with requirements that component repair prices be well-supported with up-to-date, auditable documentation. To verify compliance, the Command should make on-site audits and obtain quarterly status reports on naval aviation depot

efforts to maintain the standards program.

**Status:** Action in process. Estimated completion date: 01/90. The Navy is developing a revised work-load standards program that will address GAO concerns. Management controls built into the revised program will include periodic reporting and on-site reviews.

**Recommendation:** To ensure that naval aviation depots identify and analyze variances between standard and actual labor hours for individual repairs, the Commander, Naval Air Systems Command, should direct naval aviation depots to develop quarterly reports identifying variances, analyze the reasons for the variances, and make appropriate adjustments to the standards.

**Status:** Action in process. Estimated completion date: 01/90. The Navy plans to implement a variance analysis program. Under this program, a fixed number of components with large variances between standard and actual labor hours will be reviewed quarterly. An engineered work-load standard will be developed for each component reviewed.

**Recommendation:** The Secretary of the Navy should direct the Commander, Naval Air Systems Command, to identify the causes of the reported productivity decline in the component repair program and take appropriate action to improve productivity.

**Status:** Action in process. Estimated completion date: 03/90. The Navy recognizes the need to apply enhanced

action to the component repair program and will take appropriate steps to improve productivity and efficiency. The specific details of this enhanced management action are being defined.

**Recommendation:** The Secretary of the Navy should direct the Commander, Naval Air Systems Command, to require naval aviation depots to reestablish and track performance goals as a means to improve efficiency.

**Status:** Action in process. Estimated completion date: 01/90. The depots have been directed to develop an improved performance measurement system. Approved, meaningful performance measures will be finalized and implemented in FY 1990.

**Department of Defense - Military (Except Procurement and Contracting)**

**Army Maintenance: General Support Maintenance Units Not Prepared to Perform Wartime Missions**

NSIAD-89-183, 07/17/89

**Background**

GAO evaluated the Army's general support maintenance activities to determine how well the Army was preparing general support units for their wartime missions.

general support maintenance units were spending more than half their time on lower-level maintenance tasks, in violation of Army regulations; and (4) the Army did not have adequate systems to assess individual or unit proficiency in general support maintenance.

**Status:** Action in process. The Army plans to provide wartime mission guidance. A Department of Defense Inspector General (DOD/IG) official said his office had not yet received this guidance. GAO plans to follow up on this again in January 1990.

**Findings**

GAO found that: (1) most Army general support maintenance units did not know what combat units they would be supporting or what equipment they would be expected to repair in wartime; (2) the Army had maintenance units working on older or outmoded equipment that it expected to replace with modern equipment; (3) some

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of the Army should provide adequate wartime mission guidance to general support maintenance unit commanders indicating the units and types of equipment they will be expected to support in wartime.

**Recommendation:** The Secretary of the Army should direct installation maintenance managers to create opportunities for training general support maintenance units by assigning them general support tasks. As these units become proficient, assign them more of the higher-priority force modernization equipment they will be expected to repair in wartime.

**Status:** Action in process. A message emphasizing this policy is being sent out. A DOD/IG official said that his office had not yet received copies of this message to confirm this action. GAO plans to follow up on this again in January 1990.

**Recommendation:** The Secretary of the Army should reevaluate, as appropriate, the work loads assigned to civilian maintenance activities to ensure that general support maintenance units are not denied the opportunity to work on high-priority equipment that they will be required to repair in wartime.

**Status:** Action not yet initiated. A DOD/IG official said that he had not as yet received any confirmation from the Army that action was in process. GAO plans to follow up on this again in January 1990.

**Recommendation:** The Secretary of the Army should evaluate the practice of assigning extensive amounts of direct-support-level repairs to general support maintenance units, particularly units whose wartime missions require high

levels of proficiency in general-support-level repairs.

**Status:** Action in process. A statement placing increased emphasis on ensuring a general support training work load will be included in the policy message. A DOD/IG official said that he has not as yet received copies of this message to confirm this action. GAO plans to follow up on this again in January 1990.

**Recommendation:** The Secretary of the Army should curtail non-maintenance activities that result in general support maintenance personnel spending less-than-acceptable amounts of time performing hands-on general support maintenance repairs.

**Status:** Action in process. The current 50-percent goal will be reemphasized in the policy message. A DOD/IG official said that he has not as yet received copies of this message to confirm this action. GAO plans to follow up again in January 1990.

**Recommendation:** The Secretary of the Army should develop methods for evaluating general support maintenance

proficiency, including the: (1) testing of individual soldiers performing actual general-support-level repairs; and (2) addition of general-support-level maintenance tasks to soldier job books and soldier manuals.

**Status:** Action in process. Methods to be used to differentiate skill levels are to be reviewed. A DOD/IG official said that he has not as yet been informed by the Army as to what the methods are and whether they are adequate. GAO plans to follow up on this again in January 1990.

**Recommendation:** The Secretary of the Army should ensure that commanders, when developing unit status report ratings, consider the: (1) results of individual soldiers' proficiency testing; and (2) compatibility of equipment units work on in peacetime with equipment they will be expected to work on in wartime.

**Status:** Action in process. By the first quarter of calendar year 1990, the Army expects to develop methods that will involve consideration of both of these factors.

## Department of Defense - Military (Except Procurement and Contracting)

# Budget Reprogramming: Opportunities to Improve DOD's Reprogramming Process

NSIAD-89-138, 07/24/89

### Background

Pursuant to a congressional request, GAO reviewed the Department of Defense's (DOD) fiscal year (FY) 1987 reprogramming actions to determine the effectiveness of and ways to improve its budget reprogramming process.

### Findings

GAO found that: (1) during FY 1987, Congress reviewed 69 DOD reprogramming requests, representing about 0.5 percent of total DOD funds obligated for the affected appropriation accounts; (2) DOD complied with mutually established congressional and DOD guidance for reprogramming requests; (3) the majority of

reprogramming requests significantly exceeded the minimum dollar threshold for requiring congressional review; (4) the DOD reprogramming request form lacked key financial data that would completely and accurately describe the status of reprogramming actions; (5) the DOD semiannual report to Congress did not summarize reprogramming by fiscal year or highlight items of interest to

Congress, and mixed congressionally approved reprogramming with pending reprogramming requests and DOD-approved requests; (6) congressional committees acted on about half of the FY 1987 reprogramming requests within 90 days, but DOD believed that delays restricted the use of funds for too long and discouraged reprogramming; (7) House committees' use of an exception basis for reprogramming requests resulted in faster processing than by Senate committees, which issued a written decision on each request; and (8) Congress did not have review or notification requirements for DOD shifting of substantial funds, sometimes

for purposes other than originally proposed, among subaccounts.

### Open Recommendations to Congress

**Recommendation:** To facilitate the review and reporting of reprogramming actions, the Senate Committee on Armed Services, after consulting with the other responsible committees, may wish to direct the Secretary of Defense to modify: (1) DOD Form 1415, "Reprogramming Action," to add information on the urgency of requests, other relevant data, and a more complete financial status on programs being changed; and (2) DOD Form 1416,

"Report of Programs," by adding summary data, distinguishing congressionally reviewed-approved and pending-reprogramming from self-initiated changes and separately identifying nonreprogramming changes. **Status:** Action not yet initiated.

**Recommendation:** The Senate Committee on Armed Services may wish to consider requiring the reporting of major shifts of funds within subaccounts. The services could prepare an addendum to their budget backup books to explain significant changes between prior years requested/appropriated amounts and actual obligations. **Status:** Action not yet initiated.

## Department of Defense - Military (Except Procurement and Contracting)

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

NSIAD-89-147, 08/04/89

### Background

Pursuant to a congressional request, GAO reviewed the Department of Defense's (DOD) Asset Capitalization Program (ACP), which Congress intended to finance DOD capital investment projects.

### Findings

GAO found that: (1) DOD has not provided the services with comprehensive guidance on permissible ACP expenditures, resulting in military activities spending ACP funds on such items as furniture and vehicles; (2) ACP lacked a functional program manager at the department level until July 1989; (3) ACP lacked a systematic approach for identifying investment opportunities, including long-range activity

modernization plans; (4) military activities did not follow existing justification, review, or approval procedures, and were slow to acquire and install ACP projects; (5) activities were not adhering to established internal controls; (6) service- and command-directed ACP projects have restricted activities' ability to use ACP for needed plant equipment; (7) many activities bought lower-priority items because they believed they would lose unobligated ACP funds; and (8) the DOD annual report to Congress on ACP did not include all project life-cycle costs.

### Open Recommendations to Congress

**Recommendation:** Congress may wish to consider amending its ACP exhibit

reporting requirement to include having the Secretary of Defense report the total cost of ACP projects over the entire project cycle. **Status:** Action not yet initiated.

**Recommendation:** Congress may wish to consider establishing a ceiling on the amount of ACP funds used to purchase high-dollar, service- and command-directed projects due to their potential short- or long-term impact on activity ACP funding, and allow the services to compete for funds above the ceiling in the procurement appropriations process. **Status:** Action in process.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should require that ACP funds be used for items that contribute most significantly toward fulfilling the activities' missions.

**Status:** Action not yet initiated. DOD has deferred responding with an action plan due to the congressional deliberations over the program's funding arrangement.

**Recommendation:** The Secretary of Defense should work with Congress to obtain a clear understanding of its intent to restrict the purchase of general purpose passenger vehicles with program funds.

**Status:** Action not yet initiated. DOD has deferred responding with an action plan due to the congressional deliberations over the program's funding arrangement.

**Recommendation:** The Secretary of Defense should place additional management emphasis on ACP. Specifically, the Secretary should require post-investment analyses or other measures to determine if anticipated benefits are being realized and if changes in program management are needed.

**Status:** Action not yet initiated. DOD has deferred responding with an action plan due to the congressional deliberations over the program's funding arrangement.

**Recommendation:** The Secretaries of the Army, Navy, and Air Force should direct their respective commands to

comply with existing guidance to ensure that capital investments are consistent with the activities' strategic plans, projects are implemented in a timely manner, and post-investment analyses are being performed.

**Addressee:** Department of the Air Force

**Status:** Action not yet initiated. DOD has deferred responding with an action plan due to the congressional deliberations over the program's funding arrangement.

**Addressee:** Department of the Navy

**Status:** Action not yet initiated. DOD has deferred responding with an action plan due to the congressional deliberations over the program's funding arrangement.

**Addressee:** Department of the Army

**Status:** Action not yet initiated. DOD has deferred responding with an action plan due to the congressional deliberations over the program's funding arrangement.

**Recommendation:** The Secretaries of the Army, Navy, and Air Force should direct their respective commands to assign sufficient personnel to manage and execute the program.

**Addressee:** Department of the Air Force

**Status:** Action not yet initiated. DOD has deferred responding with an action plan due to congressional deliberations over the program's funding arrangement.

**Addressee:** Department of the Navy

**Status:** Action not yet initiated. DOD has deferred responding with an action plan due to the congressional deliberations over the program's funding arrangement.

**Addressee:** Department of the Army

**Status:** Action not yet initiated. DOD has deferred responding with an action plan due to the congressional deliberations over the program's funding arrangement.

**Recommendation:** The Secretary of Defense should develop guidance on the minimum documentation required to be maintained in ACP project files.

**Status:** Action not yet initiated. DOD has deferred responding with an action plan due to the congressional deliberations over the program's funding arrangement.

**Recommendation:** The Secretaries of the Army, Navy, and Air Force should direct their respective commands to: (1) comply with existing internal control procedures; (2) develop procedures to verify that actual costs of equipment are recorded on depreciation and plant property records; and (3) ensure that internal control procedures are being followed.

**Addressee:** Department of the Air Force

**Status:** Action not yet initiated. DOD has deferred responding with an action plan due to the congressional deliberations over the program's funding arrangement.

**Addressee:** Department of the Navy

**Status:** Action not yet initiated. DOD has deferred responding with an action plan due to the congressional deliberations over the program's funding arrangement.

**Addressee:** Department of the Army

**Status:** Action not yet initiated. DOD has deferred responding with an action plan due to the congressional deliberations over the program's funding arrangement.

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**Department of Defense - Military (Except Procurement and Contracting)**
**Navy Relocation: Transfer of the Naval Explosives Development Engineering Department**

NSIAD-89-176BR, 08/17/89

**Background**

Pursuant to a congressional request, GAO reviewed the Navy's studies supporting the proposed transfer of the Naval Explosives Development Engineering Department (NEDED) from the Naval Weapons Station in Yorktown, Virginia, to the Naval Ordnance Station in Indian Head, Maryland.

**Findings**

GAO found that the Navy: (1) cited business consolidation and improved leadership and supervision as the primary reasons for its May 1987 decision to relocate NEDED; (2) estimated potential savings of about \$10.3 million over 30 years resulting from the cancellation of some military

construction projects, reduced capital equipment purchases, increased productivity, and reduced personnel and base operating costs; (3) expected to incur about \$2.3 million in building renovation and moving costs; (4) agreed that it had accomplished most of its main objectives through an administrative transfer in June 1988, but continued to plan to complete the physical move during fiscal year 1993, after awarding a \$300,000 architectural and engineering contract; (5) did not always use the best available source data for its cost effectiveness analysis, since an analysis using the best available data identified potential savings of about \$7.1 million; (6) based \$3.2 million of its projected savings on the construction of a continuous processing facility, although low prioritization and fiscal

constraints made such construction unlikely; and (7) did not consider options involving maintaining separate operations at each location or leaving NEDED at Yorktown, as a detachment of Indian Head.

**Open Recommendations to Agencies**

**Recommendation:** In view of lower estimated potential savings, likely fiscal constraints, and the resulting uncertainty that the physical move will take place, the Secretary of the Navy should reconsider the need for awarding an architectural and engineering contract to study the costs involved in moving NEDED to Indian Head until the likelihood of a move is more certain. **Status:** Action not yet initiated.

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**Department of Defense - Military (Except Procurement and Contracting)**
**Attack Warning: Defense Acquisition Board Should Address NORAD's Computer Deficiencies**

IMTEC-89-74, 09/13/89

**Background**

Pursuant to a congressional request, GAO evaluated the: (1) Department of Defense's (DOD) efforts to consolidate management and funding of the North American Aerospace Defense Command's (NORAD) Integrated Tactical Warning and Attack

Assessment (TW/AA) system modernization programs; (2) Air Force's progress in correcting five critical program deficiencies; and (3) Air Force's implementation of recommendations to conduct a cost-benefit analysis to determine the most effective and efficient means of meeting future communications processing needs at

Cheyenne Mountain, which houses the TW/AA system.

**Findings**

GAO found that the Air Force: (1) in compliance with a congressional mandate, consolidated five TW/AA modernization programs and requested

\$117.6 million for continuing the programs during fiscal year (FY) 1990; (2) expected to spend an additional \$617 million through FY 1994 to complete the modernization effort; (3) identified 29 unresolved critical deficiencies in the 5 modernization programs; (4) began work to resolve critical Communications System Segment (CSS) Replacement Program problems involving uniform wiring standards, cabling congestion, and standardized message formats, but had not addressed other critical problems involving standard communication protocols or inconsistent message loading assumptions, although it recognized that the effectiveness of its other modernization programs relied on CSS effectiveness; (5) accepted CSS

replacement hardware without resolving 12 unmet system specifications, and did not plan to formally test the hardware until July 1990; and (6) continued interim CSS upgrades, but did not perform a recommended cost-benefit analysis to determine the most efficient and effective means for satisfying communications processing requirements.

### Open Recommendations to Agencies

**Recommendation:** If the Defense Acquisition Board advises the Secretary of Defense that program development should continue, as proposed by the Air Force, before a sound technical approach

is developed for correcting critical deficiencies, the Board should clearly justify its rationale, specifically addressing the unresolved deficiencies and the fact that the most cost-effective approach for satisfying NORAD communication needs has not been established.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of Defense should not obligate FY 1990 appropriations for continued development of the consolidated modernization program until the Defense Acquisition Board completes its review and submits its report to the Secretary.

**Status:** Action not yet initiated.

## Department of Defense - Military (Except Procurement and Contracting)

# Depot Maintenance: Air Force Defines Backlog Better, but Additional Efforts Are Needed

NSIAD-89-211, 09/26/89

### Background

Pursuant to a congressional request, GAO reviewed the Air Force's reported depot maintenance backlog for fiscal year (FY) 1988 and FY 1989 to determine whether the Air Force: (1) identified backlog estimates for specific repairs and overhauls; (2) measured the effects of backlogs on unit readiness and sustainability; and (3) planned any changes to improve its identification of its requirements and the backlog.

### Findings

GAO found that the Air Force: (1) defined the total depot maintenance backlog as the gross difference between its yearly requirements and available funding, but began in FY 1988 to

identify individual items in its reported backlog; (2) estimated that it needed \$185.7 million to repair items in its unfunded backlog at the end of FY 1988; (3) lacked adequate implementing procedures for identifying and calculating the unfunded backlog, resulting in its including some items it should not have reported, using unverified data, and relying on questionable depot and contractor inventory records; (4) is working to better link repair requirements to readiness and sustainability levels and to quantitatively assess the extent to which the backlog degrades capability; (5) to mitigate potential readiness problems, prioritized the depot maintenance work load and allocated funds to repair items needed to support

peacetime operations and maintain readiness, transferred some of the depot work load to operating commands, and used parts from grounded aircraft or war reserve stock to continue operations; (6) generally reported that readiness levels remained high, but did report some shortages in repair parts that could degrade capability; and (7) is improving its requirements computation process and modernizing its logistics management information systems, and did not rely on those systems in determining its FY 1989 and FY 1990 requirements, since they generally overstated needed repairs.

**Open Recommendations to Agencies**

**Recommendation:** To prepare for the planned Office of the Secretary of

Defense and subsequent Air Force changes and to ensure that the backlog is consistently and accurately reported by the air logistics centers, the Secretary of the Air Force should direct the

Commander, Air Force Logistics Command, to prescribe the procedures and processes to be used in determining and verifying reported unfunded repairs.  
**Status:** Action not yet initiated.

**Department of Defense - Procurement and Contracts**

**Technical Risk Assessment: The Status of Current DOD Efforts**

PEMD-86-5, 04/03/86

**Background**

Pursuant to a congressional request, GAO reviewed the Department of Defense's (DOD) procedures and practices for risk assessment in connection with major weapons systems procurement. GAO reviewed the 25 program offices responsible for conducting risk assessments.

**Findings**

GAO found that, while DOD has identified a number of risk assessment approaches: (1) it has not specifically defined technical risk; (2) it has insufficient policy and training to guide program managers in assessing technical risks; (3) the program offices have developed inconsistent and sometimes contradictory approaches to risk assessment; and (4) none of the program offices have conducted a quantitative risk assessment to support budgeting for risk. Since DOD has developed no standards for risk assessments, GAO developed risk assessment criteria and found that: (1) only three offices' risk assessment efforts met the criteria; and (2) most program offices did not implement their efforts to achieve the most accurate and useful results. In addition, GAO found that: (1) program offices did not always convey technical

risk information to decisionmakers; (2) some program staff were unaware of risk assessment efforts or lacked information on assessment procedures and results; (3) contractors did not often properly document their technical risk assessment data; and (4) it could not make any meaningful studies of the accuracy or effects of individual assessments until DOD improved its assessment processes.

**Open Recommendations to Agencies**

**Recommendation:** To improve technical risk assessment concepts and procedures, the Secretary of Defense should define technical risk and categories for rating risk.

**Status:** Action in process. DOD actions include: (1) preparation of a risk assessment handbook; (2) a review of its training in technical risk assessment; and (3) a review of relevant regulations.

**Recommendation:** To improve technical risk assessment concepts and procedures, the Secretary of Defense should require that risk efforts focus explicitly on technical risk and be prospective, planned, and repeated at least twice, early and late, in each acquisition phase.

**Status:** Action in process. DOD actions include: (1) preparation of a risk assessment handbook; (2) a review of its training in technical risk assessment; and (3) a review of relevant regulations.

**Recommendation:** To improve technical risk assessment concepts and procedures, the Secretary of Defense should require program management offices to document their risk assessment procedures and results.

**Status:** Action in process. DOD actions include: (1) preparation of a risk assessment handbook; (2) a review of its training in technical risk assessment; and (3) a review of relevant regulations.

**Recommendation:** To improve technical risk assessment concepts and procedures, the Secretary of Defense should establish guidelines regarding options for format for rating risks, scope, data collection, and assessment approaches.

**Status:** Action in process. DOD actions include: (1) preparation of a risk assessment handbook; (2) a review of its training in technical risk assessment; and (3) a review of relevant regulations.

**Recommendation:** To improve technical risk assessment concepts and procedures, the Secretary of Defense should require that technical risk information that

program offices or contractors require for review include a description of format, scope, data collection, sources of risk information, and assessment approaches.

**Status:** Action in process. DOD actions include: (1) preparation of a risk

assessment handbook; (2) a review of its training in technical risk assessment; and (3) a review of relevant regulations.

**Recommendation:** To improve technical risk assessment concepts and procedures, the Secretary of Defense should provide

more focused training in technical risk assessment.

**Status:** Action in process. DOD actions include: (1) preparation of a risk assessment handbook; (2) a review of its training in technical risk assessment; and (3) a review of relevant regulations.

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## Department of Defense - Procurement and Contracts

# Contract Pricing: Material Prices Overstated on the Amphibious Assault Vehicle Contract

NSIAD-86-123, 05/16/86

### Background

GAO reviewed subcontract pricing on the Navy's 1984 option buy of amphibious assault vehicles to determine if the contractor complied with contract pricing laws in providing accurate, complete, and current pricing data in its prime contract.

### Findings

GAO found that the contractor: (1) overstated the proposed prices it gave the Navy for two of its eight

subcontracted items; (2) in one case, received lower quotations, but did not disclose them to the Navy or base the contract price on the lowest quotation; and (3) in the second case, acknowledged a lower available price and proposed a contract price reduction, but had not begun negotiations for the reduction.

### Open Recommendations to Agencies

**Recommendation:** The Commander, Naval Sea Systems Command, should

initiate action to obtain recovery of funds from the contractor.

**Status:** Action in process. The Defense Contract Audit Agency (DCAA) reviewed the contract and recommended a price adjustment of \$18 million. The contractor rebutted the DCAA claim. The Department of Defense Inspector General case officer stated that action is still in process. Disposition action is ongoing.

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## Department of Defense - Procurement and Contracts

# Contract Pricing: Material Prices Overstated on Standard Missile and Phalanx Systems

NSIAD-87-31, 02/11/87

### Background

As part of a nationwide review, GAO examined subcontract pricing on five prime contracts for the production of the Standard Missile System and the Phalanx Weapon System to: (1)

determine whether the contractor complied with the Truth in Negotiations Act in providing accurate, complete, and current pricing data; and (2) assess whether Navy contracting officers implemented subcontract pricing

requirements designed to ensure the negotiation of fair and reasonable prices.

**Findings**

GAO found that: (1) the contractor failed to disclose accurate, complete, and current pricing information for 14 of the 66 subcontract estimates before concluding contract negotiations; (2) the Navy contracting officers did not obtain evaluations from the contractor on 21 of 23 major noncompetitive subcontract

price proposals for use in contract negotiations; and (3) the contractor overstated contract prices by about \$1.9 million, including overhead and profit.

**Open Recommendations to Agencies**

**Recommendation:** The Commander, Naval Sea Systems Command, should

use the results of the GAO review as a basis for initiating action to recover funds from the contractor.

**Status:** Action in process. Three of five contracts where overpricing occurred had contracts modified. The contracting officer's final decision on the remaining two contracts is under legal review.

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**Department of Defense - Procurement and Contracts**

**Military Construction: The Letterkenny Army Depot Retrieval System**

NSIAD-87-112BR, 05/21/87

**Background**

In response to a congressional request, GAO examined the funding and acquisition of the Automated Storage and Retrieval System at the Letterkenny Army Depot to determine if the Army properly classified it as an equipment procurement, rather than a construction project.

**Findings**

GAO found that the Army: (1) originally determined that the Department of Defense's definition of construction did

not apply to the facility because it would neither stand alone nor form a separate building useable for other purposes; (2) incorrectly continued to classify the facility as an equipment procurement despite design changes, which required the construction of an individual building with other possible uses; (3) improperly charged funds to the Army Industrial Fund Capitalization Program; and (4) should have used available military construction appropriations.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of the Army should take the administrative actions necessary to report the Army's violation of the Antideficiency Act, 31 U.S.C. 1341(a).

**Status:** Action in process. The investigative report has been reviewed by the Office of the Secretary of Defense and the Army and has been returned to the Army Finance Center. The report should be issued to Congress by the end of 1989.

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**Department of Defense - Procurement and Contracts**

# Procurement: Better Compliance With the Competition in Contracting Act Is Needed

NSIAD-87-145, 08/26/87

## Background

In response to a congressional request, GAO reviewed selected federal agencies' procurement practices to determine whether they complied with the provisions of the Competition in Contracting Act of 1984 (CICA).

## Findings

GAO reviewed 104 contracts that agencies awarded on a competitive basis and found that: (1) although agencies generally failed to adequately follow CICA procedures, most of their decisions were appropriate; (2) agencies awarded contracts without justification and the contracts lacked the proper certification and approval; and (3) many of the justifications did not meet Federal Acquisition Regulation (FAR) standards. GAO also found that: (1) agencies did not comply with requirements relating to use of the Commerce Business Daily (CBD); (2) CICA seems to have had a positive effect on the level of competition in federal government procurement, since the percentage of competitively awarded agency contracts increased between 1983 and 1986; and (3) some agency officials believe that CICA has caused an increase in contract award processing time.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense and the Administrators of General Services, the National Aeronautics and Space Administration

(NASA), and Office of Federal Procurement Policy (OFPP) should amend FAR 6.302-2(c) to provide that justifications for contract awards, based on the second exception to full and open competition, shall be prepared and approved no later than 30 days after the date of contract award if the current FAR criteria for preparation and approval after award are met.

**Addressee:** Office of Federal Procurement Policy

**Status:** Action in process. OFPP agreed that a reasonable time limitation should be placed on the approval of justification and award, based on the urgency exception. It noted that 90 days may be more appropriate, and would request that a FAR case be established. CAAC Case 88-46 and Defense Acquisition Regulatory Council (DARC) Case 88-71 are now underway to consider this recommendation. Cases are open at this time.

**Addressee:** General Services Administration

**Status:** Action in process. The General Services Administration (GSA) agreed that guidance in this area may be necessary, and that it would request a FAR case be opened to consider this recommendation. CAAC Case 88-46 and DARC Case 88-71 are still underway on consideration of this recommendation.

**Recommendation:** The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should revise FAR to improve the wording of CBD numbered note 22 so it indicates that: (1) an award is expected

to be based on other than full and open competition, unless the market survey results show that the use of full and open competition is appropriate; (2) all interested sources may submit a response; (3) this market survey effort is intended to find out whether any additional sources are available that are capable of satisfying the government's needs, verify that no other types of supplies or services are available that can satisfy those needs, and help identify potential sources for future requirements, if applicable; and (4) if a competitive procurement is held, competitive solicitations will be sent to all sources that have demonstrated they are capable of satisfying the government's needs.

**Addressee:** Department of Defense

**Status:** Action in process. DOD stated that a review of all numbered notes is underway, and that wording changes are still being considered as part of that effort.

**Addressee:** Office of Federal Procurement Policy

**Status:** Action in process. OFPP agreed with this recommendation and explained that the rewording of numbered note 22 to the GAO recommendation is being considered in a current FAR case, to be released in the near future.

**Addressee:** General Services Administration

**Status:** Action in process. Estimated completion date: 02/90. FAR is developing a case to revise note 22 reflecting this recommendation.

**Recommendation:** The Secretary of Defense and the Administrators of General Services, NASA, and OFPP should revise FAR to state that restricting a solicitation to a specific make and model: (1) does not meet the requirement for full and open

competition; and (2) requires written justification, certification, and approval for other than full and open competition, in accordance with CICA.

**Addressee:** National Aeronautics and Space Administration

**Status:** Recommendation valid/action not intended. NASA stated, similar to GSA, that DARC should consider the need for a FAR change based on this recommendation. However, DOD disagreed with this recommendation.

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## Department of Defense - Procurement and Contracts

# Contract Pricing: Material Prices Overstated on Ground/Vehicular Laser Locator Designators

NSIAD-88-25, 10/13/87

### Background

GAO reviewed the pricing of an Army contract for Ground/Vehicular Laser Locator Designators to determine whether the: (1) contractor complied with the Truth in Negotiations Act in providing accurate, complete, and current cost or pricing data; and (2) contracting officer negotiated fair and reasonable prices.

### Findings

GAO found that the contractor overstated target prices by \$2,339,601, including overhead and profit, because

it: (1) failed to disclose current material prices; (2) made a computation error; and (3) failed to disclose an updated bill of material. GAO also found that contract prices were overstated by an additional \$1,777,396, including overhead and profit, because the contracting officer: (1) did not rely on an audit recommendation regarding anticipated material price reductions between the contractor and its vendors; and (2) accepted escalation on material costs that the contractor had based on firm vendor quotations.

### Open Recommendations to Agencies

**Recommendation:** The Commander, U.S. Army Missile Command, should initiate action to recover these funds from the contractor.

**Status:** Action in process. The U.S. Army Missile Command is in the process of responding to the Department of Defense Inspector General's request for action. The contractor has claimed substantial offsets which are currently being reviewed by the Defense Contract Audit Agency.

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## Department of Defense - Procurement and Contracts

# Army Disposal: Construction Equipment Prematurely Disposed of in Europe

NSIAD-88-77, 09/20/88

### Background

In response to a congressional request, GAO reviewed the Army's replacement

of its construction vehicles in Europe, to determine why it disposed of certain vehicles.

### Findings

GAO found that: (1) the Army disposed of old construction vehicles without

determining whether it would be cost-effective to retain them; (2) the Army did not provide any evidence to support its contentions that the vehicles were outmoded, expensive to maintain, and impacted readiness; (3) repair estimates for seven vehicles at a disposal site ranged from \$230 to \$13,000, and about 240 of the 800 vehicles to be disposed of in Europe were useable and operable; and (4) the Army sold 47 vehicles to Portugal for \$11,500, or about \$240 per vehicle. GAO also found that: (1) the Army purchased 850 vehicles for Europe at a cost of \$79 million out of \$470 million for the overall vehicle program; and (2) users of the new vehicles

expressed concern about their ability to perform as well as the older vehicles that the Army replaced.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should direct the Secretary of the Army to: (1) ensure that, for any future Army fleet replacement actions, the Army has a documented analysis of the cost-effectiveness of retaining existing equipment for the remainder of its useful life; and (2) reassess the problems identified by field commands in Europe to determine if those problems

require changes beyond just retaining field personnel.

**Status:** Action in process. Estimated completion date: 01/90. The Department of Defense January 24, 1989 response stated that the Secretary would issue appropriate guidance within 60 days, however, guidance is pending. Army guidance (Army Regulation 71-9 and memorandum on concept formulation process) issued in February 1987 and May 1989 reiterate and stress formal documentation for decisions on fleet replacement by phased in fielding of new equipment.

## Department of Defense - Procurement and Contracts

# Army Procurement: Procurement of a Newly Designed Steam Cleaner Is Premature

NSIAD-89-1, 10/19/88

### Background

In response to a congressional request, GAO reviewed the Army's plan to purchase new, military-designed, standard steam cleaners for military vehicles and heavy equipment to determine whether the: (1) Army needed the equipment; (2) cleaners' capabilities exceeded the Army's needs; and (3) Army sufficiently tested the equipment.

### Findings

GAO found that the: (1) Army failed to adequately justify its purchase of the new steam cleaners instead of less expensive commercial cleaners; (2) Army based its decision on a 1976 test report and a 1978 justification document; (3) Army did not specify how it would use

the equipment; (4) Army awarded a contract in September 1987 for 325 cleaners, and planned to buy 170 more during fiscal year 1989; (5) estimated cost of the standard cleaner was \$15,767 per unit; and (6) Army plans to purchase 1,334 more generators than it currently needs for the steam cleaners.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of the Army should defer buying the standard steam cleaners until the need for a cleaner with a dedicated power source and trailer is validated.

**Status:** Action in process. Estimated completion date: 12/89. The Army advised that it will not complete the

revalidation of its steam cleaner requirements or revision of manuals to reflect new doctrines until late 1989. Until this is done, further procurement of the steam cleaner will be deferred.

**Recommendation:** The Secretary of the Army should defer buying the standard steam cleaners until a doctrine is prepared describing how the cleaner will be used.

**Status:** Action in process. Estimated completion date: 12/89. The Army advised that it will not complete the revalidation of its steam cleaner requirements or revision of manuals to reflect new doctrines until late 1989. Until this is done, further procurement of the steam cleaner will be deferred.

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**Department of Defense - Procurement and Contracts**
**Contract Pricing: GBU-15 Bomb Components Overpricing**

NSIAD-89-10, 11/02/88

**Background**

GAO reviewed an Air Force procurement for components for the GBU-15 Modular Guided Weapon System, to determine whether the contractor complied with the Truth in Negotiations Act and provided accurate, complete, and current cost data.

**Findings**

GAO found that the contractor: (1) did not disclose accurate, complete, and current pricing information for seven material items, resulting in contract

overpricing of \$1,008,854; (2) allegedly orally disclosed lower vendor prices for three material items, but could not provide any supporting evidence; (3) agreed that it did not disclose lower available prices for three other material items, but did not believe that the nondisclosure resulted in contract overpricing; and (4) agreed that the contract was overpriced for the remaining item.

**Open Recommendations to Agencies**

**Recommendation:** The Commander, Ogden Air Logistics Center, should initiate action to recover the overstated material prices from the contractor.  
**Status:** Action in process. The Air Force procurement contracting officer agreed with the GAO finding of overpricing. Pending a Defense Criminal Investigative Service investigation of criminal violations, legal action will be taken to reduce the contract price. The Air Force investigation of this matter is still in process.

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**Department of Defense - Procurement and Contracts**
**Attack Warning: NORAD's Communications System Segment Replacement Program Should Be Reassessed**

IMTEC-89-1, 11/30/88

**Background**

Pursuant to a congressional request, GAO assessed the Air Force's acquisition strategy for replacing the Communications System Segment (CSS) of its North American Aerospace Defense Command's (NORAD) Tactical Warning and Attack Assessment System, focusing on: (1) whether the Air Force should accept and install the block I semi-automated technical control unit as planned; (2) the extent to which CSS upgrades will satisfy requirements and extend the system's life; and (3) whether the Air Force should develop the block II automated message distribution

capability, given the recent reductions in requirements, current system upgrades, and high development risks.

**Findings**

GAO found that the Air Force: (1) has spent about \$72 million on the block I unit for the CSS replacement; (2) Electronic Systems Division plans to accept the block I unit, although its critical design deficiencies in software, restart requirements, and wiring standard and equipment incompatibility preclude its installation and use at the Cheyenne Mountain Air Force Station,

which houses the data processing and communications subsystems supporting NORAD; (3) plans to allow the contractor to correct identified deficiencies, at no additional cost to the government, during block II development; (4) will correct, through its planned upgrades, all identified, existing CSS problems, such as unreliable message processing, inadequate computer system availability, software and hardware maintenance, and expansion limitations; and (5) cited the need for a common message set, a consistent message load, and a standardized communications protocol

before it could make the CSS replacement fully operational.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should direct the Secretary of the Air Force to correct Cheyenne Mountain configuration problems by: (1) eliminating cable congestion; (2) establishing a single wiring standard; and (3) determining minimum acceptable performance levels, given limited physical space.

**Status:** Action in process. The Air Force Space Command has initiated a program to eliminate wiring congestion and to standardize all wiring at Cheyenne

Mountain. The Command expects this project to be completed in 1993.

**Recommendation:** If formal qualification testing identifies additional deficiencies, the Secretary of Defense should decide whether the Air Force's best interests are served by correcting any or all of them, and make visible to the appropriate congressional committees the source of funding used to correct the deficiencies.

**Status:** Action not yet initiated. The Air Force does not plan to begin formal testing until July 1990.

**Recommendation:** Before proceeding with further development of block II, the Secretary of Defense should direct the Secretary of the Air Force to resolve

critical issues such as protocol standards, message set, and work-load capacity. The Secretary of the Air Force should proceed with the planned interim upgrades to existing CSS and complete an analysis that determines the impact, in terms of performance, cost, and schedule, of critical system design questions. When completed, this analysis should be used to assist in developing a plan for determining the most effective means of meeting future communications processing needs at Cheyenne Mountain.

**Status:** Action in process. The Air Force has begun corrective action on three of the deficiencies, has deferred action on a fourth, and is in the process of obtaining needed information to resolve the fifth deficiency.

## Department of Defense - Procurement and Contracts

# Procurement: DOD Efforts Relating to Nondevelopmental Items

NSIAD-89-51, 02/07/89

### Background

Pursuant to a legislative requirement, GAO evaluated the Department of Defense's (DOD) efforts to ensure that it fulfilled its supply requirements through procurement of nondevelopmental items (NDI) to the maximum practicable extent.

### Findings

GAO found that: (1) DOD was reviewing and revising its directive on commercial acquisition to promote NDI acquisition and to authorize publication of an NDI manual, but delayed issuance of the directive and manual because Office of the Secretary of Defense personnel had not devoted enough time to NDI-related

efforts; (2) the draft directive and manual, as well as a draft pamphlet on market analysis, were informative and would be useful to DOD personnel; (3) DOD did not have data to show how much or what kinds of NDI it procured or whether such procurements had increased; (4) although DOD provided NDI training for program managers, contracting officials, and other personnel, the training was limited in terms of lecture time devoted to NDI and the number of personnel trained; and (5) industry officials expressed concern that competitive purchases of commercial items by the government could later unfairly cause contractors to lose exemptions from cost or pricing data requirements based on established

catalog or market prices. GAO reviewed other claimed impediments to DOD procurement of NDI, including: (1) short-sighted policies and practices regarding government rights to technical data; (2) inappropriate and inconsistent use of various contract provisions; and (3) inappropriate use of military specifications.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should take actions to ensure that the revised DOD Directive 5000.37, the proposed pamphlet on market analysis, and additional uniform guidance on NDI acquisition policy and

procedures, such as the draft DOD NDI manual, are appropriately reviewed, issued, and distributed as soon as possible.

**Status:** Action in process. DOD has issued the pamphlet on market analysis and is in the process of revising Directive 5000.37.

**Recommendation:** The Secretary of Defense should take actions to ensure that data are collected to measure and report on the nature and trends of NDI procurement. Decisions regarding the type and extent of data to be collected should be based on the associated costs and benefits to be derived.

**Status:** Action in process. Estimated completion date: 07/90. DOD will

establish a data base to measure progress in the acquisition of NDI.

**Recommendation:** The Secretary of Defense should take actions to ensure that sufficient training is provided to acquisition personnel so that commercial products and other NDI are procured to the maximum practicable extent. As a first step for accomplishing this, DOD should assess its current NDI-related training efforts.

**Status:** Action in process. Estimated completion date: 02/90. DOD will establish appropriate training plans for personnel in all phases of the acquisition process.

**Recommendation:** The Secretary of Defense should take actions to ensure

that a Defense Acquisition Regulatory Council (DARC) case is established to determine if a regulatory change is needed relating to exemptions from cost or pricing data requirements based on established catalog or market prices. That is, DARC should examine whether changes to the regulations are needed to ensure that contractors do not face possible loss of such exemptions only because the amount of previous sales of the same type of items to the government based on adequate price competition exceeds established regulatory thresholds.

**Status:** Action in process. The Office of the Secretary of Defense has prepared a proposed revision to FAR to incorporate this recommendation.

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## Department of Defense - Procurement and Contracts

# Space Defense: Management and Technical Problems Delay Operations Center Acquisition

IMTEC-89-18, 04/20/89

### Background

In response to a congressional request, GAO assessed the Air Force's progress in acquiring the first two blocks of its Space Defense Operations Center (SPADOC) modernization program, focusing on: (1) why Block A, intended to provide the hardware and software for automating the assessment of foreign activities affecting U.S. satellites, did not meet Air Force requirements and was significantly behind schedule; (2) whether Block B development, intended to improve space surveillance by making orbital position predictions for 400 satellites, could correct Block A problems; and (3) how effectively the Air Force managed the program.

### Findings

GAO found that the Air Force: (1) has invested over \$235 million in SPADOC, which is now more than 4 years behind schedule and far from meeting its required operational capability; (2) continued to press forward with the program despite technical contractor warnings that it would be difficult to meet requirements; (3) consistently deferred resolution of problems involving controlled mode security, software development, performance prediction model validity, and design integrity to later development phases; (4) accepted Block A, which did not meet most of the requirements and was not operational; (5) rejected the initial Block B design in 1988, since it would not meet all of the

requirements, but scheduled review of another design in April 1989; and (6) has not yet obtained congressional funding for Block C development, intended to complete the automated capability needed to consolidate the U.S. Space Command's space defense data processing functions. GAO believes that, under the best circumstances, SPADOC will become operational at least 6 years late and \$147 million over the original budget.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of the Air Force should specifically submit to the Defense Acquisition Board (DAB)

recommendations on the ultimate disposition of the SPADOC Block A system. If the Secretary recommends continuing to use Block A as an interim improvement over the current, primarily manual system, these plans should include: (1) an evaluation of the capabilities and deficiencies of the Block A system as accepted; (2) an assessment of the incremental costs and benefits of changes and modifications required to make the system fully operational; and (3) recommendations on how Block A

should be used based on careful analysis of costs incurred and benefits derived. **Status:** Action in process. This information has been developed for DAB review. GAO has requested that it be provided by December 1989.

**Recommendation:** The Secretary of the Air Force should specifically submit to DAB plans for the future SPADOC system. These plans should include a thorough analysis of the requirements for SPADOC and the feasibility of

satisfying those requirements, in particular controlled mode security. Plans should also include identification and analysis of alternative technical and contractual approaches to meeting the requirements, and well-founded estimates of costs and benefits of the alternative approaches.

**Status:** Action in process. This information has been developed for DAB review. GAO has requested that it be provided by December 1989.

## Department of Defense - Procurement and Contracts

# Air Force ADP: Evaluations Needed to Substantiate Modernization Program Benefits

IMTEC-89-29, 05/05/89

### Background

Pursuant to a congressional request, GAO reviewed the Air Force Logistics Command's (AFLC) Logistics Management System (LMS) Modernization Program, focusing on cost savings and system evaluations.

### Findings

GAO analyzed 1988 Air Force evaluations of the LMS program and found that AFLC: (1) could adequately support only \$1.9 billion of the \$12.2 billion in cost savings it originally expected in 1984; and (2) reduced the original program's scope, but did not determine the impact of this reduction on system functionality or expected program benefits. GAO also found that: (1) AFLC estimated that program acquisition costs would total nearly \$1 billion; (2) total program costs would exceed \$2 billion; (3) the scheduled completion date for the total program slipped from 1990 to 1994; (4) although

regulations require AFLC to prepare evaluation plans early in the development process, AFLC has prepared such plans for only three of the nine LMS projects; (5) AFLC has not established the criteria or the techniques needed to evaluate the projects; (6) AFLC has not begun any final or interim system evaluations, even though it designated two systems as fully operational and six other systems have had operational sections for over 1 year; and (7) AFLC reported that it had not begun final evaluations on the two operational systems because one system did not have the data to operate and the other was still in development.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of the Air Force should direct the Commander, AFLC, to prepare system evaluation plans for all LMS modernization system projects. Where applicable, these plans

should provide for interim assessments as portions of new systems become operational as well as final assessments once the entire system is complete. AFLC should provide the Secretary a timetable for completing the evaluation plan for each project. **Status:** Action in process. Estimated completion date: 12/89. The Air Force agreed with this recommendation and indicated that it will evaluate completed systems. However, no evaluations have been completed to date.

**Recommendation:** The Secretary of the Air Force should direct the Commander, AFLC, to expeditiously evaluate, using the evaluation plans, the two completed LMS projects and the operational portions of the other seven LMS projects. If evaluations of the two systems designated as having full operational capabilities cannot begin immediately, AFLC should provide the Secretary an explanation of why the two systems were reported as fully operational when one

does not have the data to operate and the other is still in development. Until the final evaluations of these two systems have been completed, AFLC should continue to report their costs and status in all program reviews.

**Status:** Action in process. Estimated completion date: 12/89. The Air Force plans to provide the Office of the Secretary of Defense a schedule for completing system evaluations by December 31, 1989. This action has not yet been completed.

**Recommendation:** The Secretary of the Air Force should direct the Commander, AFLC, to provide the Secretary a timetable for each project showing when interim and final system evaluations will be completed.

**Status:** Action in process. Estimated completion date: 12/89. The Commander, AFLC, will provide the Secretary of the Air Force with a timetable for completing system evaluations by December 31, 1989.

**Recommendation:** The Secretary of the Air Force should direct the Commander, AFLC, to adjust project cost and benefit estimates in light of the system evaluations and, if warranted, reassess the cost-effectiveness of ongoing LMS projects.

**Status:** Action in process. The Air Force will initiate system evaluations in early 1990. The results of these evaluations will be used to reassess the cost-effectiveness of ongoing projects.

## Department of Defense - Procurement and Contracts

# Automated Information Systems: Schedule Delays and Cost Overruns Plague DOD Systems

IMTEC-89-36, 05/10/89

### Background

In response to a congressional request, GAO provided information on eight Department of Defense (DOD) automated information systems being developed by the Army, Air Force, Navy, and Defense Logistics Agency.

### Findings

GAO found that: (1) all eight systems experienced significant cost growth; (2) the cost to develop and deploy the systems totalled about \$2 billion, which was almost twice the original cost estimates; (3) cost growth estimates ranged from \$31 million for the Army's Civilian Personnel System, to \$446 million for the Navy's Standard Automated Financial System; (4) the DOD components had four of the eight systems in development for at least 8 years and abandoned development of two systems after spending \$237 million; (5) the completion dates for all but one of the remaining six systems were delayed

3 to 7 years and none of the systems were scheduled for full deployment until after 1990; (6) DOD underestimated the costs for some systems, since its components did not provide current, accurate, and complete cost information; (7) the Major Automated Information System Review Council (MAISRC) did not enforce established policies, procedures, and criteria for major system reviews; and (8) MAISRC had not reviewed three of the eight systems, even though the systems required its review.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should review and revise, as appropriate, the management control and decisionmaking process for major automated information systems development.

**Status:** Action in process. The Deputy Secretary of Defense directed that an

executive-level group of outside experts and DOD officials recommend an overall approach and action plan to enhance the availability and standardization of information in common areas through a Corporate Information Management program for DOD.

**Recommendation:** The Secretary of Defense should give special attention to rigorously enforcing established policies.

**Status:** Action in process. MAISRC will be established as a committee of the Defense Acquisition Board (DAB). The DAB committee will operate under current MAISRC procedures and will review all automated information systems prior to DAB meetings.

**Recommendation:** The Secretary of Defense should give special attention to establishing an early warning system to identify problems in automated information system development efforts.

**Status:** Action in process. MAISRC has established a quarterly reporting system

to obtain cost and schedule information for all major automated information systems. Relying on information provided by the services, MAISRC believes that the reporting system will identify problems related to cost growth and schedule delays.

**Recommendation:** The Secretary of Defense should give special attention to examining the role of MAISRC, including its policies for conducting milestone reviews during the development phase, delegating oversight responsibility to DOD components, and relying on in-process reviews.

**Status:** Action in process. The Deputy Secretary of Defense directed that an executive-level group of outside experts and DOD officials recommend an overall approach and action plan to enhance the availability and standardization of information in common areas through a Corporate Information Management program for DOD.

**Recommendation:** The Secretary of Defense should give special attention to ensuring that Congress is consistently provided accurate, current, and complete cost information for major automated information systems, including timely

notification when internal DOD cost estimates exceed the initial cost estimate by 25 percent or more.

**Status:** Action in process. A recent reorganization of the DOD Information Resources Management (IRM) staff created the Directorate for Resources and Assessment. The Directorate will participate in the preparation, review, and disposition of IRM budget requests. It is also responsible for assessing information technology budget exhibits for completeness and compliance with IRM policy guidance and DOD budget guidance.

## Department of Defense - Procurement and Contracts

# ADP Procurement: Navy Improperly Restricted Competition for Its Civilian Pay System

IMTEC-89-61, 06/21/89

### Background

Pursuant to a congressional request, GAO reviewed allegations that the Navy improperly restricted competition for two contracts for computer equipment and software for the Navy Standard Civilian Pay System (NAVSCIPS).

### Findings

GAO found that the Navy: (1) selected the data-base management system, hardware and operations sites without conducting appropriate studies and developing adequate support; (2) improperly restricted competition to brand-name-or-equal hardware and related equipment; (3) selected new data-base management software and reduced the number of processing sites, since the selected system design did not meet its needs; and (4) substantially changed the original requirements so that it could

not prudently use its current contract to procure additional hardware without clear evidence that that represented the most cost-effective solution.

### Open Recommendations to Agencies

**Recommendation:** To ensure that the Navy selects an appropriate system configuration and achieves full and open competition in accordance with federal procurement law and regulations, the Secretary of the Navy should direct the Assistant Secretary for Financial Management to cease any further orders for hardware and software under the current contract with Federal Computer Corporation.

**Status:** Action not yet initiated. The Department of Defense Inspector General (DOD/IG) has indicated that the

Navy intends to take action in response to the report.

**Recommendation:** To ensure that the Navy selects an appropriate system configuration and achieves full and open competition in accordance with federal procurement law and regulations, the Secretary of the Navy should direct the Assistant Secretary for Financial Management to determine the most cost-effective number of sites needed to process NAVSCIPS by conducting an analysis of the costs and benefits of the full range of site alternatives.

**Status:** Action not yet initiated. DOD/IG has indicated that the Navy intends to take action in response to the report.

**Recommendation:** To ensure that the Navy selects an appropriate system configuration and achieves full and open

competition in accordance with federal procurement law and regulations, the Secretary of the Navy should direct the Assistant Secretary for Financial Management to promote full and open competition by recompeting the NAVSCIPS requirements using functional specifications. **Status:** Action not yet initiated. DOD/IG has indicated that the Navy

intends to take action in response to the report.

**Recommendation:** To ensure that the Navy selects an appropriate system configuration and achieves full and open competition in accordance with federal procurement law and regulations, the Secretary of the Navy should direct the Assistant Secretary for Financial Management to determine, given the

results of the competition, whether to continue the current contract, limit orders to the \$5.6-million minimum, or terminate it for the convenience of the government and award a new contract to fulfill the NAVSCIPS requirements. **Status:** Action not yet initiated. DOD/IG has indicated that the Navy intends to take action in response to the report.

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## Department of Defense - Procurement and Contracts

# Air Force Logistics: Procurement of C-5 Crash Damage Kits

NSIAD-89-111, 06/21/89

### Background

Pursuant to a congressional request, GAO reviewed the San Antonio Air Logistics Center's purchase of C-5 crash damage repair kits.

### Findings

GAO found that the: (1) Air Force used data from three C-5A accidents to determine crash damage kit requirements, but those data were insufficient to accurately project the number, timing, and severity of future accidents; (2) Air Force did not make an economic analysis of the validity of the

data used to establish kit requirements; (3) Air Force was developing a formal policy on crash damage kits; (4) Air Force attempted to buy parts through a tie-in to the C-5B production line in order to provide parts at about 50 percent of future costs, but delays in ordering the kits prevented it from fully achieving a tie-in; (5) contractor's proposed prices were substantially higher than those the Air Force paid for the same parts under the C-5B production contract, and did not recognize some transfers from excess stock; and (6) kits contained many small

parts that were not structural parts with long lead times.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of the Air Force should direct the Commander, Air Force Logistics Command, as part of the policy development effort, to formulate servicewide guidance to be used in developing and analyzing the requirements for crash damage kits. **Status:** Action in process. Headquarters, AFLC, is finalizing the recommended guidance on kits.

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 Department of Defense - Procurement and Contracts

# Attack Warning: Better Management Required to Resolve NORAD Integration Deficiencies

IMTEC-89-26, 07/07/89

## Background

Pursuant to a congressional request, GAO reviewed the Air Force's development and integration of five modernization programs for the data processing and communications components of the North American Aerospace Defense Command's Tactical Warning and Attack Assessment (TW/AA) system.

## Findings

GAO found that: (1) after almost 8 years of development, no phase of the five modernization programs is operational; (2) the Air Force planned to spend more than \$775 million through fiscal year 1989 on systems modernization, and estimated that it would need at least an additional \$535 million and 5 more years to complete the modernization it initially planned to complete by 1987; (3) the Air Force's large, complex integration management structure fragmented management functions, responsibility, and accountability among numerous commands; (4) the Air Force's cumbersome and lengthy resolution process has not been able to resolve such critical integration problems as the use of different communications standards and attack scenarios among TW/AA subsystems; (5) those unresolved problems could disrupt the Air Force's ability to effectively integrate the

modernized subsystems into TW/AA; (6) subsystem development and integration occurred amid constant management change, with frequent turnovers among program managers, commanders, principal deputies, and command managers; and (7) the modernization programs established a pattern of deferring, rather than solving, the system development problems they identified. GAO believes that the Air Force's cost and schedule estimates for the modernization programs are questionable because the long-standing, serious integration problems remain unresolved.

## Open Recommendations to Agencies

**Recommendation:** To encourage effective management over at least \$535 million planned to be spent on the TW/AA system, the Secretary of Defense should restructure the roles and responsibilities of the key managers within the TW/AA executive management structure. The Secretary should designate a single manager, at a level below the Air Force Chief of Staff, with responsibility, authority, and accountability for the entire life cycle of the TW/AA system, from requirements through acquisition to operations and maintenance. The Secretary should further ensure that the designated

system manager has control over the necessary budgetary and management resources to carry out his responsibilities.

**Status:** Action in process. The Air Force has designated a single manager below the Chief of Staff with accountability, responsibility, and authority for the TW/AA program. Further, an Air Force review team is currently reviewing whether the Department of Defense should restructure the roles and responsibilities of key managers.

**Recommendation:** The Secretary of Defense should direct the designated system manager to revalidate system requirements with the user for each modernization program. The Secretary should further direct the system manager to include in the congressionally mandated Defense Acquisition Board (DAB) management review the: (1) actions and timetable for resolving known system integration problems; (2) mechanism the manager intends to employ to improve continuity in program management; and (3) actions to identify and resolve future integration problems in a timely fashion.

**Status:** Action in process. DAB considered this recommendation during its September 1989 review. The official DAB report, Acquisition Decision Memorandum, should be finalized around December 1989.

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Department of Defense - Procurement and Contracts

Contract Pricing: Defense Contractor Contributions to the Software Productivity Consortium

NSIAD-89-74, 07/24/89

**Background**

Pursuant to a congressional request, GAO reviewed selected defense contractors' classification of independent research and development (IR&D) expenses, focusing on whether the contractors could classify an industry consortium's activities and member companies' contributions as IR&D expenses.

the consortium's activities enhanced the production process but were not for resale; (2) some consortium activities would be more appropriately classified as IR&D; (3) there was no evidence that the consortium's activities improved member companies' internal manufacturing and production capabilities; and (4) all but one of the member companies charged their entire consortium contributions to overhead accounts other than IR&D.

determine whether: (1) the Software Productivity Consortium's actual activities meet the federal acquisition regulation criteria for IR&D or manufacturing and production engineering; and (2) member companies have properly classified their contributions to the consortium. **Status:** Action in process. DCAA issued guidance to its field offices for conducting nationwide review of the consortium. The Defense Criminal Investigative Service is performing a review of the consortium.

**Findings**

GAO found that: (1) the Department of Defense (DOD) allowed member companies to treat their contributions to the consortium as manufacturing and production engineering expenses because

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Defense should direct DOD personnel to

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Department of Defense - Procurement and Contracts

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

NSIAD-89-196, 08/28/89

**Background**

GAO reviewed the Department of the Army's internal inventory control practices, focusing on: (1) whether they allowed premature spare part purchases; (2) the extent to which they contributed to excessive stock levels, premature deliveries, and increased holding costs; and (3) whether they supported item management decisions and precluded unnecessary purchases.

**Findings**

GAO found that: (1) one Army command prematurely invested more than \$87 million in spare and repair parts between 1987 and 1988, but did not need about \$30 million because the projected requirements did not materialize; (2) another command initiated procurement of three items about 12 months in advance of reorder points, purchased quantities exceeding authorized

requirements, which resulted in more than \$4.6 million being spent prematurely, and did not need about \$448,000 because its projected requirements did not materialize; (3) the Army could have deferred some purchases by as much as 1 year if the commands had followed Army policy and ordered items needed to meet requirements; (4) the two commands stated that they followed 1987 guidance to obligate funds early in the year, even

though the 1988 guidance changed that advice; (5) one command would spend an estimated additional \$6 million to hold its extra items in its inventories until needed; (6) the commands did not follow Army policy for cancelling or reducing excess orders, producing required documentation to support item management decisions, documenting item procurements, or conducting supervisory reviews; and (7) neither command identified material weaknesses in internal controls for purchasing spares and repair parts in their 1986, 1987, and 1988 financial assessments.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of the Army should direct the Commander,

Army Materiel Command, to reinforce guidance to buying commands instructing them to adhere to Army Regulation 710-1, which does not provide for routinely initiating the procurement of spares in advance of the computed reorder points or purchasing quantities that exceed levels unless such action is economically justified.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of the Army should direct the Commander, Army Materiel Command, to perform routine, periodic management reviews of buying commands to confirm that: (1) established procedures for cancelling or reducing unnecessary on-order item quantities are being followed; (2) guidance for documenting repair, procurement, and cutback transactions

has been consolidated and the importance of understanding this guidance has been adequately emphasized to the involved staff as they carry out their daily duties; and (3) all transactions are reviewed and approved at the levels established by the Army Materiel Command.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of the Army should require that the next annual Financial Integrity Act assessment include a review of the internal control weaknesses discussed in this report.

**Status:** Action not yet initiated.

## Department of Defense - Procurement and Contracts

# Contract Pricing: Dual-Source Contract Prices

NSIAD-89-181, 09/26/89

### Background

Pursuant to a congressional request, GAO reviewed eight dual-source contracts the Department of Defense (DOD) awarded for weapon systems procurement to determine whether contracting officers had a sound basis for negotiating fair and reasonable contract prices.

### Findings

GAO found that: (1) DOD contracting officers used such safeguards as expert auditors, price analysts, engineers, and production specialists, as well as legislative requirements, to ensure that noncompetitive contracts were fair and reasonable; (2) after determining that contracting officers improperly exempted

\$8.8 billion of noncompetitive dual-source contracts from pricing safeguards, DOD issued a December 1988 policy memorandum requiring officers to make adequate price competition determinations on a case-by-case basis and to exercise deliberation and thorough review; and (3) the subsequent revision to the DOD Federal Acquisition Regulation Supplement to implement that policy presumed that adequate price competition normally existed on dual-source procurements, did not recognize the importance of obtaining and reviewing cost data, and encouraged contracting officers to make dual-source awards solely on the basis of price analysis. GAO also found that contracting officers: (1) accepted four of the eight reviewed contracts as fair and

reasonable, but could have reduced three of the contracts by a total of \$28.9 million if they had obtained insight into the basis of contractors' proposed prices; and (2) properly employed noncompetitive pricing safeguards in the other four contracts, resulting in reductions totalling more than \$30 million.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should direct appropriate personnel to revise the DOD Federal Acquisition Regulation Supplement to provide contracting officers guidance for determining when adequate price competition exists in dual-source

contracts. The guidance should address the need for contracting officers to obtain a thorough understanding of

contractors' proposed prices before making adequate price competition determinations.

Status: Action not yet initiated.

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## Department of Defense - Procurement and Contracts

# DOD Warranties: Effective Administration Systems Are Needed to Implement Warranties

NSIAD-89-57, 09/27/89

### Background

GAO reviewed the Department of Defense's (DOD) administration of its warranty program for 48 weapons system contracts, focusing on the extent to which the military services: (1) had effective warranty administration systems; and (2) performed DOD- and service-required cost-effectiveness analyses.

### Findings

GAO found that: (1) DOD delegated responsibility for warranty administration to the military services, which have not fully established effective warranty administration and evaluation systems; (2) DOD did not actively oversee the services' progress in establishing effective warranty administration systems, and functioned in a reactive mode to deal with issues raised by audit groups and other interested organizations; (3) the Navy issued several general instructions and

regulations for warranty administration, but did not provide detailed implementing directives, define roles and responsibilities, or establish overall procedures and controls; (4) the Air Force issued June 1988 guidance defining administrative procedures and responsibilities and estimated that it would implement an automated warranty tracking and management system by November 1991; (5) the Army was experiencing difficulties in implementing its defined warranty administration responsibilities and procedures; (6) the services' procurement activities either did not perform the required cost-effectiveness analyses or performed analyses that did not adequately support conclusions that warranties were cost-effective, resulting in the activities' not considering waivers for warranties that were not cost-effective; and (7) the procurement activities did not perform post-warranty evaluations to determine the warranties' benefits, and lacked the information necessary to ensure that warranties

were cost-effectively accomplishing their purposes.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should expand his oversight role in warranty administration by establishing milestones for the services to meet in implementing effective warranty administrative systems or making changes to correct deficiencies in present systems. Periodic progress reports on achievements and problems being experienced should be required from the services.

Status: Action not yet initiated.

**Recommendation:** The Secretary of Defense, as part of the oversight role, should ensure that the services consider the use of waivers as viable options when it can be shown that a warranty is not cost-effective.

Status: Action not yet initiated.

## Military Pay

# Housing Allowances: Equity Issues for Certain Military Members

NSIAD-89-134, 06/08/89

### Background

Pursuant to a legislative requirement, GAO reviewed: (1) the fairness of the Department of Defense's (DOD) military housing system as it pertained to dual-service couples and divorced members; and (2) previous DOD studies on housing and existing laws on basic allowances for quarters (BAQ) and the variable housing allowance (VHA).

### Findings

GAO found that: (1) the housing allowance system was designed when the military was small and composed mostly of single males, and those members that were married had nonemployed civilian spouses; (2) the problem has been compounded by the growth in the number of female service members, which has led to an increasing number

of dual-service couples, and growth in the number of divorced service members; (3) service members in those categories believe they are unfairly treated; (4) current legislation restricts a dual-service couple from receiving BAQ when both are assigned to sea duty, even though they may live in nongovernment housing for lengthy periods when the ship is in port, or maintain that housing during short deployments; (5) other legislation prevents members who reside in government quarters and receive a housing allowance only because they pay child support from receiving a variable housing allowance and denies variable housing allowances to certain members who elect to not occupy quarters when assigned to sea duty; and (6) DOD proposals to eliminate perceived inequities for dual-service couples and divorced service members may serve to

magnify perceived inequities for other groups that do not have the option to elect to not occupy government quarters.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should expeditiously complete the review of the housing allowance system and address the dual-service couple and divorced member issues as part of that review and any subsequent legislative proposals. Further, the Secretary should not submit the current proposals until that review is completed, and only if the review warrants their submission.

**Status:** Action in process. DOD review of the housing allowance system is still in process, but recommendations on findings are expected in late 1989.

## Weapons Systems

# Weapon Performance: Operational Test and Evaluation Can Contribute More to Decisionmaking

NSIAD-87-57, 12/23/86

### Background

In response to a congressional request, GAO reported on operational test and evaluation (OT&E) as a means of testing weapon system performance, specifically: (1) its historical adequacy since 1970; and

(2) its limitations concerning recently deployed major weapon systems.

### Findings

GAO found that: (1) there were 32 historical cases where testing was unrealistic because it did not adequately

replicate the operational environment; (2) the use of contractor support limited the realism of the test agency's OT&E results in its evaluation of aircraft effectiveness; (3) there were 25 historical cases where test objectives, criteria, and plans were incomplete, unclear, or absent; (4) OT&E personnel lacked

clearly defined evaluation criteria; (5) test resources were limited or unavailable in 27 cases; (6) test reports in 22 cases did not provide the most current, complete, or accurate data on the performance of major systems before production; (7) the test report on the Multiple Launch Rocket System did not adequately describe the significance of a problem with the ammunition resupply trailer; and (8) the services frequently failed to operationally test a prototype before production.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should improve the usefulness of OT&E results by the services' OT&E agencies by requiring the agencies to: (1) state whether OT&E demonstrated that the system met operational requirements; (2) discuss the operational effect of significant test limitations and adverse test results on system performance; and (3) clearly state

whether a system is operationally suitable and effective.

**Status:** Recommendation valid/action not intended. In July 1988, GAO issued a report dealing with the quality of Department of Defense operational testing and reporting. This report focused on OT&E and identified continuing problems in the reporting of OT&E results.

## Weapons Systems

# DOD Simulations: Improved Assessment Procedures Would Increase the Credibility of Results

PEMD-88-3, 12/29/87

### Background

GAO reviewed selected Department of Defense (DOD) weapons systems simulations to determine: (1) what factors DOD should consider in assessing simulation credibility; (2) the results of assessing weapons systems simulations with respect to these factors; and (3) DOD efforts to reinforce simulation credibility.

### Findings

GAO developed an assessment framework of 14 factors covering theory, model design, input data, correspondence between the model and the real world, management, documentation, and reporting, applied it to three Army air defense simulations, and found that: (1) the simulations' representations of combat reality were limited; and (2) DOD efforts to validate simulation results were weak. GAO also found that: (1) the Army support structures for simulation activities were very limited;

(2) although DOD believes that the credibility of simulation results is important, it has not established a systematic and uniform system for determining credibility; and (3) although DOD issued directives and regulations on related topics, there was little guidance with direct relevance to simulations.

### Open Recommendations to Agencies

**Recommendation:** To reinforce its efforts and to ensure that such practices are followed, the Secretary of Defense should develop and implement guidance on producing, validating, documenting, managing, maintaining, using, and reporting weapon-system effectiveness simulations. The guidance should include a provision for routine reviews of a simulation's credibility and, in this way, the identification of problems that should be resolved.

**Status:** Action in process. DOD concurs with this recommendation and continues to review the credibility of testing, modeling, and simulation. The Director of Operational Test and Evaluation issued policy guidance on January 22, 1989. Also, the Test and Evaluation Committee of the Defense Acquisition Board tasked DODDRE (T&E) to consider recommendations for near-term policy implementation.

**Recommendation:** The Secretary of Defense should explore the possibility of requiring that a statement regarding validation accompany the report of a simulation's results.

**Status:** Action in process. DOD concurs and continues to review the credibility of testing, modeling, and simulation. The Office of the Director of Operational Test and Evaluation issued policy guidance on January 22, 1989. Also, the Test and Evaluation Committee of the Defense Acquisition Board tasked DODDRE (T&E) to consider

recommendations for near-term policy implementation.

**Recommendation:** To make the ADAGE, Carmonette, and COMO III models more useful in future

applications, the agency responsible for managing each simulation should explore the feasibility of remedying the limitations identified, especially in the area of validation.

**Status:** Action not yet initiated. DOD did not provide information on this recommendation other than a general comment about the Army's modeling improvement efforts.

## Weapons Systems

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

NSIAD-88-80, 03/28/88

## Background

In response to a congressional request, GAO reviewed the Navy's Long-Term Underwater Support Resources Plan, to determine its comprehensiveness and usefulness as a management tool.

## Findings

GAO found that, although the plan covers tracking ranges, ship noise measurement facilities, targets, and real-time simulators, it does not: (1) consolidate and prioritize test resource development and acquisition programs; (2) include acoustic requirements data from fleet units; (3) include all options for meeting weapons system noise measurement requirements, including those costing \$5 million or less; and (4) present a cost-effective rationale for the future use of the Navy's Atlantic Undersea Test and Evaluation Center.

GAO also found that: (1) the Navy planned to use the Atlantic Undersea Test and Evaluation Center for training and, to a lesser extent, for research and development; (2) in order to coordinate and emphasize test resource acquisition, the Department of Defense and the military services implemented initiatives to improve test resource planning; and (3) the Navy failed to implement a recommendation to modify its plan for new facilities, which could save an estimated \$71.4 million, or to consolidate existing facilities, at an estimated savings of \$4.9 million in annual operating costs.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should require the Secretary of the Navy to revise the Long-Term

Underwater Support Resources Plan to: (1) integrate and rank all test resource development programs; (2) obtain and incorporate underwater acoustic measurement requirements from fleet units; (3) present other options to meet weapon system acoustic measurement requirements and eliminate dollar thresholds so that additional options can be considered; and (4) determine whether the Atlantic Undersea Test and Evaluation Center is the most cost-effective alternative to meet unit training requirements beyond the next 5-year period (1988 to 1993).

**Status:** Action in process. The Navy plans to have the updated resource plan completed by late 1989. Then the plan must be approved by the Navy's Test and Resources Board.

## Weapons Systems

# Light Helicopter Program: Risks Facing the Program Raise Doubts About the Army's Acquisition Strategy

NSIAD-89-72, 12/23/88

### Background

GAO reviewed the Army's Light Helicopter (LHX) Program to assess: (1) changes and risks in the program's cost estimates and technology development; (2) changes in the program's acquisition strategy; and (3) the Army's progress toward achieving program goals.

### Findings

GAO found that: (1) the Army believed that its original LHX performance requirement goals were too demanding; (2) to scale back the program, the Army reduced the total quantity, deleted the LHX utility version, and traded off performance requirements for lower aircraft weight and cost; and (3) the Army's use of flyaway costs to set LHX cost goals did not provide a sound basis for controlling and measuring costs, since such costs did not reflect the full expected cost of an LHX equipped for its primary mission. GAO also found that: (1) to lower LHX research and development costs, the Army chose an acquisition strategy that would eliminate competitive prototype testing and evaluation before contractor selection and full-scale development; and

(2) the Army preferred competitive prototyping, but believed that it was not affordable given the limited research and development funds available.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should set program cost goals around more meaningful cost measurements than flyaway costs, such as the cost of an LHX equipped for its primary mission, the unit procurement cost, or both.

**Status:** Action taken not fully responsive. The Department of Defense (DOD) believes that flyaway cost, if properly defined, is a good measurement. LHX cost estimates were using an incomplete definition of flyaway costs, erroneously excluding the cost of mission kits. DOD stated that other, more inclusive cost measurements will also be employed on LHX.

**Recommendation:** The Secretary of Defense should reassess whether LHX warrants a higher priority for more research and development funds within projected resources to pursue an acquisition strategy that provides for the

test and evaluation of competitive prototypes, particularly regarding mission equipment, before selecting a winning contractor team and committing the program to full-scale development.

**Status:** Action taken not fully responsive. DOD disagreed with this recommendation, citing the current strategy as sound and affordable. DOD will reevaluate the recommendation in December 1990. The GAO position that the current strategy is too risky is unchanged.

**Recommendation:** The Secretary of Defense should, if the current acquisition strategy is pursued, separate the decision to select the winning contractor from the decision to commit the program to full-scale development by postponing the full-scale development decision until it can be on the basis of the winning contractor's demonstrated performance with prototypes.

**Status:** Action taken not fully responsive. DOD disagreed, claiming a change in strategy was premature until the December 1990 milestone decision. GAO maintains the current strategy is flawed and should be corrected now.

## Weapons Systems

# Navy Weapons Testing: Defense Policy on Early Operational Testing

NSIAD-89-98, 05/08/89

### Background

Pursuant to a congressional request, GAO evaluated the extent to which the Navy conducted operational testing and evaluation (OT&E) before it made decisions on full-scale development or low-rate initial production of weapons systems.

### Findings

GAO found that: (1) the Department of Defense (DOD) incorporated an OT&E phase in its weapons systems acquisition policy to encourage the military services to conduct OT&E during the earliest possible acquisition phase; (2) DOD encouraged the use of operational assessments during early acquisition phases when prototype and hardware costs or availability precluded OT&E; (3) the Navy typically approved weapons systems for full-scale development and

low-rate initial production before it completed OT&E; (4) the Navy conducted a limited number of operational assessments to support early milestone decisions, although some of the operational assessments were so limited that they could not project the systems' potential effectiveness or suitability; and (5) the Navy's independent OT&E agency believed that the DOD direction that it prepare operational assessments, based on data from nonindependent sources without actually testing the systems, threatened its impartiality and independence.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should reemphasize the desirability of performing OT&E as early as possible in the acquisition cycle, as

called for by DOD acquisition directives. In so doing, the Secretary should clarify when it is appropriate for decisionmakers to rely on operational assessments that may not include the operational testing of any hardware and when actual operational testing and evaluation must occur. In addressing this issue, the Secretary should ensure that the independence of the services' OT&E agencies is not compromised and that the basis for weapon system assessments is fully disclosed when the assessments are reported to congressional and DOD decisionmakers. **Status:** Action in process. Estimated completion date: 08/90. The Office of the Secretary of Defense is updating its DOD Manual 5000.3-M-5, Volume 3, to reflect the recommendation.

## Weapons Systems

# Strategic Bombers: Logistics Decisions Impede B-1B Readiness and Supportability

NSIAD-89-129, 05/19/89

### Background

Pursuant to a congressional request, GAO reviewed the Air Force's acquisition and development of the B-1B strategic bomber, focusing on: (1) the achievement of readiness objectives; (2)

parts shortages and maintenance problems; (3) impending logistical challenges; and (4) opportunities to enhance logistics management.

### Findings

GAO found that the Air Force: (1) accepted the final bomber 2 months ahead of schedule, although it did not meet initial operating goals or expected operational readiness capabilities; (2)

could not place bombers on alert at the rate its management directive established; (3) did not integrate logistics into early acquisition and made decisions that impeded or complicated supply and maintenance, resulting in its inability to meet operational readiness targets; (4) faced significant parts and maintenance problems that required extraordinary effort to support operations, seriously limited aircraft availability, and forced it to rely extensively on use of parts from grounded aircraft; (5) required \$2.6 billion for operation and support costs until 1994, when it expected aircraft to achieve mature operations; (6) will face such management responsibilities as providing organic maintenance,

addressing logistical support requirements, improving reliability and maintainability, and increasing contractor engineering support; and (7) did not conduct a logistics readiness and support acquisition review that could have comprehensively assessed readiness and supportability needs. GAO believes that the Air Force's emphasis on production schedules and program costs resulted in trade-offs that adversely affected logistics support.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should conduct a logistics

readiness and support review of the B-1B.

**Status:** Action not yet initiated. Official actions have not yet been taken on this recommendation.

**Recommendation:** The Secretary of Defense should ensure that decisionmakers establish and use visible and measurable interim operational readiness goals that can be applied to early operations of new systems, especially for systems in which cost and schedule are imperatives.

**Status:** Action not yet initiated. Official action has not yet been taken on this recommendation.

## Weapons Systems

# Test and Evaluation: Reducing Risks to Military Aircraft From Bird Collisions

NSIAD-89-127, 07/13/89

### Background

Pursuant to a congressional request, GAO reviewed the services': (1) testing of military aircraft to reduce losses and damages resulting from bird collisions; and (2) development and use of nonflammable hydraulic fluid to reduce fire risks.

### Findings

GAO found that: (1) between 1983 and 1987, military aircraft collided with birds over 16,000 times, causing the loss of 9 aircraft, 6 crew member fatalities, and \$318 million in damage; (2) the services' specifications for testing jet engines against bird collisions served as guidance, rather than as requirements, resulting in the services' not always

requiring testing or using analytical methods which fully tested against known bird hazards; (3) jet engine testing methods did not always reflect the sizes and numbers of birds that could be ingested; (4) the services did not test airframes to identify and minimize vulnerability to bird collisions; (5) military oversight of engine testing against bird collisions was typically limited to monitoring; and (6) little documentation existed to evaluate the effectiveness of tests against bird collisions. GAO also found that: (1) between 1965 and 1986, hydraulic fluid fires during aircraft accidents have caused at least 5 crew member fatalities, 19 injuries, and \$237 million in lost aircraft; (2) the Air Force has developed a nonflammable hydraulic fluid which is

not compatible with existing aircraft hydraulic systems; and (3) costs of the Air Force's attempts to develop the nonflammable fluid and new components for hydraulic systems exceeded \$21 million through September 1988.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should require the services to revise test specifications to reflect the sizes and the number of birds actually colliding with military aircraft.

**Status:** Action in process. DDD (R&E) designated the Navy as the lead service to prepare standard specifications and testing criteria.

**Recommendation:** The Secretary of Defense should require the services to evaluate the vulnerability of critical airframe areas such as the nose and the

wing's leading edges to minimize the risk from bird collisions.  
**Status:** Action in process. DDD (R&E) designated the Navy as the lead service

to prepare standard specifications and testing criteria.

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## Weapons Systems

# Electronic Warfare: Reliable Equipment Needed to Test Air Force's Electronic Warfare Systems

NSIAD-89-137, 08/11/89

### Background

In response to a congressional request, GAO reviewed the Air Force's ability to detect faulty components and system malfunctions in the electronic warfare systems to perform needed repairs, focusing on major radar warning receivers, jammers, and test equipment planned for use in Air Force tactical aircraft.

### Findings

GAO found that: (1) the electronic warfare test equipment was unreliable and did not effectively identify system

malfunctions and faulty components; (2) almost half of the 455 jammers that the Air Force considered operationally ready for combat missions had undetected deficiencies while installed; (3) the test equipment that Air Force technicians used to identify malfunctions was unreliable and contributed to long repair times, which could negatively affect combat readiness; (4) the Air Force relied extensively on contractor support to keep its electronic warfare systems operational; (5) the Air Force did not comply with its deployment policies for the test equipment; (6) the Air Force consistently produced and deployed electronic warfare systems before testing

maintainability under operational conditions; and (7) the Air Force procured test equipment before testing its capability.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Defense should take steps to ensure that proven diagnostic equipment is deployed simultaneously with electronic warfare systems so that the systems can be effectively maintained by Air Force personnel.

**Status:** Action not yet initiated.

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## Weapons Systems

# Missile Procurement: AMRAAM Not Ready for Full-Rate Production

NSIAD-89-201, 09/07/89

### Background

Pursuant to a congressional request, GAO reviewed the status of the Advanced Medium Range Air-to-Air Missile (AMRAAM) before the Secretary of Defense's decision to begin full production, focusing on whether: (1)

operationally realistic tests demonstrated the missile's required performance; (2) the missile's design was complete and stable; and (3) the contractors demonstrated the ability to produce quality missiles at the required production rates.

### Findings

GAO found that: (1) although the completed tests demonstrated that AMRAAM met many performance requirements, the Air Force did not show that AMRAAM could meet its

probability-of-kill requirement; (2) a high number of failures early in testing showed that AMRAAM could not meet reliability requirements and that it needed additional design changes; (3) although the AMRAAM design continued to evolve during the first year of production, the Air Force did not complete all the required corrective actions; (4) the delivered missiles did not meet all performance requirements,

since the design corrections required additional time; and (5) the Air Force delayed its full-rate production readiness reviews until December 1989.

### **Open Recommendations to Agencies**

**Recommendation:** The Secretary of Defense should not authorize AMRAAM for full-rate production until realistic

tests demonstrate that the missile has met its performance and reliability requirements, the missile design stabilizes, and the Air Force's production readiness reviews show that the contractors can produce quality missiles at the required rates.

**Status:** Action not yet initiated.

# Natural Resources and Environment

## Conservation and Land Management

### The Bureau of Reclamation Could Identify More Unneeded Land

RCED-85-25, 04/12/85

#### Background

GAO reported on the Bureau of Reclamation's process for identifying unused, underused, and unneeded land.

#### Findings

GAO identified about 1.8 million acres of unneeded land for project purposes. This occurred primarily because the Bureau's annual property reviews did not include detailed reviews of specific parcels of land, and it had not completed reviewing the need for all public domain land under its jurisdiction. Recognizing the need to improve its land management program, the Bureau has been implementing a land-use inventory and automated real property asset management system. This could help the Bureau develop a comprehensive and accurate inventory of land no longer needed for project purposes. GAO noted that, since proceeds from the sale of unneeded land are used to reduce the financial obligations of irrigation districts, three such districts could receive reductions in their repayment obligations of about \$39 million if 73,000 acres of unneeded land are sold.

#### Open Recommendations to Agencies

**Recommendation:** The Secretary of the Interior should direct the Commissioner, Bureau of Reclamation, to transfer any unneeded public domain land used or needed by other federal agencies to the Bureau of Land Management (BLM) for disposition.

**Status:** Action in process. Estimated completion date: 01/91. The transfer of unneeded land to BLM for disposition is an ongoing process; however, certain transfers must be completed by 1991.

**Recommendation:** The Secretary of the Interior should direct the Commissioner, Bureau of Reclamation, to consider whether interests of the federal government that would be advanced by amending the 1943 Columbia Basin Project Act to recover future surplus settlement land sale revenues for the government rather than crediting them to the repayment obligations of the project's three irrigation districts outweigh the interests of the districts. Should it be determined that the government's interests are paramount, legislation should be submitted to

Congress specifying that future surplus revenues from settlement land sales shall be credited to the federal government.

**Status:** Action in process. The Bureau of Reclamation is seeking a solicitor's opinion concerning whether it is the responsibility of the Bureau to submit legislation to revoke that section of the Columbia Basin Project Act to recover future surplus settlement land sale revenues for the federal government. The opinion will determine if legislation will be submitted to Congress.

**Recommendation:** The Secretary of the Interior should direct the Commissioner, Bureau of Reclamation, to refrain from selling settlement land at the Columbia Basin Project until consideration of the proper disposition of future surplus settlement land sale revenues has been completed.

**Status:** Action in process. The Bureau of Reclamation has placed proceeds of land sales in escrow. A solicitor's opinion will determine whether the Bureau will proceed with submitting draft legislation to Congress recommending that these land sales proceeds be credited to the federal government.

Conservation and Land Management

Surface Mining: Interior Department and States Could Improve Inspection Programs

RCED-87-40, 12/29/86

**Background**

In response to a congressional request, GAO provided information on federally approved mine inspection and enforcement programs in four states to determine whether: (1) the states were citing all violations observed during mine inspections; and (2) if the Department of the Interior's Office of Surface Mining Reclamation and Enforcement's (OSMRE) sampling process to select mines for review is appropriate for assessing states' performance in citing mining violations.

**Findings**

GAO found that: (1) the states made most of the required inspections and ensured that mine operators timely corrected cited violations; (2) state inspectors failed to cite 78 of the 129 total violations GAO and federal inspectors observed during visits to 82 sites; (3) 56 percent of the uncited violations included problems with sediment controls, mining outside permit boundaries, improper topsoil handling, and other violations that could cause off-site environmental damage; (4) states did not cite the 78 violations because they missed the violations or disagreed that a violation existed; (5) states did not issue violation notices if problems were not

occurring when they followed up; and (6) states' failures to record all violations could affect penalty determinations and permit suspensions or revocations, since OSMRE bases its decisions on an operator's history of violations. GAO also found that federal inspectors: (1) did not determine if the violations they found were also present during the last state inspection; (2) did not attempt to schedule oversight inspections as close to the latest complete state inspection as possible; and (3) were not required to determine the potential environmental impact of observed violations or their likely causes.

**Open Recommendations to Agencies**

**Recommendation:** To ensure that all violations of the Surface Mining Control and Reclamation Act of 1977 (SMCRA) performance standards are cited, the Secretary of the Interior should require the Director, OSMRE, to determine the reasons why state inspectors are not citing all violations and, based on this information, work with the states to ensure that each violation of SMCRA performance standards is cited.

**Status:** Action in process. Estimated completion date: 03/90. OSMRE is in the process of refining and standardizing its present information collection

procedures to enable a more specific analysis of the causes of uncited violations and work with the states to gain improvement in this area.

**Recommendation:** To provide more creditable information on state regulatory authorities' performance in administering their mine inspection programs, the Secretary of the Interior should direct the Director, OSMRE, to modify the OSMRE sampling approach to give primary emphasis to measuring state performance in ensuring compliance with the act. OSMRE should include procedures for timing oversight inspections as close to the time of the last complete state inspection as possible, and then require its inspectors to record whether each observed violation was present at the time of the last complete state inspection, but was not cited by the state.

**Status:** Action in process. Estimated completion date: 03/90. OSMRE modified its sampling approach for the 1987-through-1988 state evaluation year in a manner similar to that used by GAO. However, OSMRE has decided that further study is needed regarding the timing of random mine inspections. An oversight task force will determine the feasibility of implementing this part of the GAO recommendation.

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**Conservation and Land Management**

**Federal Land Acquisition: Land Exchange Process Working But Can Be Improved**

RCED-87-9, 02/05/87

**Background**

In response to a congressional request, GAO reviewed the programs that the Department of Agriculture's (USDA) Forest Service and the Department of the Interior's Bureau of Land Management (BLM) use to plan, negotiate, and implement land exchanges.

**Findings**

GAO found that the land exchange process is working well, since both BLM and the Forest Service: (1) have established and followed procedures governing land exchanges; and (2) notify and negotiate with state and local governments about exchange proposals early in the exchange process to avoid disagreements. GAO also found that: (1) both agencies need to consistently record

the costs of processing exchange proposals to ensure the best budgeting and planning decisions; (2) both agencies follow practices, such as adjusting appraised values to reach equal value, which the Federal Land Policy and Management Act does not allow, since the government receives lands that are not equal to those it conveys; and (3) although pooling increased the agencies' effectiveness in disposing of scattered tracts of federal land for a desirable parcel, neither agency has evaluated pooling to determine whether its use is in the interest of the government and the public.

**Open Recommendations to Agencies**

**Recommendation:** The Secretaries of Agriculture and the Interior should

direct the Chief, Forest Service, and the Director, BLM, respectively, to evaluate the use of pooling to determine whether it is in their interests to continue using it. If pooling is continued, then the agencies should develop policies to promote and control its use.

**Status:** Action in process. Estimated completion date: 03/90. Both USDA and Interior have determined that pooling is a viable approach. Both plan to begin the implementation of regulations for pooling with publication of the Notice of Proposed Rulemaking in the Federal Register accomplished on August 18, 1989. Comment period has been extended to December 1, 1989, and final rulemaking is estimated for March 1990.

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**Conservation and Land Management**

**Surface Mining: State Management of Abandoned Mine Land Funds**

RCED-87-57, 02/06/87

**Background**

In response to a congressional request, GAO evaluated how effectively states manage their abandoned mine reclamation funds, specifically whether they: (1) have adequate financial controls to ensure the proper use of reclamation

funds; (2) are reclaiming eligible sites in proper priority sequence; (3) are managing projects in accordance with federal procurement, monitoring, and reporting standards; and (4) are correcting problems through completed projects.

**Findings**

GAO reviewed five states' reclamation programs and found that: (1) the states implemented financial control procedures and practices to ensure the proper expenditure of reclamation funds; (2) only one state complied with all

related grant payment, audit, and inventory requirements; (3) the states generally reclaimed eligible, high-priority projects; (4) the states managed their reclamation projects in compliance with applicable procurement and project monitoring standards, except for Kentucky's selection of design contractors, which lacked documentation; (5) the states conducted inspections both immediately after completing construction and later to ensure that projects successfully resolved their reclamation problems; and (6) although none of the states compiled summary data, most completed projects successfully reduced the number of problems. GAO noted that it could not readily assess the overall success of the

projects in reducing identified problems because summary data were not available.

### Open Recommendations to Agencies

**Recommendation:** To correct remaining weaknesses in state management of abandoned mine lands projects and Office of Surface Mining Reclamation and Enforcement (OSMRE) oversight of that management, the Secretary of the Interior should require the Director, OSMRE, to: (1) direct those states, like Kentucky, that do not comply with federal procurement standards, to bring their programs into compliance; (2) direct the states to provide all

information required by federal performance reporting standards in the states' semiannual reports on specific projects to OSMRE; and (3) strongly encourage those states not documenting the results of post-construction inspections to begin doing so.

**Status:** Action in process. Estimated completion date: 01/90. State compliance with federal procurement requirements will be emphasized through the state annual evaluation process. OSMRE will direct states to provide all information required by federal performance reporting standards in the states' semiannual reports. Reports will be reviewed for compliance with GAO recommendations.

## Conservation and Land Management

# Mineral Revenues: Coal Lease Readjustment Problems Remedied but Not All Revenue Is Collected

RCED-87-164, 08/25/87

### Background

In response to a congressional request, GAO provided information on: (1) the Department of the Interior's Bureau of Land Management's (BLM) progress in readjusting federal coal leases scheduled for readjustment through September 30, 1986; (2) the adequacy of BLM collection of royalties and rent resulting from the required readjustments; and (3) the adequacy of the bonds it required from lessees to protect the federal government against the loss of revenue that accrued while lessees appealed readjustments.

### Findings

GAO found that: (1) between 1976 and 1984, BLM failed to readjust 149 federal coal leases by their lease anniversary dates and, as a result, lost an estimated \$187 million in royalty and rent payments; (2) BLM appears to have corrected the problem, since from 1985 through the end of fiscal year 1986, BLM readjusted all but one federal coal lease on time; (3) as of September 30, 1986, the Minerals Management Service (MMS) had not collected over \$12.6 million in royalties and rent in five states because of inadequate financial management controls; and (4) BLM frequently failed to protect the government's financial interest by not requiring bond amounts

that were adequate to cover the revenues that accrued while lessees appealed the readjustments.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of the Interior should instruct the Director, MMS, to ensure that the MMS financial management system identifies the nonpayment or underpayment of rent.

**Status:** Action in process. Estimated completion date: 10/91. MMS does not have an automated system to alert it to unpaid rent on coal leases, but plans to have an automated system in place in another 2 to 3 years.

**Conservation and Land Management**

**Tongass National Forest: Timber Provision of the Alaska Lands Act Needs Clarification**

RCED-88-54, 04/11/88

**Background**

Pursuant to a congressional request, GAO reviewed the Forest Service's management of its timber sales program in the Tongass National Forest, focusing on: (1) Tongass Timber Supply Fund expenditures; (2) the Department of Agriculture's (USDA) and the timber industry's opinions regarding the Service's use of funds; (3) the effectiveness of timber supply and funding provisions in maintaining timber industry employment; (4) the economic basis of the Service's policies in the Tongass Land Management Plan; and (5) a comparison of the government's costs for growing and selling timber with timber sales revenues.

**Findings**

GAO found that: (1) Tongass timber industry employment declined from about 2,700 jobs in 1980 to 1,420 jobs in 1986; (2) neither the act nor the land management plan provided the Service with the flexibility it needed to deal with reduced demand; (3) contrary to timber industry perceptions and interpretations, Congress passed the act to protect the timber industry from the effects of designated wilderness areas, not to guarantee protection against timber market fluctuations; (4) during 1986, the Service incurred costs of about \$25.4 million and received revenues of \$3.3 million; (5) the Service properly spent about \$30 million from the Tongass Timber Supply Fund for construction of administrative roads and facilities which had a substantial connection with the fund's purposes; and (6) the Service lacks

authority to use the fund to pay for firms' road-building costs.

**Open Recommendations to Congress**

**Recommendation:** To provide the Forest Service with more flexibility for supplying timber under varying market conditions, Congress should revise the 4.5-billion board-feet-per-decade timber supply provision of Section 705(a) of the Alaska National Interest Lands Conservation Act. In making this revision, the timber supply provision should be revised so that the amount supplied would be based on the anticipated demand for timber and on the data currently being formulated by the Forest Service as part of its land management planning process rather than on a rigid per-decade requirement.  
**Status:** Action in process.

**Conservation and Land Management**

**Rangeland Management: More Emphasis Needed on Declining and Overstocked Grazing Allotments**

RCED-88-80, 06/10/88

**Background**

Pursuant to a congressional request, GAO examined the Bureau of Land Management's (BLM) and the Forest Service's range management programs to determine: (1) their progress in improving range conditions; (2) whether

they based grazing levels on recent and accurate rangeland assessments; (3) whether they used range improvement funds on the most beneficial projects; (4) the adequacy of their range condition inventory and monitoring systems; and

(5) the success of the Experimental Stewardship Program (ESP).

**Findings**

GAO found that: (1) BLM and the Service lacked reliable, current

information on conditions and trends for much rangeland; (2) the most recent reports showed that over 50 percent of the rangelands were in either poor or fair condition and about 8 percent were in declining condition; (3) about 19 percent of the grazing allotments were overstocked and subject to further deterioration, but the agencies did not adjust authorized livestock grazing levels in 75 percent of these cases; (4) many range managers cited insufficient data as a reason for not scheduling grazing reductions; (5) livestock carrying capacity assessments were often old and outdated; (6) neither agency focused management attention or resources on declining or overstocked allotments; and (7) 66 percent of BLM and 27 percent of Service grazing allotments did not have management plans and many of the existing plans were over 10 years old.

### Open Recommendations to Agencies

**Recommendation:** The Secretaries of Agriculture and the Interior should direct the Chief of the Forest Service and the Director, BLM, to focus management priority on completing new livestock carrying capacity assessments for grazing allotments that their range managers believe are overstocked and that therefore have the greatest potential for range deterioration. The assessments, when completed, should be used to adjust permit levels accordingly. As a start, responsible range managers should be asked to identify all

allotments that they believe are currently overstocked or in declining condition.

**Addressee:** Department of Agriculture  
**Status:** Action in process. Estimated completion date: 01/90. The Department of Agriculture (USDA) prepared an action plan on March 29, 1989, directing field managers to identify allotments that are declining and overstocked, and to estimate the staffing and funding needed to correct them. Field managers are not required to respond until January 1990.

**Recommendation:** The Secretaries of Agriculture and the Interior should direct the Chief of the Forest Service and the Director, BLM, to better focus range improvement funding on allotments with declining range conditions and on overstocked allotments where range improvements can negate or limit the need to reduce the number of permitted livestock. A first step in this process would be to establish uniform, formal criteria that give priority to funding range improvements on allotments that are either declining or overstocked.

**Addressee:** Department of Agriculture  
**Status:** Action in process. Estimated completion date: 01/90. USDA prepared an action plan to implement this recommendation on March 29, 1989, directing the field to establish a priority system for funding allotments in declining and overstocked condition, and to estimate staffing and funding needed

for range improvements from 1991 through 2000 by January 1, 1990.

**Recommendation:** The Secretaries of Agriculture and the Interior should direct the Chief of the Forest Service and the Director, BLM, to: (1) identify those grazing allotments that their range managers believe are declining and overstocked; and (2) concentrate management priority on monitoring and developing current allotment management plans for these allotments.  
**Addressee:** Department of Agriculture  
**Status:** Action in process. Estimated completion date: 01/90. USDA prepared an action plan on March 29, 1989, directing field staff to establish a monitoring schedule for all overstocked and declining allotments by January 1990.

**Recommendation:** The Secretaries of Agriculture and the Interior should direct the Chief of the Forest Service and the Director, BLM, to not initiate any new ESP projects until it can be demonstrated that range conditions and permittee stewardship have improved under the present ESP projects.  
**Addressee:** Department of Agriculture  
**Status:** Action in process. Estimated completion date: 01/90. USDA prepared an action plan to implement this recommendation on March 29, 1989, stating that the ESP program accomplishments should be analyzed in cooperation with BLM. This analysis is scheduled to be completed by January 1990.

## Conservation and Land Management

# Public Rangelands: Some Riparian Areas Restored but Widespread Improvement Will Be Slow

RCED-88-105, 06/30/88

### Background

In response to a congressional request, GAO discussed federal efforts to restore degraded riparian areas on public rangelands and the extent of areas still needing improvement.

### Findings

GAO reviewed 22 public rangelands in 10 western states, and found that: (1) the Bureau of Land Management (BLM) and the Forest Service successfully restored a number of degraded riparian areas through improved livestock management, which allowed vegetation to grow; (2) BLM and the Forest Service either temporarily restricted grazing in degraded areas or built fences to keep livestock away from the areas until vegetation improved; (3) although many ranchers opposed the restoration efforts, others realized the benefits to their operations; and (4) restoration of the riparian areas required specific knowledge and skills of wildlife and fisheries biologists, hydrologists, range conservationists, and soil scientists. GAO also found that, although there are still large areas that need restoration, future efforts could be hampered by: (1) shortages of skilled staff due to the agencies' budgetary restraints; (2) opposition from ranchers; and (3) a lack of cohesive management support from BLM and the Forest Service.

### Open Recommendations to Agencies

**Recommendation:** The Secretaries of the Interior and Agriculture should direct the Director, BLM, and the Chief, U.S. Forest Service, to review the staffing support provided to riparian improvement efforts in the context of all program activities, and determine whether appropriate staffing levels are being provided.

**Addressee:** Department of the Interior  
**Status:** Action in process. Estimated completion date: 01/90. The agencies' field units are in the process of reassessing staff needs to implement established plans. The fiscal year (FY) 1991 budget submission will contain appropriate staffing requests.

**Addressee:** Department of Agriculture  
**Status:** Action in process. Estimated completion date: 01/90. The agencies' field units are in process of reassessing staff needs to implement established plans. The FY 1991 budget submission will contain appropriate staffing levels.

**Recommendation:** The Secretaries of the Interior and Agriculture should, as part of their annual budget submissions, report on the extent of riparian improvement that can be expected with the level of staffing they recommend.

**Addressee:** Department of the Interior  
**Status:** Action in process. Estimated completion date: 01/90. The Forest Service will include the recommended report as part of an annual budget process. BLM will put together and report through the annual work plan process.

**Addressee:** Department of Agriculture  
**Status:** Action in process. Estimated completion date: 01/90. The Forest Service will include the recommended report as part of an annual budget process. BLM will put together and report through the annual work plan process. The FY 1991 budget will contain this recommended data.

**Recommendation:** With respect to the commitment to achieve broader riparian improvement, the Secretaries of the Interior and Agriculture should direct the Director, BLM, and the Chief, U.S. Forest Service, to reemphasize and reiterate the agencies' commitment. As part of this effort, the Director and the Chief should: (1) establish finite, measurable goals in terms of miles of riparian areas to be targeted for restoration; (2) annually measure and document the specific progress being made to achieve those goals; and (3) document and justify instances where restoration steps needed to achieve established goals are seriously thwarted or rejected.

**Addressee:** Department of the Interior  
**Status:** Action in process. BLM has required state directors to annually measure and document riparian goal achievements as part of its planning process. Partial results have been received.

**Addressee:** Department of Agriculture  
**Status:** Action in process. Estimated completion date: 03/90. The Forest Service will incorporate the recommended action into its planning process. The Forest Service claims that

its 1990 resources planning assessment will call for increasing riparian management.

## Conservation and Land Management

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

RCED-88-110, 07/28/88

### Background

In response to a congressional request, GAO reviewed the Army Corps of Engineers' administration of section 404 of the Clean Water Act to determine the extent to which the Corps: (1) coordinated with federal resource agencies during the permit process; (2) identified violations of permit conditions; and (3) imposed sanctions against those who failed to obtain required permits or violated permit conditions.

### Findings

GAO found that: (1) although the Section 404 Program protected some wetlands, it did not regulate many activities, such as normal farming and wetlands draining, which caused most of the wetlands losses; (2) resource agencies believed that the Corps could protect more wetlands if it delineated wetland boundaries more broadly and gave greater consideration to practicable alternatives to placing dredged and fill materials in wetlands; (3) neither the Corps nor the resource agencies maintained comprehensive information on the program's impact on wetlands; (4) although the Corps considered resource agency recommendations in issuing permits, in many cases its district offices did not require applicants to address recommendations and did not provide feedback to the agencies; (5) resource

agencies rarely appealed cases when they disagreed with district offices because they believed that the appeal process was cumbersome and ineffective; (6) neither the Corps nor the Environmental Protection Agency (EPA) had systematic surveillance programs to detect unauthorized activities on wetlands; (7) the districts did not investigate many suspected unauthorized activities for months and did not monitor issued permits for compliance with permit conditions; (8) the Corps rarely pursued civil or criminal remedies against violators and did not often suspend or revoke permits; and (9) EPA rarely used its authority, even though most violations involved failure to obtain permits.

### Open Recommendations to Congress

**Recommendation:** Congress may wish to establish clearer criteria regarding the: (1) scope of wetlands delineation under the program; (2) extent to which alternatives to filling wetlands must be considered; and (3) extent and circumstances under which cumulative impacts of permit decisions must be considered.

**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** In order to provide for a more effective public interest review in which environmental and development concerns receive full consideration, as required by law, the Secretary of the Army should direct the Chief, Corps of Engineers, to work with the resource agencies to develop a feedback mechanism to provide the resource agencies with documentation that shows how their recommendations were addressed during the application review process, and, where applicable, reasons why recommendations were not accepted.

**Status:** Action taken not fully responsive. The Corps of Engineers is concerned that this recommendation will add to the already significant staff burden involved in providing resource agencies with feedback on their permit suggestions. It believes that feedback information is available at its district offices and that resource agencies can avail themselves of it there. GAO found cases where such information was not recorded at offices.

**Recommendation:** In order to provide for a more effective public interest review in which environmental and developmental concerns receive full consideration, as required by law, the

Secretary of the Army should direct the Chief, Corps of Engineers, to develop, with the participation of the resource agencies, a mutually acceptable and simplified process under which district engineer permitting decisions can be appealed.

**Status:** Action in process. Estimated completion date: 01/90. The Corps of Engineers has started a dialogue with EPA and the other resource agencies

concerning ways to streamline the current appeal process. The Corps is still awaiting proposals from the agencies.

**Recommendation:** In order to strengthen enforcement of the Section 404 Program, the Secretary of the Army should direct the Chief, Corps of Engineers, to establish a national oversight program to evaluate Corps

district performance in enforcing the Section 404 program.

**Status:** Action in process. Estimated completion date: 01/90. The Corps of Engineers has increased its monitoring of enforcement actions from an annual to a quarterly basis. It signed an enforcement Memorandum of Agreement with EPA and developed new enforcement training programs. Other monitoring efforts are pending.

## Conservation and Land Management

# Federal Land Management: Consideration of Proposed Alaska Land Exchanges Should Be Discontinued

RCED-88-179, 09/29/88

### Background

In response to a congressional request, GAO evaluated proposed land exchanges between the Department of the Interior and six groups of Alaskan Native corporations to: (1) assess Interior's legal authority to conduct the proposed land exchanges; and (2) examine the processes, assumptions, and methods underlying the exchanges.

### Findings

GAO found that: (1) Interior had the legal authority to negotiate and administratively approve the proposed exchanges at the time it developed the proposals; (2) legislation passed in 1988 prohibited Interior from conveying interests in lands within the coastal plain of the Arctic National Wildlife Refuge (ANWR) without prior legislative approval; (3) 76 percent of the lands that the government would acquire would provide limited wildlife and habitat protection benefits; (4) about 279,000

acres were low priority or unsuitable for acquisition, about 349,000 acres were already protected from uses inconsistent with wildlife refuge purposes, and Interior would not acquire about 53,000 acres most threatened by subsurface mineral development. GAO also found that Interior: (1) appraised the fair market value of the proposed exchanges at \$90 million, but negotiated a price of \$539 million due to their environmental or public-interest value; (2) assigned values to the tracts based on limited geologic information and uncertain economic data; and (3) did not have oil and gas well data within ANWR or access to data from the one well in ANWR that one of the Native corporation's oil company affiliates drilled.

### Open Recommendations to Congress

**Recommendation:** If the Secretary of the Interior decides to proceed with the

proposed exchanges and presents them to Congress for approval, Congress should disapprove them.

**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of the Interior should discontinue consideration of the proposed land exchanges.

**Status:** Action in process. Prior to leaving office, Secretary Hodel sent a record of decision to Congress justifying his decision and disagreeing with GAO. However, due to congressional interest and deliberations, he declined to sign the exchanges. Under the new secretary, this issue will not be taken up until appointees in this area are in office. The new appointees and immediate staff are reviewing this issue.

Conservation and Land Management

Surface Mining: Complete Reconciliation of the Abandoned Mine Land Fund Needed

RCED-89-35, 10/28/88

Background

Pursuant to a congressional request, GAO reviewed the Department of the Interior's Office of Surface Mining Reclamation and Enforcement's (OSMRE) 1988 reconciliation of the Abandoned Mine Reclamation Fund, commonly known as the Abandoned Mine Land (AML) Fund.

official accounting records' overall fund balance, collections, and grant data; and (5) could not accurately use its tracking system to determine federal and state share percentages of grant charges. GAO also found that OSMRE did not have adequate internal controls over its grant allocation process, since it: (1) could not substantiate the federal share of the state reclamation program grants listed in its tracking system; and (2) lacked policies and procedures for recreating and verifying its past allocation decisions. GAO believes that the incorrect state share balances will affect not only the current-year grant allocations, but also future-year allocations.

OSMRE, to: (1) modify the accounting system to identify expenditures charged against the state and federal share balances of the AML Fund and specify in the grant agreement the source of the grant funds; (2) reconcile the AML Fund balances using historical allocation formulas and corrected input data to assure their accuracy for use in making future grant allocations; and (3) develop written AML Fund allocation policies and procedures, clearly document all actions affecting state allocations, and independently verify the allocation of grant funds to the states.

Status: Action in process. Estimated completion date: 01/90. OSMRE has completed action on the first and third recommendations and is in process of performing a reconciliation of the AML Fund.

Findings

GAO found that OSMRE: (1) established the AML Grants Tracking System in 1986 to record federal and state share contributions toward AML Fund grants; (2) did not perform a complete reconciliation of the AML Fund, since it did not correct past tracking system errors in determining state share balances; (3) did not correct key data errors in its formulas for calculating state grant allocations; (4) limited its fund reconciliation to agreement with its

Open Recommendations to Agencies

Recommendation: The Secretary of the Interior should direct the Director,

Conservation and Land Management

Endangered Species: Management Improvements Could Enhance Recovery Program

RCED-89-5, 12/21/88

Background

In response to a congressional request, GAO examined possible implementation deficiencies under the Endangered Species Program to determine: (1) the

extent of recovery of domestic threatened and endangered species; (2) federal agencies' progress in developing recovery plans; and (3) whether the

agencies implemented their recovery plans.

**Findings**

GAO found that it was unable to measure program success because: (1) few domestic species were officially declared either extinct or recovered; (2) the Fish and Wildlife Service (FWS) and the National Marine Fisheries Service (NMFS) lacked centralized information on species' movement toward or away from recovery; (3) increased work loads and funding shortfalls hampered FWS and NMFS recovery efforts; (4) FWS did not adhere to its priority system for preparing and updating recovery plans, allocating funds, or tracking recovery activities; and (5) FWS concentrated its recovery funds on highly visible species and those species that were approaching recovery, rather than prioritizing the most endangered species and those actions needed to prevent future extinctions. GAO also found that: (1) the agencies had not initiated many planned recovery tasks; and (2) as of September 30, 1987, the agencies had approved plans for 56 percent of the domestic species and had plans underway for an additional 18 percent.

**Open Recommendations to Agencies**

**Recommendation:** The Secretaries of Commerce and the Interior should direct the Directors, NMFS and FWS, respectively, to develop and maintain

centralized information on the status of all listed domestic species.

**Addressee:** Department of the Interior  
**Status:** Action in process. Estimated completion date: 06/90. Interior is developing the system recommended.

**Addressee:** Department of Commerce  
**Status:** Action in process. Estimated completion date: 12/89. Commerce will develop the system by December 31, 1989.

**Recommendation:** The Secretaries of Commerce and the Interior should direct the Directors, NMFS and FWS, respectively, to develop and maintain a tracking system of all initiated recovery activities. Initiated tasks should be identified by recovery plan task numbers and, when possible, indicate implementation costs.

**Addressee:** Department of the Interior  
**Status:** Action in process. Estimated completion date: 06/90. Interior plans to link recovery activity monitoring to congressionally directed reports on recovery expenditures.

**Addressee:** Department of Commerce  
**Status:** Action in process. Estimated completion date: 12/89. Commerce will have Recovery Planning Guidelines available for public review by December 1989, which will mandate a task tracking system.

**Recommendation:** The Secretaries of Commerce and the Interior should direct

the Directors, NMFS and FWS, respectively, to ensure that: (1) recovery plans are annually reviewed, are updated as necessary, and do not contain inappropriately classified high-priority task designations; and (2) the priority systems are used in allocating recovery funds or amended. The Director, NMFS, should also clarify how the agency's priority system, once finalized, can recognize species approaching recovery while giving priority to the most endangered species.

**Addressee:** Department of the Interior  
**Status:** Action in process. Estimated completion date: 06/90. Interior is revising its Recovery Planning Guidelines to better assign task priorities requiring annual review of recovery plans, and ensure that priorities are appropriate and effectively utilized.

**Addressee:** Department of Commerce  
**Status:** Action in process. Estimated completion date: 06/90. Commerce is finalizing its first recovery guidelines, and has promised to accept this recommendation.

**Recommendation:** The Secretary of the Interior should direct the Director, FWS, to take those steps necessary to ensure that any funding reallocations within the endangered species program comply with budgetary reprogramming procedures.

**Status:** Action not yet initiated.

Conservation and Land Management

National Wildlife Refuges: Continuing Problems With Incompatible Uses Call for Bold Action

RCED-89-196, 09/08/89

Background

Pursuant to a congressional request, GAO evaluated the Fish and Wildlife Service's (FWS) management of the secondary uses of national wildlife refuges, focusing on whether FWS met the purposes for which the refuges were established.

Findings

GAO found that: (1) although the refuges served their primary purpose of providing habitat and safe haven for wildlife, 90 percent of the 428 refuges had at least one secondary use, 70 percent had at least 7 different secondary uses, and more than 30 percent had at least 14 different secondary uses; (2) managing such secondary uses as public recreation, mining, and grazing increasingly diverted management attention from the wildlife functions that refuge staff were trained to perform and caused direct harm to wildlife resources; (3) FWS could not measure the impact of harmful uses on refuge performance, since it did not measure each refuge's wildlife enhancement potential; (4) refuge

managers attributed the harmful uses of refuges to external pressures and limitations in FWS jurisdiction over refuge resources; (5) FWS allowed uses that refuge managers believed harmful in order to satisfy local public and economic interests due to its failure to periodically reevaluate ongoing secondary uses, as required; and (6) FWS jurisdictional limitations included lack of ownership of subsurface mineral rights, shared jurisdiction over navigable waterways within refuge boundaries, and lack of military access to refuge lands and airspace that prevented it from stopping many activities proven to be harmful to wildlife resources.

Open Recommendations to Agencies

Recommendation: To ensure that secondary uses of national wildlife refuges are compatible with the primary purposes for which the refuges were established, the Secretary of the Interior should direct the Director, FWS, to: (1) base compatibility decisions on biological considerations from influencing such decisions; (2) compile financial data on

the cost of managing secondary uses to determine their impact on refuges' limited resources; (3) comply with the requirement in its Refuge Manual to reevaluate the compatibility of ongoing secondary uses on a periodic basis; and (4) eliminate all uses deemed, on biological grounds, to detract materially from the refuges' primary purposes. Status: Action not yet initiated.

Recommendation: To ensure that available resources are used effectively, the Secretary of the Interior should direct the Director, FWS, to: (1) identify refuges where less than full ownership and control of necessary resources adversely affect the refuges' primary purposes; (2) establish guidance for determining whether refuges can effectively accomplish their primary wildlife resource purposes; and (3) determine whether these refuges should be improved through the acquisition of needed property rights or other steps, or be removed from the system on the basis of the above guidance, thus freeing limited resources for use at other wildlife refuges. Status: Action not yet initiated.

**Conservation and Land Management**

**Wilderness Preservation: Problems in Some National Forests Should Be Addressed**

RCED-89-202, 09/26/89

**Background**

Pursuant to a congressional request, GAO reviewed the Forest Service's management of its National Wilderness Preservation System lands, focusing on: (1) the extent of resource deterioration in wilderness areas; and (2) Service staffing and funding devoted to wilderness management.

**Findings**

GAO found that the Service: (1) managed about 32.5 million acres of National Wilderness Preservation System lands, including 354 wilderness areas; (2) decentralized wilderness area management to the individual national forest and district office levels, with oversight by regional offices and headquarters; (3) did not require wilderness managers to maintain comprehensive information on wilderness area conditions, although managers indicated that there was a considerable amount of unmet trail maintenance and reconstruction needs and campsite deterioration; (4) did not periodically inventory conditions in many wilderness areas and could not determine whether conditions were improving or worsening; (5) had unnecessarily large or highly visible administrative and recreational facilities and structures in several wilderness areas, which did not comply with its policy to maintain low visibility; (6) did not maintain information about funding

and staffing it devoted to management of individual wilderness areas; and (7) believes that staffing and funding have been inadequate to achieve its objectives, resulting in its not performing monitoring, data-gathering, trail maintenance, campsite cleanup, and public education tasks it believes necessary to protect the wilderness areas.

**Open Recommendations to Agencies**

**Recommendation:** To improve administration of the National Wilderness Preservation System, the Secretary of Agriculture should direct the Chief, Forest Service, to develop baseline inventory information on the condition of each designated wilderness and monitor changes in the condition and extent of use in wilderness areas.  
**Status:** Action not yet initiated.

**Recommendation:** To improve administration of the National Wilderness Preservation System, the Secretary of Agriculture should direct the Chief, Forest Service, to consider the applicability of the limits of acceptable change method or other methods to assess changes in wilderness conditions.  
**Status:** Action not yet initiated.

**Recommendation:** To improve administration of the National Wilderness Preservation System, the Secretary of Agriculture should direct

the Chief, Forest Service, to evaluate present Forest Service administrative sites to determine whether the structures: (1) are the minimum needed to protect the resource and the safety of users; and (2) set a proper example for other visitors to the area.  
**Status:** Action not yet initiated.

**Recommendation:** To improve administration of the National Wilderness Preservation System, the Secretary of Agriculture should direct the Chief, Forest Service, to establish a uniform national policy for dealing with outfitter and guide structures and facilities within wilderness areas that minimizes the presence of such structures in keeping with the spirit of the Wilderness Act.  
**Status:** Action not yet initiated.

**Recommendation:** To improve administration of the National Wilderness Preservation System and provide Congress with current and accurate budget information, the Secretary of Agriculture should direct the Chief, Forest Service, in conjunction with the development of baseline inventory information on the condition of individual wilderness areas, to compile information on the total funding and staffing needed to manage wilderness areas in a manner that will meet the objectives of the Wilderness Act.  
**Status:** Action not yet initiated.

## Conservation and Land Management

# Implementation of the Federal Onshore Oil and Gas Leasing Reform Act of 1987

T-RCED-89-69, 09/28/89

### Background

GAO discussed the Bureau of Land Management's (BLM) and the Forest Service's implementation of legislation concerning those agencies' administration of oil and gas leases on public lands. GAO noted that: (1) although both BLM and the Service determined that they needed to study potential environmental impacts and satisfy all environmental requirements before issuing oil and gas leases or approving drilling permits, 75 of 82 land-use plans, which the agencies heavily relied on in making such determinations, did not adequately identify or address essential potential environmental impacts; (2) both agencies have begun work to improve the information they use in making lease decisions, but are also continuing to approve drilling permits before they obtain the necessary information; (3) the Service's January 1989 proposed regulations for implementing its legislatively required responsibilities did not clearly address bonding requirements, introduced lease development uncertainties, and improperly separated oil and gas leasing

decisions from the normal land-use plans and environmental studies process; (4) BLM implementation of its responsibilities resulted in a substantial increase in the percentage of competitively leased land and per-acre revenues; and (5) BLM retained a lease-sale procedure which could reduce competition and revenues.

### Open Recommendations to Agencies

**Recommendation:** The Forest Service should confer with BLM in order to establish clear responsibilities for bonding to cover subsurface environmental impacts and nonpayment of royalties on Service lands.  
**Status:** Action not yet initiated.

**Recommendation:** Given the uncertainty of what adequate bond amounts should be, and the possibility that amounts larger than current BLM requirements may seriously impede oil and gas leasing, the Forest Service should study the need for and availability of larger bond amounts before issuing bonding regulations.  
**Status:** Action not yet initiated.

**Recommendation:** The Forest Service should remove bonding from the current rulemaking and propose a new bonding regulation after completing an appropriate study.

**Status:** Action not yet initiated.

**Recommendation:** The Forest Service should improve its information on the environmental impacts of oil and gas leasing and development on its lands so that informed decisions can be made before a lease is issued, thereby negating the need to deny subsequent development.

**Status:** Action not yet initiated.

**Recommendation:** Unless the Forest Service can ensure that its proposed suitability determination process is consistent with its regulations and would be cheaper and faster than using existing land-use planning procedures, the Service should use its existing planning process, rather than establishing a new one, to determine which lands should be available for leasing.

**Status:** Action not yet initiated.

**Other Natural Resources**

**Deactivating Research Vessels: National Oceanic and Atmospheric Administration's Use of Private Ships**

RCED-86-133, 06/11/86

**Background**

Pursuant to a congressional request, GAO reviewed the National Oceanographic and Atmospheric Administration's (NOAA) proposal to deactivate a number of its marine research vessels and increase the use of private-sector vessels.

**Findings**

GAO found that: (1) in fiscal year (FY) 1985, NOAA operated 22 ocean-going research vessels to support its fisheries, oceanographic, and hydrographic programs; (2) NOAA programs and projects have averaged 4,872 days at sea annually over the last 3 years; (3) private-sector vessels accounted for about 16 percent of NOAA days at sea during that period; and (4) NOAA wants to deactivate half of its fleet, which could save up to \$11 million of its annual \$61 million fleet support costs.

GAO also found that: (1) NOAA officials at different research centers had differing views on the desirability, safety, and cost-effectiveness of increasing private-sector fleet support; (2) while some NOAA officials believe that chartering private-sector vessels would be advantageous because they are more modern, more readily available, and manned by more experienced crews, other officials believe that NOAA vessels are safer and more readily available; (3) NOAA vessels' daily costs range from \$1,000 to \$22,000, compared to \$465 to \$4,955 for private-sector ships, but it noted that the comparison may be geographically skewed because one NOAA research center charters most of the NOAA private-sector fleet support; and (4) costs for NOAA vessels also tend to be higher because it owns larger, more expensive multi-purpose vessels, whereas most of its charter vessels are smaller, single-purpose vessels, such as fishing boats.

**Open Recommendations to Agencies**

**Recommendation:** Before deactivating a significant portion of the NOAA fleet, the Administrator, NOAA, should develop more definitive information on the merits of such an action. Although a number of options may be available, one option is for NOAA to gradually increase the use of private vessels so it can obtain the additional experience and data needed to justify the deactivation proposal.

**Status:** Action in process. H.R. 897 is scheduled to reach the full House in the first quarter of fiscal year 1990. The bill, among other things, provides NOAA the authority to use long-term contracts to charter private ships to obtain needed ship support. In addition, NOAA has prepared a plan for providing long-term ship support to users.

**Other Natural Resources**

**Cultural Resources: Implementation of Federal Historic Preservation Program Can Be Improved**

RCED-88-81, 06/09/88

**Background**

In response to a congressional request, GAO reviewed six agencies' compliance with the Historic Preservation Act of

1966 to determine the: (1) extent and consequences of noncompliance; and (2) actions needed to bring the agencies into compliance.

**Findings**

GAO found that: (1) the agencies did not fully comply with their historic preservation responsibilities; (2) federal

historic properties were damaged or had significantly deteriorated as a result of the noncompliance; (3) the Secretary of the Interior did not establish an adequate training program for preservation staff; (4) the agencies failed to maximize the use of their historic buildings because they were unable to locate, account for, and nominate many historic properties; (5) the agencies did not adequately protect, preserve, or maintain their historic properties, causing deterioration and damage; and (6) the agencies stated that they needed better guidance and support from the Interior, as well as specific program funding to fulfill their responsibilities.

### Open Recommendations to Agencies

**Recommendation:** The Secretaries of Agriculture and the Interior, the Administrators of General Services and Veterans Affairs, and the Postmaster General should: (1) ensure that the use of agency-owned or -managed historic properties is given preference to nonhistoric properties; (2) establish agencywide time frames regarding efforts to locate, inventory, and nominate their historic properties; and (3) emphasize through agency directives that historic properties must be adequately protected, preserved, and maintained.

**Addressee:** Department of Agriculture  
**Status:** Action in process. Estimated completion date: 09/90. The Forest Service has issued internal directions for maximizing the use of historic buildings

and guidance on evaluating the historic significance of administrative/support structures and survey lands containing historic properties. Additional guidance on the monitoring of actions involving the preferential issue are being drafted for inclusion in the Service Manual by early fiscal year 1990.

**Addressee:** Veterans Administration  
**Status:** Action in process. Estimated completion date: 09/91. The Veterans Administration (VA) has drafted a handbook which provides field and headquarters personnel information on historic preservation requirements. VA has developed an implementation plan to improve the historic preservation program. A contract was awarded to conduct a 2-year project to develop cultural resource management plans for national cemeteries and historic medical centers.

## Other Natural Resources

# Offshore Oil and Gas: Environmental Studies Program Meets Most User Needs but Changes Needed

RCED-88-104, 06/29/88

### Background

In response to a congressional request, GAO reviewed the Department of the Interior's outer continental shelf (OCS) environmental studies program to determine: (1) whether contractors timely delivered environmental studies in relation to originally scheduled due dates and planned lease uses; (2) the level of user satisfaction with the studies and how Interior's Minerals Management Service (MMS) used them for OCS decisionmaking; and (3) whether MMS and the National Oceanic and Atmospheric Administration (NOAA)

could use Alaska program resources more efficiently.

### Findings

GAO found that: (1) although MMS and NOAA received most draft and final studies after their originally scheduled due dates, most of the studies were in time for planned lease sale uses; (2) most of the program studies users were satisfied with the studies' usefulness, timeliness, and quality, but some groups reported that they received half of the studies too late to provide input to MMS on lease sale decisions; and (3) recent declines in program funding for Alaska

and in the number of studies contracts, as well as duplication of administrative functions by MMS and NOAA, reduced program efficiency.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of the Interior should direct the Director, MMS, to develop alternatives for making more efficient the Alaska environmental studies program contract award and administration functions currently carried out by both NOAA and MMS. In deciding which alternative to pursue,

MMS should consider not only potential dollar savings but also other issues, such as staffing, public perception of objectivity, and continuity of scientific expertise.

**Status:** Action in process. Estimated completion date: 10/91. MMS notified NOAA that MMS expects NOAA to stop issuing contracts by October 1990, and to propose only in-house studies starting in FY 1991. MMS plans to include these

conditions in its next 5-year agreement with NOAA, covering FY 1991 through 1995. Interior believes this will establish a framework for NOAA continued program participation and will eliminate management duplication.

## Other Natural Resources

# Federal Land Management: The Mining Law of 1872 Needs Revision

RCED-89-72, 03/10/89

## Background

In response to a congressional request, GAO reviewed various aspects of the Mining Law of 1872, focusing on the: (1) law's patent provision; (2) law's requirement that unpatented claim holders annually perform a minimal amount of work to develop their mineral claims; and (3) amendments needed to bring the law's provisions more in line with existing national natural resource policies.

## Findings

GAO found that: (1) the work requirement no longer promoted mineral development, was difficult to enforce, and occasionally resulted in land damage; (2) much of the work was difficult to verify because there was often little or no physical evidence of the work performed and the work performed did little to bring the claims closer to development; (3) some claim holders needlessly scarred the land to make it appear that they complied with the annual work requirement; and (4) replacing the annual work requirement with an annual holding fee would reduce damage to federal lands, eliminate difficult annual work requirement

certification and enforcement, and result in clearance of more inactive, invalid, or abandoned claims. GAO also found that: (1) the government received less than \$4,500 for 20 patents issued since 1970 that had an estimated worth of between \$13.8 million and \$47.9 million; (2) as of October 1987, 265 patent applications were pending for more than 80,000 acres of public land; (3) if the government patented all of the land in the 12 sites reviewed, it would receive about \$16,000 for land appraised at between \$14.4 million and \$47.1 million; (4) although the Land Policy and Management Act requires that the government receive fair market value for disposable public lands, about 157,000 acres of public lands have passed into private ownership for the nominal mining law patent fee since 1978; and (5) the federal government has never collected revenues from the sale of hardrock minerals, as it does for fuel and common minerals, and loses the opportunity to do so when public lands pass into private ownership.

## Open Recommendations to Congress

**Recommendation:** Congress should amend the Mining Law of 1872 to require claim holders to pay the federal

government an annual holding fee in place of the existing annual work requirement. In considering such an amendment, Congress should bear in mind the relationship of the annual work requirement to the patent provision of the Mining Law of 1872.  
**Status:** Action in process.

**Recommendation:** Congress should amend the Mining Law of 1872 to eliminate the patenting of both hardrock minerals and the land required to mine them. This change would not only permit the land to remain under federal ownership, it would also provide the government the opportunity in the future to collect revenues for the hardrock minerals extracted.

**Status:** Action in process.

**Recommendation:** If Congress decides not to eliminate the patenting provision, it should either: (1) permit claim holders to patent only the minerals, thereby retaining the land in federal ownership; or (2) require that the federal government obtain fair market value for the lands patented. Under either option, the claim holder still should be required to pay an annual holding fee.

**Status:** Action in process.

Other Natural Resources

Mineral Revenues: Implementation of the Federal Onshore Oil and Gas Leasing Reform Act of 1987

RCED-89-108, 05/08/89

**Background**

In response to a congressional request, GAO reviewed the Bureau of Land Management's (BLM) implementation of the Federal Onshore Oil and Gas Leasing Reform Act, focusing on: (1) BLM development of implementing regulations; (2) how BLM conducted oil and gas lease test sales and their results; and (3) the effect of royalty rate changes for competitively issued oil and gas leases.

**Findings**

GAO found that: (1) BLM issued final regulations to implement the act within the required 180 days; (2) the eight test sales showed that the new system increased competitively leased acreage from 3 percent to 46 percent of all acreage, resulting in increased federal and state revenues; (3) although states received 50 percent of bonuses and rents and did not receive a share of the fees BLM charged, they received a larger share of leasing revenues under the act;

(4) under the test sales, bonus and rent revenues for leases that would have sold noncompetitively under the prior system comprised 97 percent of revenues; (5) BLM regulations did not require bidder registration, larger deposits by winning bidders, or enforcement of full payment within 10 business days after auctions; (6) BLM changed royalty rates for competitive leases to a flat rate to simplify administration and encourage competitive leasing and exploration; (7) although the act resulted in increased revenues, less than half of the land leased through the test sales was leased competitively; and (8) although some officials believed that sealed bidding would generate higher revenues, there was no evidence to prove that.

**Open Recommendations to Congress**

**Recommendation:** Congress may wish to consider authorizing the Secretary of the Interior to conduct additional oil and gas lease test sales specifically to

evaluate the effects of making competitive and noncompetitive lease terms the same (for example, either 5 years or 10 years).

**Status:** Recommendation valid/action not intended.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of the Interior should direct the Director, BLM, to delete the nomination option from its regulations governing federal onshore oil and gas leasing and offer all leases at auctions.

**Status:** Action not yet initiated. Interior's formal response states that it sees no advantage to implementing the recommendation. Subsequently, BLM stated that it had misunderstood the recommendation and will now take another look at it.

**Other Natural Resources**

**Mineral Revenues: Options to Accelerate Royalty Payment Audits Need Further Consideration**

RCED-89-167, 06/05/89

**Background**

Pursuant to a congressional request, GAO provided information on the Minerals Management Service's (MMS) audits of oil and gas royalty payments, focusing on the: (1) status of the MMS audit program; (2) effect of a 3-year audit acceleration effort by MMS; (3) MMS cost-benefit analysis that it used to support its proposal to hire contract auditors; and (4) possibility of auditor conflicts of interest and steps MMS has taken to address that issue.

**Findings**

GAO found that: (1) MMS had resident audit staffs at the 12 largest royalty payors, had completed audits of 16 other major payors, and had ongoing audits at 47 other major payors; (2) the 3-year acceleration effort will make the MMS audit program more current, and MMS will move from a 12-year audit cycle to a 6-year audit cycle by fiscal year (FY) 1993; (3) MMS did not prepare a cost-benefit analysis to support its decision to hire contract auditors or consider hiring temporary federal employees to complete the audits; (4) it could not determine whether MMS had taken sufficient steps to prevent auditor conflicts of interest;

and (5) neither MMS nor the Department of the Interior adequately justified the proposal to hire contract auditors.

**Open Recommendations to Congress**

**Recommendation:** Because MMS has not adequately considered all the options available to accelerate its audits of royalty payors, Congress should not approve the funds Interior has requested for hiring contractor auditors in FY 1990 until Interior considers all options and adequately justifies whatever option it selects.

**Status:** Action not yet initiated.

**Other Natural Resources**

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

RCED-89-171, 06/23/89

**Background**

Pursuant to a congressional request, GAO assessed whether the Bureau of Land Management (BLM) appropriately considered wildlife interests in its management of the California Desert Conservation Area (CDCA).

with the principles of multiple use, sustained yield, and resource protection; (2) BLM has worked to develop environmental area plans and habitat management plans to implement its overall wildlife protection goals; (3) BLM has only completed half of its wildlife-related implementation plans; (4) BLM has not effectively implemented those plans it has developed; (5) for fiscal years 1982 through 1988, BLM wildlife funding was less than half that planned; (6) BLM

has allowed such events as off-road vehicle races and recreation areas in critical wildlife habitats; (7) BLM has also allowed grazing and mining in threatened habitats; and (8) BLM opposed California's efforts to give certain threatened species greater protection.

**Findings**

GAO found that: (1) BLM is statutorily required to manage CDCA in accordance

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of the Interior should direct the Director, BLM,

to take those steps necessary to complete required wildlife areas of critical environmental concern plans and habitat management plans and then

implement the action items contained in them.

**Status:** Action not yet initiated.

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**Pollution Control and Abatement**

**Hazardous Waste: Environmental Safeguards Jeopardized When Facilities Cease Operating**

RCED-86-77, 02/11/86

**Background**

Pursuant to a congressional request, GAO determined the extent to which: (1) owners and operators of hazardous waste facilities have declared bankruptcy and thereby avoided paying closure and post-closure costs for their facilities; (2) financial assistance requirements ensure that sufficient funds will be available to close and provide post-closure care at such facilities; (3) facilities that cease operations are inspected for compliance with closure requirements; and (4) the Environmental Protection Agency (EPA) and states are taking enforcement action for violations of those requirements.

**Findings**

GAO found that: (1) according to state and territorial officials, 74 hazardous waste facilities have filed for bankruptcy; (2) while bankruptcy law provides for the enforcement of environmental regulations over creditor claims, various courts have given EPA and state environmental interests equal status with other unsecured creditors,

thereby hindering efforts to force responsible parties to properly close their facilities; (3) in cases it reviewed, courts restricted EPA or state efforts to obtain proper closures in three cases; (4) it could not assess the adequacy of new EPA and state financial assurance requirements that are designed to ensure that hazardous waste firms are strong enough to pay closure and post-closure costs; and (5) it is difficult for states to assess the financial condition of interstate hazardous waste facility operators. GAO also found that: (1) about 37 percent of the facilities that EPA inspected either during or after closure violated EPA regulations; (2) only 46 percent of the operators in states it reviewed had submitted financial assurance documents; (3) 34 percent of the financial assurance statements submitted were deficient; and (4) in many cases, EPA did not take adequate enforcement actions against operators committing financial assurance or closure violations.

**Open Recommendations to Agencies**

**Recommendation:** The Administrator, EPA, should monitor and periodically reevaluate hazardous waste facility closures and the implementation of corrective action activities to ensure that the trust fund and the financial test are providing adequate assurance that funds will be available.

**Status:** Action in process. EPA is revising its regulations governing the use of the financial test. EPA plans to issue proposed regulations in late spring 1990. EPA also is obtaining annual data on each facility's financial assurance mechanism to assure funds are available.

**Recommendation:** The Administrator, EPA, should develop and implement a system for providing a centralized review of all multi-state financial tests. **Status:** Action not yet initiated. EPA is planning to evaluate the possibility of automating the financial test as a means of making a centralized review of financial test submissions possible.

## Pollution Control and Abatement

# Nonagricultural Pesticides: Risks and Regulation

RCED-86-97, 04/18/86

### Background

In response to congressional requests, GAO reported on the Environmental Protection Agency's (EPA) efforts to determine the: (1) risks associated with the use of nonagricultural pesticides; (2) extent of public information concerning such risks; and (3) requirements for professional pesticide applicators to protect the public from misuse.

### Findings

The chronic health risks associated with nonagricultural pesticides are uncertain because EPA has not reassessed them in accordance with current standards. GAO found that EPA: (1) as of September 30, 1985, had done preliminary assessments on 18 of the 50 chemicals and found that, for 17, it did not have enough chronic toxicity data to complete the assessments; and (2) does not plan to require chronic toxicity testing of all nonagricultural chemicals because it believes that exposure to some pesticides is not significant enough to cause chronic effects in humans, regardless of their toxicity. Environmental groups believe that pesticide labels should state

that chronic health risks have not been fully assessed, so that the public can make better choices about pesticide use. However, industry representatives oppose public disclosure because they fear adverse economic effects. The Insecticide, Fungicide, and Rodenticide Act authorizes EPA to take enforcement action against pesticide manufacturers' claims that pesticides are safe, but EPA has taken few such actions. The Federal Trade Commission (FTC), under its authorizing legislation, can act against distributor and applicator claims, but FTC believes that EPA is better able to handle such claims, because of its expertise and specific legislative authority.

### Open Recommendations to Congress

**Recommendation:** Because it may be several decades before EPA assesses the chronic health risks of nonagricultural pesticides, Congress may wish to consider whether pesticide labels should state that EPA has not assessed the pesticides' chronic health risks in accordance with current standards.  
**Status:** Action not yet initiated.

**Recommendation:** Congress may wish to consider whether: (1) the public should be notified when public places are treated with pesticides; and (2) the federal government should have a role in ensuring that the public is notified.  
**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** If the Administrator, EPA, does not have the resources to act against unacceptable safety claims by pesticide distributors, he should inform Congress, so it can decide whether to authorize additional resources, or grant EPA relief from this enforcement responsibility.

**Status:** Recommendation valid/action not intended. EPA stated that it will not devote resources to search for violations, but will act against violators as warranted, in response to tips and complaints brought to its attention by local authorities, the general public, and others. EPA has completed civil actions against several companies making improper claims that their products were effective against the AIDS virus.

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**Pollution Control and Abatement**
**Pesticides: EPA's Formidable Task To Assess and Regulate Their Risks**

RCED-86-125, 04/18/86

**Background**

In response to a congressional request, GAO reviewed the Environmental Protection Agency's (EPA) assessment and regulation process for the health and environmental effects of pesticides.

**Findings**

GAO noted that EPA: (1) has not received test and evaluation data on the adverse health and environmental effects of most of the currently registered pesticide products; (2) may conduct a special review to determine the risks and benefits of potentially hazardous pesticides to decide if regulatory action to cancel or restrict the pesticides is needed; and (3) is responsible for determining the maximum amount of pesticide residue that can be safely left in foods, the risks of the inert ingredients that propel, dilute, or stabilize the active ingredients, and the cancer-causing potential of pesticides. GAO found that EPA: (1) will continue its reassessment and reregistration efforts into the next century because of the magnitude and complexity of the tasks involved; (2) is implementing changes to speed up its

special review process; (3) is experiencing difficulty in obtaining test data on the effects of some inert ingredients; and (4) has encountered legal inconsistencies with respect to the allowable uses of cancer-causing pesticides in variable situations.

**Open Recommendations to Congress**

**Recommendation:** Congress may wish to consider the advantages and disadvantages of the following alternatives for regulating carcinogenic food-use pesticides: (1) amending the Food, Drug and Cosmetic Act (FDC) and the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA) to prohibit the setting of tolerances and all food uses of carcinogenic pesticides, in raw agricultural commodities and as food and feed additives, to require EPA to revoke the existing tolerances for carcinogenic pesticide residues, and to cancel the pesticide registration of these uses; and (2) amending FDC to lift the Delaney Clause's ban on carcinogens as it relates to pesticides, and instead specify that either a risk-benefit or minimal-risk approach be used for

setting tolerances for all food uses of carcinogenic pesticides.

**Status:** Action in process.

**Open Recommendations to Agencies**

**Recommendation:** The Administrator, EPA, should discontinue reregistering individual pesticide products, by amending current policies and procedures, until EPA has received and reviewed all data and completely reassessed the pesticides. Should the Administrator determine that congressional direction on the requirements for reregistering pesticide products would be desirable, the Administrator should seek such clarification and direction from Congress.

**Status:** Action in process. FIFRA 1988 requires EPA to reregister each pesticide product containing any active ingredient contained in any product first registered before November 1, 1984 if there are no data gaps and no unreasonable risks. Although EPA has not precisely defined reregistration, it agreed with the recommendation and is soliciting comments on defining reregistration. EPA is still working on this.

**Pollution Control and Abatement**

**Hazardous Waste: Responsible Party Clean Up Efforts Require Improved Oversight**

RCED-86-123, 05/06/86

**Background**

In response to a congressional request, GAO reviewed cleanup activities at priority hazardous waste sites, specifically: (1) the number, estimated value, and purpose of settlement agreements between the Environmental Protection Agency (EPA) and responsible parties; and (2) how well EPA is overseeing responsible-party compliance with the settlement terms.

**Findings**

GAO found that: (1) approximately half of the settlements were for long-term site cleanup activities, and cleanup work was valued at \$417 million; (2) the purpose of the settlement agreements was to ensure that responsible parties

either performed cleanup activities at hazardous waste sites or reimbursed the government for cleanup at the sites; and (3) no formal guidelines or procedures exist for project managers to oversee settlement activities and enforce decisions, causing delays in identifying and resolving problems.

**Open Recommendations to Agencies**

**Recommendation:** To adequately ensure that responsible parties comply with settlement conditions and cleanup goals, the Administrator, EPA, should strengthen the EPA settlement oversight function by providing project managers with: (1) guidance and procedures on work-load management, how to organize,

prioritize, and perform duties and responsibilities, and how to use quality assurance reviews; and (2) procedures and standards for oversight recordkeeping and reporting, determining settlement noncompliance, and taking appropriate enforcement actions.

**Status:** Action in process. Estimated completion date: 06/90. EPA is taking steps to improve responsible party oversight. Site-by-site contractor support has been provided and a comprehensive system has been developed to track Superfund enforcement information. A longer term effort is underway to develop an oversight guidance manual. Staff turnover has delayed completion of these efforts until June 1990.

**Pollution Control and Abatement**

**Pesticides: Better Sampling and Enforcement Needed on Imported Food**

RCED-86-219, 09/26/86

**Background**

Pursuant to a congressional request, GAO reviewed the Food and Drug Administration's (FDA) efforts to protect the public from exposure to illegal pesticide residues in imported food.

**Findings**

GAO found that: (1) the FDA pesticide monitoring program provides limited protection against public exposure to illegal residues in food; (2) FDA samples less than 1 percent of 1 million imported food shipments annually; (3) FDA inspectors at various ports of entry decide the extent to which they apply

sample criteria; and (4) FDA uses five multi-residue tests that individually detect many pesticides on a single sample; however, FDA laboratories normally use only one method for each sample. GAO also found that: (1) although FDA policy requires importers to maintain all sampled shipments intact until FDA determines that the product is residue-free, FDA permits

importers to release the majority of sampled shipments to U.S. markets before they spoil; (2) of 164 adulterated samples, 73 were not recovered before public consumption; and (3) there were only eight documented cases where FDA assessed importers damages when adulterated food reached the marketplace.

**Open Recommendations to Agencies**

**Recommendation:** As better information becomes available on foreign pesticide uses, the Secretary of Health and Human Services should direct the Commissioner, FDA, to test imported food for the pesticides used or suspected of being used on imported foods.

**Status:** Action in process. FDA will base its testing decisions on an unproven and

limited commercial data base of information on pesticide use in about 30 countries on selected crops in each of those countries, yet the United States imports food from about 150 countries. A complete follow-up review will be conducted in 1990.

**Recommendation:** The Secretary of Health and Human Services should direct the Commissioner, FDA, to recommend to Customs that liquidated damages be assessed for all shipments found to contain illegal pesticide residues if the shipment is not recovered. This assessment should apply whether the shipment was sampled under surveillance or compliance.

**Status:** Action in process. FDA plans to re-examine its current policy concerning the assessment of damages in connection with the import of perishable foods that FDA samples on a surveillance basis

(sampled without suspicion of violation). FDA also plans to automate its tracking system of violative products. A complete follow-up review will be conducted in 1990.

**Recommendation:** The Secretary of the Treasury should direct the Commissioner of Customs to assess and collect liquidated damages from importers in all cases when FDA determines that imported food has been adulterated with illegal pesticide residues and the food is not recovered.

**Status:** Action in process. Customs is automating its fines, penalties, and forfeiture activities to ensure that, when directed by FDA, damages will be assessed and collected. Customs is in the process of following up on uncollected damages, but GAO has not been able to ascertain the results. A complete follow-up review will be conducted in 1990.

**Pollution Control and Abatement**

**Hazardous Waste: EPA Has Made Limited Progress in Determining the Wastes To Be Regulated**

RCED-87-27, 12/23/86

**Background**

In response to a congressional request, GAO reviewed the Environmental Protection Agency's (EPA) efforts to: (1) determine which wastes are hazardous; and (2) produce a biennial report on the types and amounts of hazardous wastes the United States generates, treats, stores, and disposes of nationwide.

**Findings**

GAO found that: (1) EPA has met some of the deadlines Congress set for considering additional characteristics

and reviewing specific wastes; (2) changing approaches or strategies have hampered EPA identification efforts; (3) since large numbers of hazardous wastes remain unidentified, EPA is considering refocusing its approach to develop characteristics through testing and refining the already-listed hazardous wastes; (4) EPA has made limited progress in completing five congressionally mandated studies of large-volume wastes; (5) although Congress required EPA to use more stringent criteria when reviewing petitions to delist wastes, EPA does not

have the required information on state-authorized delistings; and (6) without proper controls, delisting can negate the efforts of the hazardous waste identification program by allowing facilities handling these wastes to escape regulation.

**Open Recommendations to Agencies**

**Recommendation:** To improve EPA progress in identifying hazardous wastes, the Administrator, EPA, should develop a plan laying out what actions will be

necessary to identify the universe of wastes needing control. Such a plan should contain, as a minimum, the additional waste characteristics that need to be developed and the industry waste streams that need to be evaluated, milestones to accomplish these tasks, needed resources, and organizational responsibilities for completing these actions.

**Status:** Action in process. EPA will be conducting a program evaluation as a step in developing its plan. Funding for the evaluation effort was approved and is included in the EPA fiscal year 1990 budget. Also, pursuant to an Environmental Defense Fund suit against EPA, EPA has prepared a 10-year action plan for completing the listing effort, which is one of the two approaches in identifying hazardous wastes.

**Recommendation:** The Administrator, EPA, should determine which wastes

have been granted final delistings by states and what criteria were applied to those delistings; assess the potential environmental or health impact of those delistings; and, where appropriate, initiate action to apply the new delisting criteria.

**Status:** Action taken not fully responsive. EPA recommended to states, in a December 1987 memo to regions and states, that they reexamine state-granted delisting using new EPA delisting criteria. States where EPA spot-checked have done reevaluations. EPA has reviewed the one final state delisting, but has no formal mechanism to track future final delistings.

**Recommendation:** The Administrator, EPA, should ensure that: (1) future state-delegated delisting activities are monitored and that information is collected that will allow EPA to identify facilities and wastes delisted; and (2) the review criteria applied are at least as

stringent as those set by EPA and are applied consistently.

**Status:** Action taken not fully responsive. EPA has no monitoring mechanism in place, but there is currently only one state final delisting. EPA has provided the federal criteria to the three states that now have delisting authority.

**Recommendation:** The Administrator, EPA, should increase the number of site visits or implement other controls to ensure that EPA has complete and accurate information when evaluating delisting petitions.

**Status:** Action taken not fully responsive. EPA has instituted rigorous quality control for data submitted by delisting petitioners and required petitioners to use standardized EPA test methods. EPA intends to implement a good spot-check program when funds are available.

## Pollution Control and Abatement

# Hazardous Waste: Controls Over Injection Well Disposal Operations Protect Drinking Water

RCED-87-170, 08/28/87

### Background

In response to a congressional request, GAO reviewed the Environmental Protection Agency's (EPA) Underground Injection Control (UIC) Program, to assess: (1) the extent to which hazardous waste has contaminated underground sources of drinking water; and (2) EPA and state oversight of underground injection of hazardous waste.

### Findings

GAO found that: (1) although there are few confirmed cases of drinking-water contamination, because the contamination is hard to detect, there could be more; (2) monitoring wells have a limited usefulness for large underground areas; (3) neither EPA nor the states require sampling or testing of groundwater immediately above injected waste; (4) EPA did not perform periodic well inspections to ensure compliance with regulations in two states for which

it had direct responsibility; (5) 1984 legislation mandated the banning of injection well disposal of hazardous wastes as of August 1988, unless operators could demonstrate that the hazardous waste would not migrate; and (6) EPA believes that most wells currently in operation should pass a demonstration of no migration, meet the more stringent controls, and continue to operate.

### Open Recommendations to Agencies

**Recommendation:** To ensure that the regulatory oversight functions built into the UIC program for hazardous waste injection wells are in fact being performed in states for which EPA bears direct responsibility, the Administrator, EPA, should strengthen the program's

oversight functions by reemphasizing to EPA regions with direct UIC program responsibility that they are to perform and document periodic inspections and report noncompliance incidents to EPA headquarters, as required by UIC regulations.

**Status:** Action in process. The UIC branch initiated a training program for

states and regions to discuss the types of inspections that must be performed and how inspections and violations must be documented and reported. The UIC branch hoped to standardize the UIC program by refining the definition of significant noncompliance and emphasizing issuance of administrative orders.

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## Pollution Control and Abatement

# Hazardous Waste: Issues Surrounding Insurance Availability

RCED-88-2, 10/16/87

### Background

Pursuant to a legislative requirement, GAO provided information on the availability of insurance for individuals liable for the release of hazardous substances into the environment, particularly the: (1) judicial interpretation of pollution insurance policies; (2) frequency and severity of insurance claims; and (3) economic impact of pollution liability on the insurance market.

### Findings

GAO found that: (1) although more than 100,000 companies generate, handle, and dispose of hazardous substances, few carry pollution liability coverage; (2) only one insurance company actively markets pollution insurance and it provides maximum annual coverage of about \$12.5 million; and (3) although 1985 insurance claims payments were generally low, these claims were not

necessarily indicative of the eventual magnitude of the insurance industry's payments. GAO also found that: (1) the Environmental Protection Agency (EPA) has not met the requirements of the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) to establish the financial responsibility of all companies subject to pollution liability; (2) although the courts consistently hold companies liable for cleanup costs, pollution victims generally find it difficult to receive compensation; and (3) although judicial interpretation of pollution insurance contract coverage varies, it does provide a basis on which to draft provisions that could help reduce variability in the future.

### Open Recommendations to Congress

**Recommendation:** Determining the amounts that insurers are paying is difficult because the industry does not

have centralized, comprehensive data on these indemnity payments. Congress should consider requiring insurers or responsible parties, as appropriate, to report to EPA the amounts of indemnity payments made to cover pollution cleanups and related third-party bodily and property damage.

**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** The Administrator, EPA, should establish specific milestones leading to the timely implementation of financial responsibility regulations for the risks associated with classes of facilities covered by CERCLA section 108(b).

**Status:** Action not yet initiated. EPA is reexamining what is involved in doing a rulemaking on this and who it might cover. Effort is staffed, but milestones have not been established.

**Pollution Control and Abatement**

**Superfund: Improvements Needed in Work Force Management**

RCED-88-1, 10/26/87

**Background**

Pursuant to a legislative requirement, GAO reviewed employee-related aspects of the Environmental Protection Agency's (EPA) Superfund program, focusing on the: (1) type and extent of skilled staff shortages; (2) extent to which skilled federal and state employees are leaving for private-sector positions; (3) pay differentials between the public and private sectors for skilled positions; (4) success of Department of Defense (DOD) and Office of Personnel Management (OPM) programs in retaining skilled personnel; and (5) training required to improve employee skills.

**Findings**

GAO found that: (1) 80 percent of Superfund employees believed that they worked in understaffed units; (2) units experienced problems obtaining the services of chemists, hydrologists, and

toxicologists; (3) staffing and skill shortages resulted in delays in performing Superfund activities; and (4) EPA filled 533 of 773 additional authorized full-time positions for fiscal year (FY) 1987. GAO also found that: (1) the turnover rate of EPA Superfund employees was below the average federal employee rate for FY 1984 and 1985, but increased from 2.9 to 7.2 percent between FY 1985 and 1986; (2) over one-third of Superfund employees planned to look for other jobs in 1987; (3) 67 percent of former employees cited a lack of or limited advancement opportunities as a major reason for leaving employment; (4) pay for federal attorneys, chemists, and engineers trailed private-sector pay by 25 to 68 percent; (5) EPA is considering compensation improvement through bonuses and additional fringe benefits; (6) about 60 percent of current employees believed that they needed more training; and (7) EPA has developed a 2-year plan that should provide needed training.

**Open Recommendations to Agencies**

**Recommendation:** To meet present as well as future training needs, the Administrator, EPA, should direct the Office of Solid Waste and Emergency Response to implement its plans and proposed policies for improving the Superfund training program.

**Status:** Action in process. Estimated completion date: 12/89. EPA has approved and issued training policies and procedures. It has been reviewing training needs and recommendations from its Superfund work-force planning project to ensure that existing and future training addresses critical needs. EPA plans to establish an 80-hour training requirement for all OSC and RPM and to publish guidance on the training and certification levels for OSC and RPM.

**Pollution Control and Abatement**

**Hazardous Waste: Facility Inspections Are Not Thorough and Complete**

RCED-88-20, 11/17/87

**Background**

Pursuant to a congressional request, GAO examined the thoroughness and completeness of hazardous waste handler

inspections conducted by the Environmental Protection Agency (EPA) and authorized states under the

Resource Conservation and Recovery Act (RCRA).

**Findings**

GAO found that: (1) EPA inspection experts identified 200 RCRA violations at 22 of 25 facilities inspected between December 1986 and May 1987; (2) initial inspections failed to detect an additional 181 violations at those facilities; (3) two-thirds of missed violations represented immediate and serious environmental threats; and (4) 15 inspection reports were incomplete. GAO also found that: (1) EPA inspection guidance was incomplete; (2) EPA has not established specific qualification standards for RCRA inspectors or continuing and mandatory inspector training programs; (3) lack of training significantly contributed to poor inspector performance; (4) RCRA inspections received limited oversight; and (5) EPA is reconsidering its elimination of an oversight target for regional offices and

is also reevaluating how best to ensure the thoroughness and completeness of RCRA inspections.

**Open Recommendations to Agencies**

**Recommendation:** To ensure that thorough and complete inspections are conducted and that information on inspection quality is available for use in determining the frequency of future oversight inspections, and in developing and assessing inspector training needs, the Administrator, EPA, should reinstate the requirement that regional oversight of state RCRA inspections be evaluated and reported in headquarters' regional program reviews.

**Status:** Action not yet initiated. EPA discontinued headquarters review of regional programs in 1988, pending a basic reassessment of headquarters

oversight of regional reviews which include enforcement activity.

**Recommendation:** To ensure that thorough and complete inspections are conducted and that information on inspection quality is available for use in determining the frequency of future oversight inspections, and in developing and assessing inspector training needs, the Administrator, EPA, should develop and implement a system to provide routine oversight over EPA regional and EPA contractor inspections, as well as documenting and reporting the results to EPA headquarters.

**Status:** Action not yet initiated. EPA discontinued headquarters review of regional programs in 1988, pending a basic reassessment of headquarters oversight of regional reviews which include enforcement activity.

**Pollution Control and Abatement**

**Superfund: Extent of Nation's Potential Hazardous Waste Problem Still Unknown**

RCED-88-44, 12/17/87

**Background**

Pursuant to a congressional request, GAO studied the extent to which the Environmental Protection Agency (EPA) increased its hazardous waste site discovery efforts to determine the: (1) total possible number and types of sites that required investigation; (2) status of 837 sites EPA did not include in its 1985 Comprehensive Environmental Response, Compensation, and Liability Information System (CERCLIS) inventory; (3) reasons why EPA did not place the sites on its National Priorities List (NPL); and (4) states' efforts to

develop comprehensive inventories of their hazardous waste sites.

**Findings**

GAO found that, although 130,000 to 425,000 hazardous waste sites qualified for inclusion in CERCLIS, it contained only about 27,000 sites. GAO also found that EPA: (1) offered states little direction, guidance, or money to conduct site identification and had not reviewed any state programs to determine their adequacy; (2) assigned a higher priority to evaluating and cleaning up sites already on CERCLIS than to identifying

additional potential sites; (3) limited its grants to states to evaluating reported sites; and (4) had not instructed its regions or the states as to when they should add sites to CERCLIS. In addition, GAO found that 494 of the 837 sites not included in 1985 CERCLIS were still missing from the inventory because the regions: (1) lacked sufficient funds; (2) wanted to first verify the presence of hazardous wastes; (3) believed that they could clean up the sites more efficiently without EPA involvement; or (4) felt obliged to report only those sites eligible for federal cleanup.

## Open Recommendations to Agencies

**Recommendation:** The Administrator, EPA, should develop guidelines and criteria for assessing state hazardous waste site programs under section 3012 of the Resource Conservation and Recovery Act and evaluate the state programs according to these criteria. As part of these evaluations, EPA should examine the states' need for federal funding or other forms of assistance.

**Status:** Action not yet initiated. EPA believes it has taken sufficient action to

encourage states to identify hazardous waste sites. Recent EPA review of Superfund may cause it to reevaluate its rejection of the recommendation.

**Recommendation:** To ensure that the public, Congress, and EPA have a more accurate view of the nation's hazardous waste problem, the Administrator, EPA, should issue a formal CERCLIS reporting policy to be followed by the regions and the states. The Administrator should: (1) develop a statement of the EPA position on the need for full reporting of sites identified

by states as potential hazardous waste sites; (2) issue instructions to EPA regions on the types of sites that should be added to CERCLIS and when they should be added, and periodically assess how well each EPA region is following these instructions; and (3) advise each state of these reporting criteria and the importance of complying with them, and direct each region to work with the states to implement these criteria. **Status:** Action not yet initiated. The recent EPA 90-day review may cause the agency to reconsider the recommendation.

## Pollution Control and Abatement

# Air Pollution: Ozone Attainment Requires Long-Term Solutions To Solve Complex Problems

RCED-88-40, 01/26/88

### Background

In response to a congressional request, GAO examined: (1) the progress in reducing ozone levels to comply with national air quality standards; (2) the Environmental Protection Agency's (EPA) review of the latest data on the health effects of ozone; and (3) EPA and state and local governments' efforts to address ozone problems in three areas not attaining the standard.

### Findings

GAO found that: (1) EPA identified 317 counties or parts of the country and 31 metropolitan areas that did not meet ozone standards; (2) although 123 of the counties met the standards as of January 1, 1987, none of the 31 metropolitan areas met the standards as of August 1987; (3) although a 1986 EPA study concluded that it should set a lower standard, it revised the study,

because of opposition, to more clearly define adverse ozone health effects; (4) many areas failed to meet the standards because they did not implement or enforce planned control measures or have effective control measures; (5) EPA did not use the provisions of the Clean Air Act (CAA) to carry out oversight responsibilities; (6) scientific uncertainties in ozone information, weather patterns, modeling, and determining the proper controls also contributed to unmet deadlines; and (7) although EPA has recently proposed a program that would extend the attainment deadline for some areas of nonattainment without imposing construction sanctions, it cannot administratively extend CAA deadlines in lieu of enforcing the statutory penalties.

### Open Recommendations to Congress

**Recommendation:** In order to build flexibility into CAA that recognizes the variety of problems areas face in attempting to reach ozone standards, and to clear up the confusion over the use of sanctions, Congress should amend CAA to establish a strategy that places nonattainment areas into different categories on the basis of their design values, emission reductions, or both, with new attainment dates for each category. Congress may wish to either establish the new attainment dates and provide criteria, or provide EPA with the authority to do so.

**Status:** Action in process.

**Recommendation:** In order to build flexibility into CAA that recognizes the variety of problems areas face in attempting to reach ozone standards,

and to clear up the confusion over the use of sanctions, Congress should amend CAA to specify the conditions under

which sanctions will apply, such as when an area fails to implement its plan or does not meet its attainment deadline,

and the extent to which EPA has discretion in applying such sanctions. Status: Action in process.

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## Pollution Control and Abatement

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

RCED-88-29, 02/18/88

### Background

In response to a congressional request, GAO reviewed the: (1) problems the Environmental Protection Agency (EPA) and states experienced in obtaining and using hazardous waste facility groundwater monitoring data; and (2) actions EPA took to address the problems.

### Findings

GAO found that: (1) 39 of the 50 land disposal facilities it reviewed had not achieved the groundwater monitoring goals EPA established for facility operations; (2) EPA program managers did not develop data quality objectives for groundwater monitoring until 1986; (3) after internal review, EPA set funding for the development of data quality objectives, training, and quality assurance at \$270,000; (4) although a

task force report recommended actions to improve the groundwater monitoring program, including the development of technical guidance, EPA has not issued any new technical requirements; and (5) EPA has established few quality control mechanisms to ensure the accuracy of the operator-provided data.

### Open Recommendations to Agencies

**Recommendation:** The Administrator, EPA, should develop data quality objectives for the Resource Conservation and Recovery Act of 1976 (RCRA) groundwater monitoring program specifying the type, amount, and quality of data needed for regulatory decisionmaking. Once established, these objectives should be used to develop specific regulatory requirements and quality assurance/quality control

mechanisms for the groundwater monitoring program.

**Status:** Recommendation valid/action not intended. EPA believes it has developed data quality objectives and these objectives are being used to develop specific regulatory requirements and quality assurance/quality control mechanisms.

**Recommendation:** Until this system is established, the Administrator, EPA, should report the absence of an internal control system in the RCRA groundwater monitoring program as a material weakness in the agency's annual Federal Managers' Financial Integrity Act report to the President and Congress.

**Status:** Recommendation valid/action not intended. Since EPA believes that its data quality objectives are adequate, it believes this is not a material weakness and does not need to be reported.

## Pollution Control and Abatement

# Indoor Radon: Limited Federal Response To Reduce Contamination in Housing

RCED-88-103, 04/06/88

### Background

In response to a congressional request, GAO identified: (1) the status of Environmental Protection Agency (EPA) efforts to detect radon and develop methods to reduce radon contamination; (2) actions that the Department of Housing and Urban Development (HUD), the Farmers Home Administration (FmHA), the Veterans Administration (VA), and the National Park Service (NPS), have taken to respond to potential radon hazards; and (3) the potential for federal government liability resulting from indoor radon hazards in federally insured or assisted housing.

### Findings

GAO found that EPA: (1) is responsible for identifying and developing techniques to mitigate indoor radon problems; (2) plans a national assessment of existing housing for completion in 1991; (3) also plans to ask major firms to submit their radon test results to it for analysis; and (4) mitigation work on 80 of the 600 houses it had scheduled to test resulted in 70 of the houses showing significant radon reductions. GAO also found that: (1) although EPA estimates that 12 percent of the almost 85 million houses in the United States may have radon levels requiring corrective action, HUD has yet to delineate a specific policy or course of action; (2) HUD requires notification of applicants for HUD-insured mortgages of the potential for high radon levels in

only three areas; (3) HUD had no requirement or policy for incorporating radon reduction techniques in its new construction projects; (4) FmHA and VA officials are unaware of any radon problems in the housing they finance or insure; (5) FmHA is developing an indoor air pollution policy to include radon, but VA has no policy for its housing, since it considers radon a state and local government issue; (6) NPS has tested nearly 3,000 of its permanent housing units and administrative buildings and plans to perform mitigation work on 352 of its buildings with elevated radon levels; and (7) the courts will not require the government to ensure that the houses it sells or insures are free of hazardous levels of radon.

### Open Recommendations to Congress

**Recommendation:** If Congress wants HUD to assume a more active role in responding to elevated radon levels in housing, it may wish to consider outlining expected HUD indoor radon responsibilities. In addition, Congress may wish to specify what activities should be conducted by HUD. Such activities could include, for example, providing prospective mortgage insurance applicants with general radon information through a disclosure notice; sending a notice to all or selected public and Indian housing authorities of the possibility of indoor radon hazards and testing procedures; selling properties only after it has reduced elevated radon

levels or attached an addendum to the sales contract advising the purchasers that a radon hazard is present; incorporating and evaluating the effectiveness of radon mitigation techniques in new construction; and reporting to EPA on the effectiveness of any radon mitigation techniques used in HUD-assisted housing.

**Status:** Action in process.

**Recommendation:** FmHA and VA have no specific statutory mandate to address indoor radon hazards. If Congress decides to outline indoor radon responsibilities for HUD, it may wish to consider the same action for FmHA and VA.

**Status:** Recommendation valid/action not intended.

### Open Recommendations to Agencies

**Recommendation:** The Administrator, EPA, should provide for timely consolidation and analysis of private firms' test results on indoor radon measurements.

**Status:** Action in process. EPA has collected more data, but the data base is not yet operational for use outside EPA. The Indoor Radon Abatement Act of 1988, section 305, requires the data base, but inadequate funding by Congress resulted in EPA not completing it. Also, EPA has a voluntary contractor Radon Measurement Proficiency Program, which identifies contractors that have passed a proficiency exam.

## Pollution Control and Abatement

# Hazardous Waste: Many Enforcement Actions Do Not Meet EPA Standards

RCED-88-140, 06/08/88

### Background

In response to a congressional request, GAO reviewed the Environmental Protection Agency's (EPA) and states' progress in implementing the EPA enforcement response policy under the Resource Conservation and Recovery Act (RCRA), focusing on: (1) the extent to which EPA and authorized states took timely and appropriate enforcement actions against high-priority violators; (2) EPA oversight of the appropriateness of state enforcement actions; (3) whether EPA criteria for enforcement action produce sufficient and uniform enforcement across EPA regions and the states; and (4) whether EPA and states followed up on enforcement actions to ensure that handlers corrected violations.

### Findings

GAO found that: (1) states met both the timeliness and appropriateness criteria in 19 of 208 high-priority cases and in 254 of 471 other cases; (2) EPA regions met the criteria in 17 of 97 high-priority cases and 23 of 60 other cases; (3) limited resources, lack of state environmental agency penalty authority, and legal problems that affected EPA enforcement authority resulted in poor performance; (4) EPA did not take enforcement action in any cases where states did not meet enforcement criteria; and (5) the criteria that the regions used for reporting their enforcement performances were inconsistent with the enforcement policy's timeliness and appropriateness measures. GAO also found that EPA

actions to improve its and states' performance in meeting enforcement criteria included: (1) codifying state regulations so that EPA could enforce them; (2) proposing a rule that required states to have administrative-order and penalty authority; and (3) issuing guidance documents that outlined enforcement options against federal violators and adopted time frames for escalating unresolved disputes between EPA regions and other federal agencies.

### Open Recommendations to Agencies

**Recommendation:** To improve EPA and state performance in implementing the EPA Enforcement Response Policy, and also to ensure an equitable and consistent application of RCRA enforcement actions nationwide, the Administrator, EPA, should reinforce to the regions their responsibility to monitor state enforcement actions and to take direct enforcement action against hazardous waste handlers when states fail to do so in a timely and appropriate manner. Reinforcement of this requirement should, as a minimum, be reflected in annual headquarters RCRA program implementation guidance to the regions.

**Status:** Recommendation valid/action not intended. EPA believes its regional offices have an active and effective process to monitor state enforcement actions; however, GAO believes EPA needs to reinforce its monitoring of enforcement actions through

implementation guidance and headquarter directives to the regions.

**Recommendation:** The Administrator, EPA, should direct the regions to take steps to ensure that they meet the timeliness and appropriateness criteria for enforcement actions that they take in order to set an example for the states to follow in implementing the Enforcement Response Policy and hold the regions accountable for meeting these criteria.

**Status:** Action in process. Through its Strategic Planning and Management System, EPA has required its regions to report all unaddressed high-priority violations regularly and broaden the regions' authority to take informal action against additional facilities; however, it has not yet held regions accountable for these actions.

**Recommendation:** The Administrator, EPA, should require authorized states to adopt penalty policies that consider the full economic benefit of noncompliance consistent with the RCRA Civil Penalty Policy.

**Status:** Action in process. EPA is considering the issuance of proposed regulations in March 1990 to give states authority to impose penalties that make the full economic benefit of noncompliance be consistent with the EPA RCRA Civil Penalty Policy.

**Recommendation:** The Administrator, EPA, should clarify the Enforcement Response Policy to include time frames for states to take enforcement actions on

cases referred to them from EPA regions.

**Status:** Action not yet initiated. EPA agreed, but had not yet initiated action to clarify the Enforcement Response Policy to meet the recommendation.

**Recommendation:** The Administrator, EPA, should require that the regions and states fully and clearly document their enforcement activities with specific emphasis on penalty calculations and compliance follow-up activities.

**Status:** Action in process. EPA is developing a model system and a computerized reporting system to document and track regional office and state enforcement activities and follow up on these activities.

## Pollution Control and Abatement

# Hazardous Waste: New Approach Needed to Manage the Resource Conservation and Recovery Act

RCED-88-115, 07/19/88

### Background

GAO discussed the Environmental Protection Agency's (EPA) progress in implementing Resource Conservation and Recovery Act (RCRA) provisions to determine whether EPA was: (1) identifying and regulating hazardous wastes; (2) ensuring RCRA facilities' compliance with regulatory controls; and (3) encouraging waste minimization.

### Findings

GAO found that: (1) EPA made limited progress in identifying and regulating hazardous wastes due to its changing approaches, inadequate resources, and absence of systematic implementation procedures; (2) Congress enacted prescriptive amendments to RCRA with numerous deadlines that imposed specific controls if EPA failed to meet them; (3) EPA completed action on less than half of the 76 specific deadlines Congress imposed, although it made some progress on the others; and (4) although EPA was developing a plan to specify waste identification tasks and identify needed resources, it had no timetable for completion or implementation. GAO also found that: (1) both private and government-owned facilities failed to comply with EPA

regulations in the areas of groundwater monitoring, closure and postclosure, and financial assurance requirements; (2) although EPA developed a strategy requiring 90-percent compliance by 1989, it did not hold its regions or states accountable for meeting the goal; (3) although EPA was working to determine, by the end of 1990, the need for a mandatory waste minimization program, it had no set overall quantifiable goals for waste reduction due to its lack of data; and (4) EPA has been unable to develop comprehensive and reliable data to assess hazardous waste legislation, evaluate trends in regulatory compliance and waste minimization, and develop waste management priorities.

### Open Recommendations to Congress

**Recommendation:** Congress may wish to amend RCRA to require EPA to undertake, in consultation with Congress, such a planning and management effort. The objective would be to establish measurable goals for priority areas and a long-term strategy to achieve the goals. Congress may also wish to expand RCRA annual reporting requirements to include a report on EPA

progress in attaining the established goals.

**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** To give a greater sense of direction to the RCRA program, the Administrator, EPA, should, in consultation with Congress, engage in strategic planning for priority efforts. This planning effort should include a strategy that identifies specific measurable goals, the tasks necessary to accomplish the goals, milestones, required resources, organizational responsibilities, and periodic reporting on progress in achieving the stated goals. An integral part of this strategy should include development of the data necessary to formulate and measure progress in attaining such goals. The priority efforts that make up this strategy should, at a minimum, include identifying and regulating hazardous wastes, ensuring regulatory compliance, and encouraging waste minimization. **Status:** Action taken not fully responsive. EPA believes it needs flexibility in its planning process and that its current planning process is adequate to meet this flexibility;

however, this issue will be debated during RCRA reauthorization early in 1990 and should remain open.

## Pollution Control and Abatement

# Superfund Contracts: EPA Needs to Control Contractor Costs

RCED-88-182, 07/29/88

### Background

Pursuant to a congressional request, GAO reviewed contractor performance at 43 hazardous waste sites to determine if the Environmental Protection Agency (EPA) had established adequate controls to ensure high-quality, cost-effective, and timely work under its Superfund remedial study contracts.

### Findings

GAO found that EPA: (1) lacked adequate information to evaluate contractors' work plans and proposed costs; (2) did not adequately monitor contractors' expenditures; (3) did not always perform required contract administration duties, such as reviewing contractor invoices and maintaining complete work assignment files; (4) believed that inadequate contractor performance resulted in cost increases at 22 sites, but challenged cost increases at only 4 sites; (5) believed that cost challenges were difficult and time-consuming and that the contracts required it to pay for costs the contractor incurred; (6) focused on timeliness and quality of remedial studies, rather than their costs; and (7) had options for dealing with increased costs, including negotiating with the contractor to absorb costs, authorizing the increase but not a corresponding increase in the base or award fee, not

authorizing the increase, terminating the contract, or disallowing the questionable cost. GAO also found that the award fee process EPA used with remedial study contractors: (1) allowed a contractor to earn the majority of an award during the first phase of the award fee process, before it completed the study and before EPA could assess its quality; and (2) contributed to overall contracting difficulties, since EPA performance evaluation criteria did not require assessment of subcontracting management.

### Open Recommendations to Agencies

**Recommendation:** The Administrator, EPA, should affirm his overall commitment to cost control in two ways: (1) communicate the importance of balancing timeliness, quality, and costs on remedial studies by incorporating explicit language in EPA contracting and project officer guidance; and (2) require that remedial contracting and project officers and remedial project managers diligently monitor and control contractor expenditures throughout the duration of remedial study work assignments.

**Status:** Action taken not fully responsive. EPA revised its position description for contracting officers on November 30, 1988 and has established

model performance standards for program staff involved in contract management. Though these documents address costs, they do not explicitly communicate the importance of balancing timeliness, quality, and costs.

**Recommendation:** The Administrator, EPA, should direct that the Office of Administration and Resources Management and the Office of Solid Waste and Emergency Response take the following steps to improve EPA specific oversight of remedial contractor performance and expenditures: (1) complete development of cost-range information for remedial study tasks and require remedial project managers to use this information to assess the reasonableness of the contractor cost proposals and subsequent cost increases; (2) reemphasize the need for contracting and program officers to challenge questionable contractor expenditures; and (3) reinforce existing policy in writing to employees and remedial contractors that contractors are not to incur costs above the amounts EPA has authorized in the work assignments, and require remedial project managers to monitor contractor expenditures, both dollars and hours.

**Status:** Action in process. EPA recognizes the need to improve contract management and is taking action to implement the recommendations,

including developing and administering several training courses and workshops to focus on contract financial oversight.

**Recommendation:** The Administrator, EPA, should direct that the Office of Administration and Resources Management and the Office of Solid Waste and Emergency Response take the following steps to improve EPA specific oversight of remedial contractor performance and expenditures: (1) resolve the issue of why EPA consistently exhausts contract hours, but not dollars, on the remedial contracts; and (2) require that EPA personnel comply with internal control standards, specifically that remedial project managers review contractor costs and that they establish and maintain complete and accurate work assignment records.

**Status:** Action in process. EPA recognizes the need to improve contract

management and is taking action to implement the recommendations, including developing and administering several training courses and workshops to focus on contract financial oversight.

**Recommendation:** To improve the award fee plans for the remedial contracts, the Administrator, EPA, should: (1) amend the remedial contracts award fee evaluation criteria to require a separate rating on subcontractor management; (2) amend the award fee structure to shift a greater proportion of the total award fee available from the phase I fee to phase II; and (3) determine, for each new alternative remedial contract awarded, the appropriate split between the phase I and II award fees on the basis of the contractor's performance and record.

**Status:** Action in process. EPA management agrees that the award fee process needs to be strengthened and is

taking several actions, including establishing a team of experienced technical and business managers to analyze the current award fee process for the remedial program.

**Recommendation:** To expedite subcontracting reviews, the Administrator, EPA, should negotiate with prime contractors to establish firm timetables for implementing acceptable subcontracting systems and hold these contractors accountable for these time frames under the award fee process.

**Status:** Action in process. EPA agrees that timely approval of contractors' subcontracting systems should reduce the cost risk associated with unacceptable subcontracting practices. EPA stated that it will attempt to incorporate specific timetables in the award fee process on a case-by-case basis.

## Pollution Control and Abatement

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

RCED-88-164, 08/10/88

### Background

Pursuant to a congressional request, GAO reviewed federal, state, and local efforts to clean up Michigan's Rouge River, focusing on: (1) the overall quality of the river's waters; (2) pollutant sources; (3) the status of cleanup planning efforts; and (4) costs of remedial cleanup efforts.

### Findings

GAO found that: (1) Michigan's Department of Natural Resources (MDNR) was responsible for managing

the river's cleanup; and (2) the Environmental Protection Agency (EPA) was responsible for ensuring that cleanup activities met legislative requirements. GAO also found that: (1) the river's water quality, which ranged from fair to very poor, severely impaired its uses for fishing and swimming and constituted a threat to public health; (2) discharges of pollutants from overflowing combined sewers, estimated at 473 million pounds annually, were the major pollution sources; (3) planning for the river's cleanup intensified in 1986 when MDNR made it a priority and

jointly developed with EPA and local communities a plan to eliminate untreated discharges and overflows and to finance remedial measures; (4) costs to fully implement the plan were unknown, although estimates for partial implementation totalled \$1.8 billion; (5) MDNR plans to more effectively use the National Pollutant Discharge Elimination System to reduce the amount of discharged pollutants and ensure permittees' compliance with permit requirements; and (6) EPA worked with MDNR to resolve problems

it identified in the computerized system MDNR used to assess permit compliance.

**Open Recommendations to Agencies**

**Recommendation:** Because of the Rouge River's long history of pollution problems, its potential for public contact and use, which is the greatest of all the rivers in Michigan, the recent priority assigned to cleanup by Michigan, and the effect of the river's water quality on international waters, the Administrator,

EPA, should require its Chicago Regional Office to establish controls designed specifically to oversee MDNR implementation of corrective actions on Rouge River discharge permits. As part of these controls, EPA should perform periodic reviews of MDNR progress to correct combined sewer, stormwater, municipal, industrial, and pretreatment permit program problems and provide feedback to MDNR on its assessment of the progress made to resolve these problems. If MDNR does not make satisfactory progress, the Administrator

should develop options in consultation with MDNR to address the obstacles encountered.

**Status:** Action in process. Estimated completion date: 06/90. EPA Region V is developing a Remedial Action Plan Tracking System, which will track milestones and be used to follow up on continuing problems. Periodic reviews of MDNR programs will be performed by the regional office to ensure that they are being satisfactorily implemented.

**Pollution Control and Abatement**

**Environmental Protection Agency: Protecting Human Health and the Environment Through Improved Management**

RCED-88-101, 08/16/88

**Background**

GAO performed a management review of the Environmental Protection Agency (EPA) to determine how EPA can: (1) make and sustain management improvements to strengthen policy development; (2) better achieve program initiatives; (3) improve the integrity of management support systems; and (4) enhance planning for future environmental issues.

**Findings**

GAO found that EPA actions to increase managerial and operational effectiveness included: (1) managing programs and activities with emphasis on achieving measurable environmental results; (2) establishing more effective working arrangements with states; and (3) obtaining improved financial, management and programmatic

information to better set priorities, administer programs, and assess programs. GAO also found that EPA: (1) lacked clearly defined goals for managing for measurable environmental results; (2) has not ranked program priorities or made essential links between actions and desired results; (3) has made only limited progress in developing measures of environmental quality and linking them to program activities; (4) has numerous design and implementation problems and information gaps which limit its research effectiveness; (5) has achieved some success in balancing its oversight needs with states' needs for flexibility and autonomy; and (6) lacked fully developed data standards and data requirements and definitions across programs.

**Open Recommendations to Congress**

**Recommendation:** Congress should clarify how EPA and the states are to share accountability for: (1) meeting national goals and objectives; (2) achievement of environmental results, efficient use of federal funds, and compliance with federal regulations within the individual delegated state programs; and (3) the consistency of programs and activities nationwide. Congress may need to make adjustments in the environmental statutes or the resources provided EPA and the states to carry out their respective roles and meet congressional expectations as to program accountability.

**Status:** Action not yet initiated.

**Open Recommendations to Agencies**

**Recommendation:** To enhance and facilitate EPA efforts to manage for measurable environmental results, the Administrator, EPA, should: (1) develop a clear and cohesive statement of the policy goal to guide all parts of the agency in moving toward managing for measurable environmental results; (2) make clear the relationships between this policy goal and other agency goals and management themes and link them clearly to the annual priority list to establish a basis for tracking their progress in the agency's planning and budgeting systems; and (3) set and communicate clear concepts on how the policy goal relates to current legislation and proposed changes and to agency efforts in addressing environmental problems that cut across several environmental media, using risk assessment and management tools, and developing and using environmental measures and indicators of progress.  
**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To better identify the most significant issues to be addressed in order to achieve an integrated, cross-media program for accomplishing measurable environmental results, the Administrator, EPA, should better utilize and build on the results of the Comparative Risk Project, Strategic Planning Initiatives, and initiatives for greater participation by regional offices and the states. This should include beginning the planning to undertake a second Comparative Risk Study in 2 or 3 years, when some of the data and analytical gaps have been filled.  
**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the

recommendation and considering what specific action to take.

**Recommendation:** To better identify the most significant issues to be addressed in order to achieve an integrated, cross-media program for accomplishing measurable environmental results, the Administrator, EPA, should better utilize and build on the results of the Comparative Risk Project, Strategic Planning Initiatives, and initiatives for greater participation by regional offices and the states. This should include articulating decision rules for balancing efforts directed at human health and those aimed at preserving and maintaining the environment.  
**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To better identify the most significant issues to be addressed in order to achieve an integrated, cross-media program for accomplishing measurable environmental results, the Administrator, EPA, should better utilize and build on the results of the Comparative Risk Project, Strategic Planning Initiatives, and initiatives for greater participation by regional offices and the states. This should include undertaking risk studies in all 10 regions to build the analytical base for regional office participation in the development of the priority list and the Agency Operating Guidance.  
**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To better identify the most significant issues to be addressed in order to achieve an integrated, cross-media program for accomplishing measurable environmental results, the

Administrator, EPA, should better utilize and build on the results of the Comparative Risk Project, Strategic Planning Initiatives, and initiatives for greater participation by regional offices and the states. This should include ensuring that, as priorities are refined through additional analysis, they are linked to proposals for legislative changes and reflected in budget formulation, the Agency Operating Guidance, allocation of resources to the regions, and accountability measures.  
**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To better identify the most significant issues to be addressed in order to achieve an integrated, cross-media program for accomplishing measurable environmental results, the Administrator, EPA, should better utilize and build on the results of the Comparative Risk Project, Strategic Planning Initiatives, and initiatives for greater participation by regional offices and the states. This should include using the waste system flow chart developed by the Office of Solid Waste and Emergency Response in its Strategic Planning Initiative as a technique to include more pollution sources and their pathways and receptors to permit wider consideration of cross-media transfers and possible solutions.  
**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To better identify the most significant issues to be addressed in order to achieve an integrated, cross-media program for accomplishing measurable environmental results, the Administrator, EPA, should better

utilize and build on the results of the Comparative Risk Project, Strategic Planning Initiatives, and initiatives for greater participation by regional offices and the states. This should include utilizing the experience of the Near Coastal Waters Strategic Planning Initiative in developing strategies in other program areas. Specifically, the problem definition, consideration of options, and ranking system used to classify estuaries and near coastal waters by severity of problems can be adapted to better focus attention on sites with the most environmentally significant problems.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To better identify the most significant issues to be addressed in order to achieve an integrated, cross-media program for accomplishing measurable environmental results, the Administrator, EPA, should better utilize and build on the results of the Comparative Risk Project, Strategic Planning Initiatives, and initiatives for greater participation by regional offices and the states. This should include involving the regions more effectively in the development of agency priorities by having them develop and rank their own priorities and give a regional presentation at the annual planning meeting.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To provide better guidance for developing resource requirements and making trade-offs during budget formulation, developing operational plans and budgets, and selecting appropriate accountability

measures, the Administrator, EPA, should revise the priority list to: (1) state priorities in measurable short- and long-term statements to provide the missing link between policy guidance in the priority list, the Agency Operating Guidance, and managerial accountability; and (2) provide a way to determine relative importance by ranking the priority list.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To provide an operational link between work done and results to be achieved, as indicated by measurable priority statements, the Administrator, EPA, should refine planning system accountability measures by stating measures and objectives in terms that are both operational and measurable.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To provide an operational link between work done and results to be achieved, as indicated by measurable priority statements, the Administrator, EPA, should refine planning system accountability measures by including productivity goals in the measures as a way of assessing quality, timeliness, and efficiency of service delivery.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To better link decisions on what areas are of greatest importance to the agency, as indicated in the priority list, with the formulation of

the future-year budget, the Administrator, EPA, should make greater use of existing flexibility to shift resources to higher priority issues by consulting regularly with Congress to identify areas of flexibility under current law and gain congressional support where changes are needed.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To better link decisions on what areas are of greatest importance to the agency, as indicated in the priority list, with the formulation of the future-year budget, the Administrator, EPA, should make greater use of existing flexibility to shift resources to higher priority issues by utilizing the Statutory Review Project to document existing areas of legislative flexibility, inform executives and managers, identify legislative barriers to be addressed, and prepare proposals for legislative changes required.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To better link decisions on what areas are of greatest importance to the agency, as indicated in the priority list, with the formulation of the future-year budget, the Administrator, EPA, should make greater use of existing flexibility to shift resources to higher priority issues by using flexibility consistent with current and proposed legislation to shift a percentage of the total agency budget annually from issues of lower priority to those of higher priority.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the

recommendation and considering what specific action to take.

**Recommendation:** To better link decisions on what areas are of greatest importance to the agency, as indicated in the priority list, with the formulation of the future-year budget, the Administrator, EPA, should make greater use of existing flexibility to shift resources to higher priority issues by increasing the Administrator's options for shifting resources across media and program offices by modifying the budget guidance to ask assistant administrators to submit, with their proposed budgets, information on how they would accomplish their work within a percent range of fewer resources in lower-priority activities and how additional resources could achieve greater measurable results in higher-priority activities.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To better link decisions on what areas are of greatest importance to the agency, as indicated in the priority list, with the formulation of the future-year budget, the Administrator, EPA, should make greater use of existing flexibility to shift resources to higher priority issues by refocusing the lead region approach to reflect cross-media planning and budgeting and to enhance regional participation in budgeting.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To ensure that operational planning drives the development of operating budgets and to improve linkages between agency

planning and budget systems so that resource allocation supports accomplishment of the Administrator's priorities, the Administrator, EPA, should correct the timing of the development of operating budgets, including the use of work-load models for allocating regional resources, so that the development of operational plans to carry out the Agency Operating Guidance precedes allocation of resources.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To ensure that operational planning drives the development of operating budgets and to improve linkages between agency planning and budget systems so that resource allocation supports accomplishment of the Administrator's priorities, the Administrator, EPA, should build institutional mechanisms between the Office of Policy, Planning, and Evaluation and the Office of Administration and Resources Management by: (1) combining annual guidance for operational planning and developing operating budgets into a single document that clearly links the two; and (2) instituting joint reviews of proposed plans and budgets by the Office of Policy, Planning, and Evaluation and the Comptroller's Office to ensure that the two processes are serving their appropriate roles in supporting the priority list.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To ensure that operational planning drives the development of operating budgets and to improve linkages between agency

planning and budget systems so that resource allocation supports accomplishment of the Administrator's priorities, the Administrator, EPA, should correct the current lack of integration of planning and budgeting in the Resource Planning and Budgeting Manual and the Strategic Planning and Management System Reference Paper by issuing a joint, comprehensive, consistent document or correcting and more adequately reflecting both systems in separate documents on each.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To more fully utilize its reprogramming authority to shift resources to priority issues during the execution phase of the management cycle and better link oversight activities regarding the achievement of planned goals, including planning system targets, and the use of resources, the Administrator, EPA, should provide guidance on available reprogramming flexibility and, through meetings and training sessions, inform program and regional office officials about the conditions for using this flexibility.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To more fully utilize its reprogramming authority to shift resources to priority issues during the execution phase of the management cycle and better link oversight activities regarding the achievement of planned goals, including planning system targets, and the use of resources, the Administrator, EPA, should revise the Resource Planning and Budgeting Manual to stress the use of

reprogramming as a method of responding to agency priorities. For example, the section on reprogramming, as it applies to budget execution, needs to emphasize its use as a way to shift funds to priority list areas.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To more fully utilize its reprogramming authority to shift resources to priority issues during the execution phase of the management cycle and better link oversight activities regarding the achievement of planned goals, including planning system targets, and the use of resources, the Administrator, EPA, should use the quarterly planning system reviews as a combined progress review on performance targets and review of resource utilization to identify opportunities to reprogram funds from lower to higher priorities. This could include: (1) considering issues in the priority list for the operating year, as well as for the future fiscal year, as candidates for resource shifts in quarterly reviews with national program managers and review sessions with regional offices; and (2) reviewing the extent to which various levels of management are using reprogramming to move resources from lower priority areas to higher priority issues.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To revitalize and better direct EPA efforts to identify environmental measures, as a way of achieving its goal of managing for measurable environmental results, the Administrator, EPA, should adopt the framework for organizing and collecting

management and environmental data and concentrate agency efforts on identifying and testing the best available measures. The process should include assigning specific responsibility for the effort and establishing time frames for completion, allocation of resources, and peer review or oversight.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To revitalize and better direct EPA efforts to identify environmental measures, as a way of achieving its goal of managing for measurable environmental results, the Administrator, EPA, should adopt the framework for organizing and collecting management and environmental data and concentrate agency efforts on identifying and testing the best available measures. The process should include assessing the progress being made in Region 10, on the Conservation Foundation project, and the work at Corvallis Laboratory to determine how they can contribute to measurement identification and implementation.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To revitalize and better direct EPA efforts to identify environmental measures, as a way of achieving its goal of managing for measurable environmental results, the Administrator, EPA, should adopt the framework for organizing and collecting management and environmental data and concentrate agency efforts on identifying and testing the best available measures. The process should include revisiting its past surveys and data collected as part of its operating and monitoring activities, as well as similar

data collected by states and other federal agencies, to determine if these data might be appropriate for use in assessing program results.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To revitalize and better direct EPA efforts to identify environmental measures, as a way of achieving its goal of managing for measurable environmental results, the Administrator, EPA, should adopt the framework for organizing and collecting management and environmental data and concentrate agency efforts on identifying and testing the best available measures. The process should include recognizing the vulnerability of monitoring and survey activities to budget reductions when making decisions relating to the expansion, termination, or reduction of these activities.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** A necessary step in evaluating program effectiveness is to link program activities to measures of environmental quality and to decisions on allocation and targeting of resources. The Administrator, EPA, should begin taking the steps necessary to link program and monitoring activities to environmental indicators. Efforts underway in Region 4 appear to provide a good starting point.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To ensure the continued strengthening of a sound analytic base needed for assessing and managing environmental risks, the Administrator, EPA, should identify the critical research needs for implementing the initiative of managing for measurable environmental results and establish a process or structure to ensure that these needs are met.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To ensure the continued strengthening of a sound analytic base needed for assessing and managing environmental risks, the Administrator, EPA, should assess the status of methods and activities for determining exposure, particularly human exposure, to pollutants, to provide a basis for deciding the additional research needed to develop and use effective methods.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To ensure the continued strengthening of a sound analytic base needed for assessing and managing environmental risks, the Administrator, EPA, should establish a long-range research planning process for addressing research needs. As part of this effort, the Administrator should evaluate the present Research Committee process of developing the agency's research agenda with a view toward determining how it can be revised to ensure a proper balance between the agency's short- and long-term research needs.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the

recommendation and considering what specific action to take.

**Recommendation:** To more effectively accomplish the objectives of the demonstration projects, the Administrator, EPA, should review the results of the Integrated Environmental Management Program geographic studies to identify achievements, limitations, problems, and lessons learned that are common to the projects so that the results are effectively disseminated and used to improve future geographic studies.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To more effectively accomplish the objectives of the demonstration projects, the Administrator, EPA, should review the results of the Integrated Environmental Management Program geographic studies to identify changes that need to be made in the management of demonstration projects in general.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To ensure that the goal and initiatives of managing for measurable environmental results are being implemented, monitored, and accomplished and to implement the previous recommendations, the Administrator, EPA, should establish an organizational focus as a way for providing the leadership to ensure the successful implementation and achievement of the initiative. A focal point could be an individual, a group, or an office designated as responsible for seeing that the necessary policies, procedures, processes, and systems are

developed, implemented, monitored, and revised to ensure that progress is being made in effectively achieving the initiative.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To help sustain and advance current EPA efforts to establish a more effective federal/state relationship in carrying out national environmental programs, the Administrator, EPA, should identify cases of individual state transaction review by EPA and reassess whether such procedures are essential. If the procedures are not essential or can be substituted for with other monitoring techniques, they should be eliminated.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To help sustain and advance current EPA efforts to establish a more effective federal/state relationship in carrying out national environmental programs, the Administrator, EPA, should, to the extent feasible, provide multiyear, instead of the current annual, guidance to the states and work with Congress to consider providing multiyear financial assistance.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To help sustain and advance current EPA efforts to establish a more effective federal/state relationship in carrying out national environmental programs, the

Administrator, EPA, should improve evaluations of state program performance, especially with regard to incorporating the measurement of environmental results. In communicating and addressing performance problems, the Administrator should stress the type and amount of improvement needed and options available to the states to take corrective action.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** To help sustain and advance current EPA efforts to establish a more effective federal/state relationship in carrying out national environmental programs, the Administrator, EPA, should establish specific guidelines as to when and under what circumstances EPA will begin action to take back delegated program authority. These guidelines should be communicated to both agency staff and the states for use in cases where evaluations find that state performance is poor.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the

recommendation and considering what specific action to take.

**Recommendation:** The Administrator, EPA, should take the lead in working with Congress and the states to reassess the current federal/state relationship and to determine whether a more comprehensive approach is needed to accomplish EPA, state, and congressional objectives and expectations for the partnership.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** The Administrator, EPA, should take appropriate steps to develop a long-range, mission-based plan that focuses on the actual use and value of information in achieving EPA goals. Specifically, the plan should define the framework for developing a modern information resources management infrastructure, which will: (1) establish high-level management authority for planning, directing, and implementing information resources management activities; (2) establish a data architecture that identifies the agency's data flows and relates its data assets to operational needs; and (3) further

improve data and voice networks needed for the conduct of business at operational locations across the nation.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** In modernizing and improving EPA financial activities, the Administrator, EPA, should continue to provide the support and priority needed for financial systems developmental efforts.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

**Recommendation:** In modernizing and improving EPA financial activities, the Administrator, EPA, should institute an annual audit of EPA financial statements.

**Status:** Action not yet initiated. The new EPA management team, which is not fully in place, is assessing the recommendation and considering what specific action to take.

## Pollution Control and Abatement

# Hazardous Waste: The Cost and Availability of Pollution Insurance

PEMD-89-6, 10/28/88

### Background

Pursuant to a congressional request, GAO reviewed the availability of pollution liability insurance for owners and operators of hazardous waste

facilities, specifically: (1) changes in financial responsibility mechanisms since 1982; (2) how the number of insurance companies writing pollution liability insurance changed since 1982;

and (3) how the insurance industry determines risk and sets rates for pollution liability insurance and how sound those methods are.

**Findings**

GAO found that: (1) in 1982, the Environmental Protection Agency (EPA) required facility owners and operators to have liability coverage through a liability insurance policy, a financial test, or a combination of the two; (2) from 1982 to 1984, about two-thirds of hazardous waste land disposal facilities used insurance to fulfill the financial responsibility requirements, but in 1986, most used the financial test option; and (3) in September 1988, EPA expanded the financial responsibility mechanisms by accepting letters of credit, surety bonds, trust funds, and guarantees by nonparent firms. GAO also found that: (1) the number of insurers providing sudden and accidental coverage rose from 35 in 1982 to 42 in 1984 and then declined to 31 in 1986; (2) the number of insurers providing gradual pollution coverage rose from 7 in 1982 to 19 in

1984 and then declined to 12 in 1986; (3) the number of policies written and the total pollution liability coverage decreased dramatically since 1984; and (4) some insurance policies currently offer limited coverage and some provide only nominal protection. GAO could not find data adequate to develop an actuarial basis for judging the soundness of the industry's ratesetting for pollution insurance, since EPA did not require insurers to file loss information separately for pollution insurance.

**Open Recommendations to Congress**

**Recommendation:** Congress may wish to consider authorizing EPA to collect the appropriate information to assess the reasonableness of the costs of insurance to meet EPA liability coverage requirements. Such information would include premiums and additional costs to

the insured operator, underwriting expenses for the insurer, and any limitations to the financial protection afforded under the insurance contract. **Status:** Action not yet initiated.

**Open Recommendations to Agencies**

**Recommendation:** EPA has recently expanded the number of financial mechanisms that hazardous waste facility owners and operators may use to demonstrate financial responsibility. EPA should carefully monitor the effects of this additional flexibility on the number and size of operations using noninsurance alternatives to determine if it does not have the intended effect of reducing the problem created by the constrained insurance market. **Status:** Action in process. EPA is monitoring the effects of more flexible liability regulations.

**Pollution Control and Abatement**

**Superfund: Missed Statutory Deadlines Slow Progress in Environmental Programs**

RCED-89-27, 11/29/88

**Background**

Pursuant to a congressional request, GAO reviewed compliance with deadlines in the Superfund Amendments and Reauthorization Act of 1986 (SARA), specifically to: (1) catalog the SARA deadlines from the date of enactment through December 31, 1991; and (2) determine compliance with deadlines through March 31, 1989.

**Findings**

GAO found that: (1) the Environmental Protection Agency (EPA) is responsible

for 78 of the 150 SARA deadlines, while 19 other federal agencies, all states, and many local community groups and private firms are responsible for the other 72 deadlines; (2) the entities responsible for compliance have met or will likely meet about half of the 87 deadlines occurring between enactment and March 31, 1989; (3) these entities missed 35 of 62 deadlines occurring by September 15, 1988, including 22 that they missed by over 6 months; (4) agency officials attributed delays to inadequate staffing and funding; (5) EPA did not have a formal internal control system to

ensure that it met its deadlines; (6) although the EPA Office of Legislative Analysis (OLA) established a central data base containing the status of its deadlines, the data base provided neither reasons for missed deadlines nor periodic compliance reports to the EPA Administrator; and (7) EPA established a task force to focus attention on federal facilities needing Superfund cleanup.

## Open Recommendations to Agencies

**Recommendation:** To promote timely implementation of future requirements in SARA, the Administrator, EPA, should direct: (1) managers to include information on the reasons why SARA deadlines were missed or are expected to

be missed as part of updates to the deadlines data base recently established by OLA; and (2) OLA to report regularly to the Administrator on the status of compliance with the SARA deadlines and that this information be included in the EPA annual reports to Congress. **Status:** Action in process. EPA recently resolved some problems with the

software D-base. The data base is now more accurate than it was at the time of review. EPA expects no problems implementing most of the recommendation. Getting flimsy data on reasons for missing deadlines may get garbage-in-garbage-out. The office is assessing alternate ways to develop this.

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## Pollution Control and Abatement

# Water Pollution: Stronger Enforcement Needed To Improve Compliance at Federal Facilities

RCED-89-13, 12/27/88

## Background

In response to a congressional request, GAO assessed: (1) federal facilities' compliance with the Water Pollution Control Act; and (2) the Environmental Protection Agency's (EPA) and states' oversight and enforcement of the facilities' compliance with the act.

and facility officials cited lengthy budget and procurement processes as factors affecting facilities' noncompliance; (6) EPA and states failed to take timely enforcement actions on 31 of 46 facilities without permits; and (7) EPA did not exercise its authority in 18 instances of untimely state enforcement.

**Status:** Action in process. EPA headquarters has requested regions to closely review federal facilities appearing on the Exceptions List. Regions were also directed to inform headquarters of any problems in negotiating compliance agreements with federal facilities. Headquarters plans to continue this activity.

## Findings

GAO found that: (1) most federal facilities did not comply with National Pollutant Discharge Elimination System (NPDES) program priority requirements; (2) in fiscal years 1986 and 1987, federal facilities' noncompliance rate was twice that of private industrial facilities; (3) more than 40 percent of federal facilities had a significant noncompliance problem for more than 1 year; (4) Navy and Department of Energy facilities had the highest noncompliance rates; (5) agency

## Open Recommendations to Agencies

**Recommendation:** To ensure that NPDES regulators take timely and appropriate enforcement actions, the Administrator, EPA, should direct the Office of Water Programs to set criteria for following up with regions on a quarterly basis on the appropriate compliance strategy to use against all federal facilities for which timely enforcement has not been taken.

**Recommendation:** To ensure that NPDES regulators take timely and appropriate enforcement actions, the Administrator, EPA, should establish management control procedures to ensure that regions are submitting accurate information for all federal facilities on which timely enforcement has not been taken.

**Status:** Action in process. EPA plans to spot-check noncompliance reports on a quarterly basis. The Office of Water is working out the details.

## Pollution Control and Abatement

# Water Pollution: More EPA Action Needed to Improve the Quality of Heavily Polluted Waters

RCED-89-38, 01/06/89

### Background

In response to a congressional request, GAO reviewed the Environmental Protection Agency's (EPA) Region X to determine: (1) how well EPA and the states implemented Clean Water Act requirements to clean up rivers that did not meet water quality standards after construction of treatment plants; and (2) what actions EPA and Oregon took to set stricter pollution limits on the Tualatin and South Umpqua Rivers.

### Findings

GAO found that: (1) many states and EPA did not develop total maximum daily loads (TMDL) for many of the nation's most polluted waters; (2) EPA did not track development and implementation of TMDL for individual water segments or TMDL effectiveness in meeting state water quality standards; (3) state officials did not plan to set TMDL for water-quality-limited segments beyond their existing plans because they preferred to use the funds to implement 1987 legislative water quality requirements; (4) although limited budgets and increased water pollution control requirements imposed difficulties on EPA and states, the TMDL requirements provided a comprehensive approach to resolving all water pollution problems; (5) setting maximum levels could help to identify more effective and cost-efficient cleanup alternatives; (6) as a result of a consent decree, Oregon initiated actions to

develop TMDL for 11 bodies of water and for 1 pollutant for the Tualatin River; and (7) Oregon planned to set TMDL for the remaining pollutant in the Tualatin River by the end of the year, and TMDL for the Umpqua River and eight other bodies of water by June 1993.

### Open Recommendations to Agencies

**Recommendation:** To give a greater sense of direction to implementing the Clean Water Act's TMDL requirements, the Administrator, EPA, should work with the states to set time frames, recognizing the priorities imposed by the Water Quality Act of 1987 requirements and budget resources, for developing TMDL on their water-quality-limited segments. For those states that do not set or meet their TMDL time frames, EPA should set time frames for EPA regions to begin developing TMDL.

**Status:** Action in process. Estimated completion date: 07/90. The Office of Water has established a work group to develop updated program guidance. The guidance will include recommendations on setting time frames and priorities for developing TMDL in water-quality-limited segments. Emphasis will be placed on the need for timely development of TMDL and the responsibilities of state and EPA regions for them.

**Recommendation:** To give a greater sense of direction to implementing the

Clean Water Act's TMDL requirements, the Administrator, EPA, should require that the planned Water Body Tracking System incorporate information on the requirements of section 303(d) to ensure that TMDL are developed and action taken to clean up waters that are still below the standards. The system should include, for example, information on waters which have been designated as water-quality-limited, whether TMDL have been set, the time frames for developing TMDL, and whether water quality standards have been met after implementing TMDL.

**Status:** Action in process. Estimated completion date: 03/90. EPA is currently revising its Water Body Tracking System to include information on section 303(d) requirements, such as time frames for developing TMDL and achievements in water quality standards after TMDL implementation.

**Recommendation:** To give a greater sense of direction to implementing the Clean Water Act's TMDL requirements, the Administrator, EPA, should provide case study examples, such as the Dillon Reservoir, to EPA regions and the states, to assist them in developing TMDL and evaluating trade-off strategies for implementing TMDL.

**Status:** Action in process. Estimated completion date: 07/90. According to EPA, case study documentation of innovative TMDL, such as the Dillon Reservoir, will be included in the updated program guidance being developed by the Office of Water.

## Pollution Control and Abatement

# Stratospheric Ozone: EPA's Safety Assessment of Substitutes for Ozone-Depleting Chemicals

RCED-89-49, 02/13/89

### Background

In response to a congressional request, GAO reviewed the Environmental Protection Agency's (EPA) efforts to: (1) assess the safety of chemical substitutes for ozone-depleting chlorofluorocarbons (CFC) and halons; and (2) investigate other measures designed to reduce dependence on ozone-depleting chemicals.

### Findings

GAO found that: (1) impending CFC and halon regulations prompted chemical producers to accelerate testing and development of safe chemical substitutes; (2) although chemical producers tested potential substitutes, EPA had statutory responsibilities under the Toxic Substances Control Act (TSCA) to ensure that CFC and halon substitutes did not present unreasonable risks to human health and the environment; (3) EPA developed an approach for assessing substitutes and urged producers to voluntarily provide information on their ongoing testing and test rationale; (4) EPA attempts to obtain testing data on potential substitutes resulted in incomplete data, since EPA did not require producers to submit their studies; (5) most of the potential substitutes identified could be produced by anyone, in any amount, and for any use without prior authority, since EPA did not require that producers

report the significant new uses of existing chemicals intended as substitutes for CFC and halon; (6) EPA intended to deal with integrating ozone-depletion concerns and traditional toxicity concerns on a case-by-case basis; and (7) EPA sponsored nine projects under its Clean Air Act mandate relating to CFC and halon conservation and recycling and non-CFC manufacturing processes, but the extent of its success in reducing use of the chemicals was uncertain because the projects were in the initial steps in the conservation project.

### Open Recommendations to Agencies

**Recommendation:** To help ensure that EPA has access to unpublished health and safety studies on potential substitutes and is informed about intended new uses of existing chemicals as CFC and halon substitutes, the Administrator, EPA, should use his authority under TSCA section 8(d) to require chemical producers to submit for EPA review their unpublished health and safety studies on chemicals identified by EPA and industry as actual or likely potential substitutes for CFC and halons. EPA should review this data as part of its assessment for the safety of these chemical substitutes to form a basis for requiring additional testing or controls, if needed.

**Status:** Action in process. Estimated completion date: 04/90. EPA reported to GAO that it initiated work on the section 8(d) rulemaking in April 1989. EPA stated that the rulemaking will take about 12 months.

**Recommendation:** To help ensure that EPA has access to unpublished health and safety studies on potential substitutes and is informed about intended new uses of existing chemicals as CFC and halon substitutes, the Administrator, EPA, should use his authority under TSCA section 5(a)(2) to promulgate significant-new-use rules on alternative fluorocarbons and other chemicals listed in the TSCA inventory of existing chemicals (or subsequently added to it) that are substitutes, or likely potential substitutes, for CFC and halons. This authority would require chemical producers to notify EPA before these chemicals are produced for significant new uses as CFC and halon substitutes and would enable EPA to review the safety of such uses and quickly control those that pose an unreasonable risk to human health and the environment.

**Status:** Action not yet initiated. EPA told GAO and the House Subcommittee on Oversight and Investigations that it is considering the use of section 5(a)(2), but has not yet decided if that is appropriate. EPA stated that the decision will be made after reviewing available data on substitutes.

## Pollution Control and Abatement

# Superfund Contracts: EPA's Procedures for Preventing Conflicts of Interest Need Strengthening

RCED-89-57, 02/17/89

### Background

In response to a congressional request, GAO reviewed the adequacy of the Environmental Protection Agency's (EPA) system for preventing conflicts of interest among its Superfund contractors.

### Findings

GAO found that: (1) prior to 1988, EPA did little before contract award to determine whether its Superfund contractors had procedures to prevent conflicts of interest; (2) although EPA periodically reviewed its contractors' performance, the reviews did not routinely verify contractor compliance with EPA conflict-of-interest requirements; (3) EPA did not properly document conflict-of-interest cases, case resolutions, or actions on contractor private-party work requests in its contract files, as required; (4) EPA did not provide contractors with specific guidance for avoiding conflicts beyond its regulations and contract clauses; and (5) EPA contracting officers differed on the information they required contractors to include in their private-party work requests, due to lack of formal guidelines and definitive criteria for evaluating contractor requests.

### Open Recommendations to Agencies

**Recommendation:** The Administrator, EPA, should strengthen the EPA conflict-of-interest system under Superfund by directing the Procurement and Contract Management Division (PCMD) to include steps to check compliance with EPA requirements for avoiding, mitigating, and neutralizing conflicts of interest as part of its reviews of contractors' performance.

**Status:** Action in process. Estimated completion date: 05/90. EPA plans to: (1) require all prospective contractors to submit a conflict-of-interest plan in response to all Superfund solicitations; (2) initiate periodic management reviews in fiscal year 1990 to verify compliance with these plans; and (3) require contractors to certify for each work plan that there is no conflict.

**Recommendation:** The Administrator, EPA, should strengthen the EPA conflict-of-interest system under Superfund, by directing PCMD to direct contracting officers to follow requirements for documenting actions taken to resolve conflicts and actions taken on contractors' requests to work for private parties.

**Status:** Action in process. Estimated completion date: 05/90. To promote good file documentation, EPA has prepared a fact sheet for contractors on its information needs on contractor requests, a checklist for contracting officers to use to evaluate requests, and a policy statement with examples on conflicts of interest. EPA also is considering establishing an oversight function or a data management system to track requests and conflict of interest issues.

**Recommendation:** The Administrator, EPA, should strengthen the EPA conflict-of-interest system under Superfund, by directing PCMD to provide contractors and contracting officers with additional written guidance for avoiding conflicts.

**Status:** Action in process. Estimated completion date: 02/90. EPA has developed written guidance for contractors and contracting officers on requests for private party work and other notifications of potential conflicts. This guidance is currently under review and final guidance is expected to be issued in February 1990.

## Pollution Control and Abatement

# Inland Oil Spills: Stronger Regulation and Enforcement Needed to Avoid Future Incidents

RCED-89-65, 02/22/89

### Background

Pursuant to a congressional request, GAO assessed the adequacy of federal regulation of above-ground oil storage tanks and the federal inland oil spill removal program.

### Findings

GAO found that the Environmental Protection Agency's (EPA) regulations did not require oil storage facility operators to: (1) construct and test tanks using industry standards; (2) prepare responses to accidental discharges of oil onto adjacent property; or (3) design and operate storm water drainage systems to prevent oil spills. GAO also found that: (1) EPA did not have information regarding the number, age, and location of oil storage facilities and the construction and operation of tanks; (2) the EPA inspection program did not prioritize inspections according to the threat posed to the environment, and inspections were sometimes superficial and poorly documented; (3) despite numerous oil spills and other violations, 7 of the 10 EPA regions have not levied fines; (4) EPA eliminated its spill response research program in 1987 because of budget constraints; and (5) EPA did not recover the costs of monitoring cleanups conducted by private parties, even though such costs were often substantial.

### Open Recommendations to Congress

**Recommendation:** Congress may wish to amend the Clean Water Act to explicitly authorize the federal government to recover the costs of monitoring oil spill cleanups performed by private responsible parties.

**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** To improve the likelihood that above-ground oil storage tanks are built to industry standards and decrease the chances of future damaging oil spills, the Administrator, EPA, should amend the oil pollution prevention regulations to require that: (1) above-ground oil storage tanks be built and tested in accordance with industry or other specified standards; (2) facilities plan how to react to a spill that overflows the facility boundaries; and (3) storm water drainage systems be designed and operated to prevent oil from escaping through them.

**Status:** Action in process. Estimated completion date: 03/90. Proposed regulations have been drafted and are expected to be published for comment in late 1989.

**Recommendation:** To better ensure the safety of the nation's above-ground oil storage facilities and decrease the chances of oil being discharged into the environment, the Administrator, EPA, should strengthen the EPA above-ground oil storage facility inspection program

by: (1) developing, in coordination with state and local authorities, a system of inspection priorities, based on a national inventory of tanks; (2) developing instructions for performing and documenting inspections; (3) defining and implementing minimum training needs for inspectors; and (4) establishing a national policy for fining violators.

**Status:** Action not yet initiated. EPA expects to set up a study group to look at these recommendations in 1990.

**Recommendation:** To better ensure the safety of the nation's above-ground oil storage facilities and decrease the chances of oil being discharged into the environment, the Administrator, EPA, should determine the advantages and disadvantages of supplementing EPA inspection resources by: (1) using state and local inspection resources; and (2) requiring that facilities obtain certification from independent engineers that facilities are in compliance with regulations.

**Status:** Action not yet initiated. EPA plans to set up a study group to look at these recommendations in 1990.

**Recommendation:** With the goal of improving responses to future oil spills, the Administrator, EPA, should determine whether to reestablish the oil spill research and development program, taking into account anticipated benefits, costs, and program priorities.

**Status:** Action in process. EPA has begun studying bioremediation as a cleanup technique and plans to add money to its 1991 research budget for a

study of oil recovery booms. Whether these studies will fight inland spills is not yet clear.

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## Pollution Control and Abatement

# Superfund: Analysis of Issues Concerning the Operating Industries Site

RCED-89-77, 03/30/89

### Background

Pursuant to a congressional request, GAO examined the Environmental Protection Agency's (EPA) inclusion of a hazardous waste site in its National Priorities List (NPL), focusing on: (1) its inclusion of the entire site on NPL; and (2) the cost-effectiveness of its treatment of the site.

### Findings

GAO found that EPA: (1) complied with applicable laws and regulations when it defined the site's boundaries for inclusion on NPL; (2) did not remove a portion of the site from NPL, as requested by a potential buyer as a precondition for sale, since regulations expressly prohibited such deletion pending cleanup; (3) is pursuing cleanup

funds or actions from about 200 parties that owned or disposed of waste at the site; and (4) announced that over 100 companies had signed a consent decree, valued at about \$66 million, to finance or conduct some of the site cleanup activities. GAO also found that the EPA feasibility study of on-site and off-site treatment approaches: (1) did not adequately analyze alternative treatment costs and certain hidden costs; (2) concluded that construction and operation of an on-site treatment plant could save \$1.86 million over off-site treatment costs; (3) also considered such criteria as public health, environmental concerns, and engineering implementation and feasibility in selecting its treatment approach; and (4) evaluated five alternative plant sites and the feasibility of using two nearby existing commercial treatment plants.

### Open Recommendations to Agencies

**Recommendation:** To help ensure that feasibility studies at other Superfund sites are performed properly, the Administrator, EPA, should revise EPA guidance on feasibility studies to require that hidden costs, such as the imputed value of tax liabilities and liability insurance, be included in cost analyses.

**Status:** Action in process. Estimated completion date: 09/90. Feasibility study guidance will be revised following updating of the National Contingency Plan scheduled for January 1990. This guidance, which is scheduled for completion in September 1990, will address hidden costs.

**Pollution Control and Abatement**

**Pesticides: Export of Unregistered Pesticides Is Not Adequately Monitored by EPA**

RCED-89-128, 04/25/89

**Background**

In response to a congressional request, GAO reviewed the Environmental Protection Agency's (EPA) implementation of the Federal Insecticide, Fungicide, and Rodenticide Act's provisions regarding pesticide notification requirements.

**Findings**

GAO found that: (1) EPA lacked an effective program to monitor pesticide manufacturers' compliance with pesticide export notification requirements; (2) pesticide notices did not contain sufficient and meaningful information for foreign governments to adequately identify pesticide products; (3) the EPA policy of exempting unregistered pesticide products because of their similarity and use, hindered its efforts to monitor pesticide manufacturers' compliance with the notification requirements; (4) EPA received notices from about 26 percent of companies that exported 80 percent of unregistered pesticide products to the United States; (5) EPA lacked internal procedures for preparing and issuing notices to foreign countries and international organizations regarding significant action on individual pesticides; and (6) an EPA booklet on cancelled, suspended or restricted pesticides was outdated, and foreign

governments lacked current pesticide guidelines.

**Open Recommendations to Agencies**

**Recommendation:** The Administrator, EPA, should take appropriate actions to strengthen EPA oversight of pesticide exports, including monitoring compliance with the notification requirements by matching export notice information with export production data.  
**Status:** Action not yet initiated.

**Recommendation:** The Administrator, EPA, should take appropriate actions to strengthen EPA oversight of pesticide exports, including requiring manufacturers to improve the quality and type of information contained in the export notices, such as reporting full chemical descriptions.  
**Status:** Action not yet initiated.

**Recommendation:** The Administrator, EPA, should take appropriate actions to strengthen EPA oversight of pesticide exports, including changing EPA enforcement policy concerning an unregistered pesticide currently used for section 17(a) notices, which in effect exempts a large number of pesticides claimed to be similar to registered pesticides. Such a change would be consistent with the way EPA treats an unregistered pesticide used throughout the rest of the pesticide program.

**Status:** Action not yet initiated.

**Recommendation:** The Administrator, EPA, should regularly provide this information to the Food and Drug Administration to assist in its monitoring of pesticide residues on imported food.  
**Status:** Action not yet initiated.

**Recommendation:** The Administrator, EPA, should develop internal criteria and procedures for determining whether and when to prepare and issue a notice of regulatory action, including specifying what constitutes a significant action on a pesticide.  
**Status:** Action not yet initiated.

**Recommendation:** The Administrator, EPA, should annually update and issue to all parties concerned, including foreign governments, its booklet on suspended, cancelled, and restricted pesticides.  
**Status:** Action not yet initiated.

**Recommendation:** The Administrator, EPA, should establish guidance on section 17(a) transmittal procedures for sending notices to foreign governments. In addition, in cooperation with the Department of State, annually update and send both section 17(a) and 17(b) guidance to U.S. embassies.  
**Status:** Action not yet initiated.

**Pollution Control and Abatement**

**Water Pollution: Improved Monitoring and Enforcement Needed for Toxic Pollutants Entering Sewers**

RCED-89-101, 04/25/89

**Background**

In response to a congressional request, GAO assessed key elements of the Environmental Protection Agency's (EPA) National Industrial Pretreatment Program, focusing on whether: (1) industrial users of publicly owned treatment works (POTW) had discharges exceeding program discharge limitations; and (2) treatment plant enforcement over dischargers, and EPA and state enforcement over treatment plants, was sufficient to ensure that users met discharge limitations and other program requirements.

**Findings**

GAO found that: (1) 41 percent of the industrial users failed to comply with and violated one or more of their discharge limits; (2) 20 percent of the treatment plants also had one or more discharge limit violations; (3) the effects of the violations included the pass-through of untreated toxic pollutants to receiving waters, interference with treatment plant operations or damage to plant facilities, and exposure of treatment plant workers to health and safety problems; (4) treatment plants served about 60 percent of the industrial users with written notices of violations and levied administrative fines for only 5 percent; (5) approval authorities' enforcement against noncomplying treatment plants was also limited, since EPA concentrated its priorities on program start-up rather than on enforcement; and (6) although EPA took actions to address some enforcement

problems, the effectiveness of the actions remained unclear.

**Open Recommendations to Agencies**

**Recommendation:** The Administrator, EPA, should follow through with the Agency's plans to promulgate a regulatory definition for significant noncompliance to be used by POTW in setting enforcement priorities as soon as possible.

**Status:** Action not yet initiated.

**Recommendation:** In light of uncertainties about the effectiveness of recent EPA actions to correct other enforcement problems in the EPA pretreatment program, the Administrator should evaluate these actions at the end of fiscal year (FY) 1989 and, for those POTW that do not sufficiently incorporate existing guidance on enforcement response procedures into individual plant programs, the Administrator should require the use of EPA standards for timely and appropriate enforcement.

**Status:** Action not yet initiated.

**Recommendation:** In light of uncertainties about the effectiveness of recent EPA actions to correct other enforcement problems in the EPA treatment program, the Administrator should evaluate these actions at the end of FY 1989 and, for those approval authorities that do not sufficiently follow the Agency's recent guidance on when to bring enforcement actions against

POTW for failure to implement POTW pretreatment programs, the Administrator should require the use of EPA standards on the type of enforcement actions to be taken under specific circumstances.

**Status:** Action not yet initiated.

**Recommendation:** The Administrator, EPA, should direct pretreatment program approval authorities to review all POTW programs to determine whether prescribed sampling frequencies provide reasonable assurance that discharge limit violations by industrial users will be detected.

**Status:** Action not yet initiated.

**Recommendation:** The Administrator, EPA, should direct pretreatment program approval authorities to review all POTW programs to determine whether sampling locations at industrial users have been selected properly and are clearly specified.

**Status:** Action not yet initiated.

**Recommendation:** The Administrator, EPA, should direct pretreatment program approval authorities to review all POTW programs to determine whether required local discharge limits have been issued and are technically sound.

**Status:** Action not yet initiated.

**Recommendation:** Where deficiencies in any of the areas are identified, the Administrator, EPA, should direct approval authorities to amend POTW pretreatment programs or issue

administrative orders to correct deficiencies in those programs.

Status: Action not yet initiated.

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## Pollution Control and Abatement

# Guidelines Needed for EPA's Tolerance Assessments of Pesticide Residues in Food

T-RCED-89-35, 05/17/89

### Background

GAO discussed the Environmental Protection Agency's (EPA) methods for assessing potential risks of pesticide residues in food. GAO found that: (1) EPA used its Tolerance Assessment System to estimate dietary exposure to pesticide residues, but it did not establish a policy to assess tolerance levels on population subgroups with the highest potential exposure to pesticides; (2) EPA developed separate cancer risk estimates for the overall U.S. population, even though population subgroup exposure was higher in some cases; and (3) although EPA used residue data in assessments over a 2-year period, there were no guidelines for performing anticipated residue studies. GAO believes that: (1) consideration of all available information on cancer risks would increase the credibility of EPA regulatory decisions on carcinogenic

pesticides; and (2) EPA should reevaluate the adequacy of anticipated residue data.

### Open Recommendations to Agencies

**Recommendation:** The Administrator, EPA, should separately estimate cancer risk for highly exposed subgroups, consider subgroups' risk in its decisions regarding carcinogenic pesticides, and report on the subgroups most at risk in its Federal Register notices for the establishment or change of a pesticide's tolerances.

Status: Action not yet initiated.

**Recommendation:** The Administrator, EPA, should proceed now to establish a policy concerning whether, or in what circumstances, tolerance decisions are to be based on the most highly exposed subgroups.

Status: Action not yet initiated.

**Recommendation:** The Administrator, EPA, should establish guidelines as soon as possible on the development and use of anticipated residue data to estimate exposure.

Status: Action not yet initiated.

**Recommendation:** The Administrator, EPA, should ensure that the guidelines for using anticipated residue data to estimate exposure also address the disadvantages of each type of data.

Status: Action not yet initiated.

**Recommendation:** The Administrator, EPA, should, once it develops guidelines, reevaluate any regulatory decisions it has made in the interim that were based on anticipated residue data.

Status: Action not yet initiated.

**Pollution Control and Abatement**

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

RCED-89-97, 07/05/89

**Background**

Pursuant to a congressional request, GAO reviewed the Environmental Protection Agency's (EPA) Underground Injection Control (UIC) Program, focusing on: (1) whether evidence exists of drinking water contamination from injection wells used in oil and gas production, known as Class II wells, and if so, the causes and actions taken to prevent similar occurrences; and (2) the degree to which states have implemented program safeguards to protect against drinking water contamination.

of the 4 states reviewed said that the numbers of improperly plugged wells are increasing; (3) most Class II wells operated before the UIC program, and most contamination cases involved existing wells, but EPA did not subject existing wells to the requirement to search and plug nearby improperly plugged wells; and (4) some states issued permits to operate Class II wells without evidence that the applicant had conducted pressure tests, and some have not finished reviewing files and pressure testing some of the existing wells.

wells subject to area-of-review requirements as are new wells.  
**Status:** Action not yet initiated.

**Recommendation:** The Administrator, EPA, should establish a priority system to ensure that the regulatory agencies review those area reviews containing improperly plugged wells that pose the greatest environmental risks first.  
**Status:** Action not yet initiated.

**Recommendation:** To help ensure that Class II wells are structurally sound and not injecting into areas of unplugged wells, the Administrator, EPA, should require state program regulatory agencies to institute the internal controls necessary to ensure that Class II permits are issued only if documentation exists that area-of-review information was checked and the pressure test portion of mechanical integrity tests was conducted.  
**Status:** Action not yet initiated.

**Findings**

GAO found that: (1) there were 23 cases of drinking water contamination, but the full extent of contamination was unknown; (2) EPA estimated that there are about 1.2 million abandoned oil and gas wells in the United States, 200,000 of which may be improperly plugged, and 3

**Open Recommendations to Agencies**

**Recommendation:** In order to better safeguard drinking water supplies from contamination from Class II wells, the Administrator, EPA, should require that UIC program regulations or guidance be established for state- and EPA-administered programs to make existing

**Pollution Control and Abatement**

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

RCED-89-144, 07/26/89

**Background**

Pursuant to a congressional request, GAO examined the Environmental Protection Agency's (EPA) use of

pollution concentration estimates obtained from air quality dispersion models in carrying out its responsibilities under the Clean Air Act,

focusing on whether EPA policies: (1) on ambient air quality resulted in approval of increased emissions; and (2) ensured

the consistent use of air quality models in regulatory decisions.

**Findings**

GAO found that: (1) the EPA policy that defined ambient air as that portion of the atmosphere, external to buildings, which had public access, resulted in higher emissions limits than otherwise permitted; (2) EPA did not consider any air above company-controlled property as ambient air and exempted it from Clean Air Act requirements for air quality standards; (3) EPA stretched some policy decisions to allow some sources to increase emissions by acquiring additional land and restricting public access to it; and (4) there were four instances of noncompliance with EPA-recommended modelling policies

and procedures, since EPA guidelines pertaining to model calibration were not sufficiently detailed to promote consistent understanding among model personnel.

**Open Recommendations to Agencies**

**Recommendation:** In light of the: (1) significant environmental consequences of the EPA policy which allowed increased emissions; and (2) feasibility of an alternative interpretation of ambient air boundaries which restricts the size of nonambient air, the Administrator, EPA, should initiate a formal rulemaking process to redefine ambient air in a manner that is more protective of the environment.

**Status:** Action not yet initiated.

**Recommendation:** The Administrator, EPA, should review, and where necessary, revise the modelling guideline to more clearly and precisely identify and prohibit unacceptable practices such as model calibration.

**Status:** Action not yet initiated.

**Recommendation:** The Administrator, EPA, should consider the need for a review of modelling performed by EPA regions and state and local air pollution control agencies to determine whether they are uniformly and consistently applying the modelling policies and procedures. If such a review detects inconsistent application of the modelling policies and procedures, then the Administrator should initiate corrective actions as deemed appropriate.

**Status:** Action not yet initiated.

**Pollution Control and Abatement**

**Hazardous Waste Sites: State Cleanup Status and Its Implications for Federal Policy**

RCED-89-164, 08/21/89

**Background**

Pursuant to a congressional request, GAO reviewed the status of state cleanups of hazardous waste sites not on the National Priorities List (NPL) and whether the cleanups met Superfund Program standards.

**Findings**

GAO found that: (1) although 47 states reported about 28,000 known or suspected Superfund sites, many had not identified all their sites; (2) 42 states reported inspecting about 7,800 sites and 43 reported cleaning up 1,736 sites and had begun work on another 760 sites; (3) six states completed about four-fifths of

the cleanup activities, while about one-third of the states did not complete any cleanups; (4) the three most active states established major hazardous waste site cleanup programs, had laws to compel responsible parties to clean up sites, authorized at least \$100 million for cleanup, and employed 100 or more people in their programs; (5) of the 41 reporting states, only 11 had more than \$5 million available for non-Superfund sites; (6) at the 17 non-Superfund sites GAO analyzed, state cleanups generally met the federal contaminant levels required for Superfund sites; (7) there were no federal standards for about one-third of the contaminants in groundwater and none for many soil

contaminants at the sites reviewed; (8) states set cleanup levels at 11 of the 17 sites without performing formal risk assessments, most states selected remedies without fully considering Environmental Protection Agency (EPA)-required alternatives, and only 1 state considered the full ranges of remedies; and (9) although EPA provided technical assistance to states in the form of standards, guidance, training and advice on some sites, states needed more information on health effects of contaminants, protective cleanup levels, risk assessments, remedy selection, and cleanup technologies.

### Open Recommendations to Agencies

**Recommendation:** In view of the difficult task faced by states seeking to clean up thousands of non-NPL sites, the Administrator, EPA, should reexamine the nature, form, and extent of EPA technical assistance to the states to determine how best to assist them in selecting cleanup levels and remedies at non-NPL sites. Given concerns raised within EPA about the need for improved technical assistance on NPL sites, this reexamination should be designed so

that NPL case managers in EPA regions and at state-lead NPL sites also benefit. The Administrator should then devise and implement a strategy to increase the delivery of effective assistance to states and EPA regions.

**Status:** Action not yet initiated.

**Recommendation:** To ensure consistently protective cleanups for sites so seriously contaminated that they could be listed on NPL, the Administrator, EPA, should require, in any deferral policy EPA adopts, that: (1) state cleanup of deferred NPL sites be

consistent with the national contingency plan; (2) states' eligibility for deferrals be conditioned on their meeting specified standards, including standards for experience and resources; and (3) EPA has the right to monitor state cleanup performance on deferred NPL sites.

**Status:** Action not yet initiated.

**Recommendation:** If a deferral policy is implemented, the Administrator, EPA, should periodically monitor state cleanups for compliance with the deferral requirements.

**Status:** Action not yet initiated.

## Pollution Control and Abatement

# Superfund: Contractors Are Being Too Liberally Indemnified by the Government

RCED-89-160, 09/26/89

### Background

Pursuant to a legislative requirement, GAO reviewed the Environmental Protection Agency's (EPA) Superfund Amendments and Reauthorization Act of 1986 (SARA) Section 119 program for indemnifying Superfund program contractors and subcontractors against liabilities caused by negligence, focusing on: (1) the use of and need for indemnification agreements; (2) claims against those agreements; (3) the program's compliance with applicable laws and regulations; and (4) program management.

### Findings

GAO found that: (1) as of June 1989, EPA had provided over 1,000 indemnification agreements to Superfund prime contractors and subcontractors, most of whom worked directly for EPA; (2) EPA did not grant

indemnification to any contractor working directly for parties responsible for the contaminated sites; (3) while no claims had been filed against any of the indemnification agreements, many years could pass before pollution was detected and a claim brought against the alleged polluter; (4) most private insurers generally regarded pollution risks as uninsurable, although three insurers provided some limited-coverage pollution insurance for cleanup contractors; (5) although several contractors cited their reluctance to perform Superfund work without indemnification, some of them had performed Superfund work for states and responsible parties without indemnification; (6) EPA provided indemnification free of charge; (7) EPA did not fully comply with requirements to provide indemnification on a discretionary, case-by-case basis, and did not enforce guidance procedures for granting indemnification; (8) EPA did

not set limits on the amount of contractor indemnification; and (9) the EPA contractor for providing section 119 policy support was a direct beneficiary through two major indemnified Superfund contracts.

### Open Recommendations to Agencies

**Recommendation:** Because SARA section 119 established specific statutory authority to indemnify Superfund response action contractors, the Administrator, EPA, should advise federal agencies to use section 119 rather than general contracting authorities if they choose to indemnify Superfund contractors.

**Status:** Action not yet initiated.

**Recommendation:** To limit the government's potential exposure to liabilities caused by contractor

negligence and keep qualified contractors working in the Superfund program, the Administrator, EPA, should: (1) identify and test, through the procurement system, options for providing section 119 indemnification that will make it competitively unattractive for Superfund contractors and subcontractors to obtain more indemnification than is needed; and (2) incorporate the options that are most cost-beneficial to the government into the regular Superfund procurement process.

Status: Action not yet initiated.

**Recommendation:** To encourage the development of pollution liability insurance for response action contractors and limit dependence on federal indemnification, the Administrator, EPA, should implement management controls for the section 119 indemnification program that will ensure that: (1) the insurance requirements in SARA are strictly enforced; and (2) indemnification decisions are made on a discretionary case-by-case basis, as Congress intended.

Status: Action not yet initiated.

**Recommendation:** To avoid unnecessary exposure of Superfund while EPA section 119 guidance is being developed, the Administrator, EPA, should attempt to reach an immediate agreement with contractors indemnified under the interim program to place a specific limit on the amount of indemnification they are being provided and specify a limit in indemnification agreements provided under the interim program for new contracts.

Status: Action not yet initiated.

## Recreational Resources

# National Park Service Needs a Maintenance Management System

RCED-84-107, 06/01/84

## Background

Pursuant to a congressional request, GAO examined the potential for increased efficiency and effectiveness in maintaining the national park system.

## Findings

The National Park Service (NPS) spends millions of dollars annually to maintain the buildings, roads, bridges, monuments, hiking trails, and utility systems on the more than 79 million acres of developed and undeveloped land which comprise the national park system. GAO visited nine NPS units in 1983 and found that attention had not always been given to systematically maintaining facilities, and that NPS had not provided adequate maintenance policy, guidance, or training. At seven of the parks visited, GAO found that park superintendents were not determining or requesting the funding needed to

properly maintain park assets, properly accounting for maintenance resources, or assessing the efficiency and effectiveness of their maintenance activities. Superintendents at these seven parks agreed that they did not have the necessary information about their maintenance operations and did not know whether their maintenance activities were effective or efficient. NPS has estimated that the cost of developing and implementing an effective maintenance management system would be less than \$10 million. GAO believes that the cost of such a system could be justified by the large annual NPS maintenance budget, the current maintenance problems, and the potential to recapture development and implementation costs through reduced maintenance costs, increased productivity, and other benefits.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of the Interior should direct the Director, NPS, to design, test, and implement in the national park system a maintenance management system which includes the key management elements discussed in this report. To help in designing a system, NPS officials may want to obtain information from organizations such as Parks Canada, which have maintenance management systems in operation.

Status: Action in process. Estimated completion date: 07/90. Full implementation of the NPS servicewide maintenance management system will be completed when park personnel have completed a full year's training. The system has been installed in all 250 park units, but only about 40 units have finished training.

**Recommendation:** The Secretary of the Interior should direct the Director, NPS, to develop a training program which focuses on planning, organizing, directing, and reviewing activities associated with a maintenance system

and ensure that maintenance managers and other appropriate park and regional personnel receive the training.  
**Status:** Action in process. Estimated completion date: 07/90. The contract that NPS awarded in June 1986 requires

the contractor to develop a training program and provide training to key NPS personnel. Full implementation of the system includes a full year's training for park personnel in use of the system; to be conducted by contracted staff.

## Recreational Resources

# Parks and Recreation: Limited Progress Made in Documenting and Mitigating Threats to the Parks

RCED-87-36, 02/09/87

### Background

In response to a congressional request, GAO provided information on: (1) National Park Service (NPS) actions to address threats to the National Park System's natural and cultural resources; and (2) the extent to which current legislation obligates NPS to intercede in outside actions that would affect park resources.

### Findings

GAO found that: (1) although NPS required parks to complete resource management plans (RMP) by the end of 1981 and update them annually, only half met the original deadline, and NPS did not use the completed plans in formulating its annual budget; (2) NPS failed to follow through on the initiatives for improving resource information and increasing scientific research, but has undertaken the training initiatives; (3) neither NPS nor the individual parks kept track of their progress in addressing the threats to their resources that a 1980 report identified; (4) the NPS budget for resource management increased from \$44 million in 1980 to \$93 million in 1984; (5) the parks used additional funds to remove harmful plants and animals

and repair deteriorating historic structures; (6) as of December 1985, NPS had not resolved 80 percent of the threats reported in 1980; and (7) NPS did not receive funding for many of its proposed projects to address known and potential resource problems.

### Open Recommendations to Agencies

**Recommendation:** To provide the information needed for NPS to develop a comprehensive, systemwide approach to protect and manage park resources and to provide the basis to make more informed funding decisions, the Secretary of the Interior should direct the Director, NPS, to improve procedures on the use of the information provided in RMP to: (1) identify and prioritize cultural and natural resource management needs on a regional and servicewide basis; and (2) prepare annual budget requests.

**Status:** Action in process. Estimated completion date: 12/91. Software for an automated data base that tracks RMP projects and activities has been developed and is currently being distributed to the parks. This system will be used to inventory and prioritize natural and cultural resource needs. The

system is scheduled to be integrated with the budget call system.

**Recommendation:** The quality of RMP depends on the adequacy of the resource information upon which it is based. Therefore, to ensure that the plans are based on adequate information and to establish basic accountability for park resources, the Secretary of the Interior should direct the Director, NPS, to develop standards for determining the minimum baseline information needed to properly plan for the management and protection of park resources.

**Status:** Action in process. Estimated completion date: 12/91. NPS, Natural Resources, adopted a final baseline inventory and long-term monitoring policy and implementation strategy on April 29, 1987. Standards for Natural Resources, originally planned for completion in January 1989, are currently in progress. Cultural Resources did not undertake as comprehensive an inventory and monitoring initiative.

**Recommendation:** The quality of RMP depends on the adequacy of the resource information upon which it is based. Therefore, to ensure that the plans are based on adequate information and to

establish basic accountability for park resources, the Secretary of the Interior should direct the Director, NPS, to take action to improve park information bases that are found not up to the standards.

**Status:** Action in process. Estimated completion date: 12/93. On the cultural resource program side, NPS undertook a project to computerize and update its archeological resource data base. Implementation is targeted for the end

of 1991. On the natural resource program side, NPS is in the process of implementing inventory and monitoring by stages. All parks will have revised RMP according to the new guidelines by 1993.

**Recreational Resources**

**Cultural Resources: Problems Protecting and Preserving Federal Archeological Resources**

RCED-88-3, 12/15/87

**Background**

In response to a congressional request, GAO reviewed three federal agencies' management of archeological resources on federal lands to determine: (1) the extent of looting that has occurred; (2) what the agencies are doing to protect and prevent looting of the resources; and (3) what actions the agencies are taking to remove and properly preserve artifacts.

**Findings**

GAO found that: (1) looters are destroying valuable scientific information at archeological sites; (2) agency officials believe that enforcement efforts have prevented casual looting, but problems still exist with commercial looting for profit; and (3) although looting of artifacts from National Park Service (NPS) land has been minimal, the Bureau of Land Management (BLM) and the Forest Service are experiencing a high level of commercial looting. GAO also found that: (1) funding constraints and staffing shortages have hampered agencies' ability to protect archeological sites; (2) the agencies were not taking necessary precautions to ensure the preservation of artifacts they sent to curators; (3) the agencies did not

institute any procedures for determining the adequacy and ability of facilities responsible for curating artifacts, and seldom inspected the facilities; and (4) NPS has an estimated 15.5 million uncataloged artifacts collected from both federal and nonfederal lands.

**Open Recommendations to Agencies**

**Recommendation:** The Secretaries of the Interior and Agriculture should direct the heads of the respective agencies to develop agency-wide guidelines that: (1) provide field offices criteria on when to prepare looting incident reports, for example, amount of disturbance and how recently the incident happened; and (2) require field offices to periodically revisit recorded sites to update site records.

**Addressee:** Department of the Interior  
**Status:** Action in process. Estimated completion date: 09/90. The 1988 amendments to the Archeological Resources Protection Act of 1979 (ARPA) added provisions designed to improve protection and preservation of archeological resources. Among these provisions are requirements for systematic incident reporting procedures and development of plans and schedules

for surveying sites. Interior is working on implementing regulations to comply with these provisions

**Addressee:** Department of Agriculture  
**Status:** Action in process. Estimated completion date: 01/90. As of August 1988, the Forest Service had drafted guidance on the revisitation of sites. The target date for issuance of this guidance is January 1990.

**Recommendation:** The Secretaries of the Interior and Agriculture should direct the heads of the respective agencies to develop plans for surveying those areas not scheduled for project development, including prioritizing these areas based on their archeological resource potential and then preparing a schedule for surveying those areas having the highest priority.

**Addressee:** Department of the Interior  
**Status:** Action in process. Estimated completion date: 09/90. Interior stated that about 90 percent of federal lands have not been surveyed. One of the 1988 amendments to ARPA requires land-managing agencies to develop systematic inventory procedures of archeological resources. Regulations to implement this requirement are scheduled to be published in fiscal year (FY) 1990.

**Recommendation:** The Secretaries of the Interior and Agriculture should direct the heads of respective agencies to be consistent with other priorities for available funds and staff, and ensure that a reasonable number of these surveys are carried out each year.

**Addressee:** Department of the Interior

**Status:** Action in process. Estimated completion date: 09/90. Interior stated that regulations to comply with the ARPA provision to develop systematic inventory procedures of archeological resources will be published in FY 1990.

**Recommendation:** The Secretary of the Interior should direct the Director, NPS, to finalize and issue the proposed regulation on curation and exchange of archeological collections promptly and ensure that it contains sections addressing agency internal controls over artifacts and combined or single-agency inspections of curatorial facilities having artifact collections from more than one federal agency.

**Status:** Action in process. Estimated completion date: 12/89. A proposed rule to address this recommendation was published in August 1987. Public comments were obtained and the rule was revised. The final rule along with proposed amendments is being reviewed within the Department. A final rule is scheduled to be published by December 1989.

**Recommendation:** The Secretary of Agriculture should direct the Chief, Forest Service, to adopt Interior's curation regulation when it is issued.

**Status:** Action not yet initiated. The Forest Service's Chief Archeologist said that the Forest Service intends to do this when the Interior regulation is finalized.

**Recommendation:** The Secretaries of the Interior and Agriculture should direct the heads of their respective agencies to coordinate to ensure that the curation regulation is implemented consistently with regard to requirements placed on nonfederal curatorial facilities.

**Addressee:** Department of the Interior  
**Status:** Action not yet initiated. This cannot be done until a final curation regulation is issued.

**Addressee:** Department of Agriculture  
**Status:** Action not yet initiated. The Forest Service's Chief Archeologist agreed with this recommendation and is waiting for NPS to take the lead.

**Recommendation:** The Secretaries of the Interior and Agriculture should direct the heads of their respective agencies to enter into an agreement whereby one or more qualified individuals are designated to conduct inspections of nonfederal curatorial facilities on behalf of the other agencies.

**Addressee:** Department of the Interior  
**Status:** Action not yet initiated. This recommendation cannot be implemented until a final curation regulation is issued.  
**Addressee:** Department of Agriculture  
**Status:** Action not yet initiated. The Forest Service's Chief Archeologist agreed with this recommendation and said that he believes that the Forest Service should be the agency designated in some instances. He is waiting on the Interior curation regulation and for NPS to contact him.

**Recommendation:** The Secretaries of the Interior and Agriculture should direct the heads of their respective agencies to ascertain and request the funds and staff needed to establish complete and accurate records of

artifacts removed from their lands and to inspect curatorial facilities in accordance with the regulation and implementing instructions.

**Addressee:** Department of the Interior  
**Status:** Action not yet initiated. This recommendation cannot be implemented until the regulation and implementing instructions have been issued.

**Addressee:** Department of Agriculture  
**Status:** Action in process. Estimated completion date: 07/90. The Forest Service issued a manual directive which strengthened the requirement for records on artifact collections. It has budgeted funds for FY 1989 and FY 1990 to improve its recordkeeping process. Informational needs and how it is to be collected has been identified. An integrated information data base has been started which tracks the types of cultural resources geographically.

**Recommendation:** The Secretaries of the Interior and Agriculture should direct the heads of their respective agencies to use information contained in the facilities' plans for correcting deficiencies noted during the agencies' initial inspection of these facilities, and summarize and report to Congress the: (1) magnitude of the deficiencies at nonfederal curatorial facilities; and (2) total cost and federal share of the cost of correcting these deficiencies.

**Addressee:** Department of the Interior  
**Status:** Action not yet initiated.

**Addressee:** Department of Agriculture  
**Status:** Action not yet initiated. This recommendation cannot be implemented until the recommendation to establish complete and accurate records of artifacts' removal from lands and inspection of curatorial facilities is fully implemented.

**Recreational Resources**

**Parks and Recreation: Problems With Fee System for Resorts Operating on Forest Service Lands**

RCED-88-94, 05/16/88

**Background**

In response to a congressional request, GAO reviewed the Forest Service's Graduated Rate Fee System (GRFS) to determine whether the: (1) system reflected fair market values; and (2) Service corrected previously identified fee system problems.

**Findings**

GAO found that: (1) the Service's use of standardized, industry-wide ratios and factors to establish current fee systems did not necessarily result in fair-market-value fees; (2) the Service received less than fair market value for its winter resort permits; (3) although the Service changed its procedures for valuing fixed assets, it did not update its 20-year-old GRFS fee formula; (4) the Service did not implement changes to the fee formula for gross fixed assets; and (5) the Service

did not determine the percentage of profit that constituted a fair market value. GAO also found that: (1) resort buyers generally paid lower permit fees than previous owners because the Service did not implement necessary changes; (2) the Service's calculation of permit fees was complicated and its GRFS formula rates were not sufficiently progressive; (3) the Service improperly scheduled permittees' fee payments and failed to verify their gross fixed assets; and (4) as of January 5, 1988, the Service was in the process of developing a new gratuity policy.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Agriculture should direct the Chief, Forest Service, to: (1) update fee rates and break-even points; (2) discontinue the reevaluation of a resort's fixed assets

only at the time the resort is sold and either use the Department of Commerce's Construction Cost Index to annually update the valuation of resorts' gross fixed assets, or retain the fixed assets' valuation at acquisition cost when a resort is sold; (3) discontinue breaking out a resort's income by business category or allocate the resort's gross fixed assets by business category; and (4) adjust the fee rates for sales above twice the break-even point so that they are all incrementally progressive. **Status:** Action in process. Estimated completion date: 01/90. New directives have been implemented with regard to ski area fee systems, and are in evidence in the latest policy manuals. Resort operators are slowly adopting this new fee system, but resistance to higher rates is occurring and one appears to have been filed. New fee systems for other sales categories are being developed and should be implemented by yearend.

**Recreational Resources**

**Parks and Recreation: Maintenance and Reconstruction Backlog on National Forest Trails**

RCED-89-182, 09/22/89

**Background**

Pursuant to a congressional request, GAO reviewed the Forest Service's trail maintenance backlog, focusing on: (1) the extent, cause, and effects of the backlog; (2) Forest Service efforts to deal with the

backlog; and (3) new trail construction needs.

**Findings**

GAO found that: (1) the Forest Service had a trail maintenance and reconstruction backlog of about \$195 million, involving about 59,000 miles of

trails; (2) 11 of the 121 forest units accounted for \$91 million of the backlog costs; (3) funding fluctuations over the past decade resulted in a lack of Forest Service personnel and a declining pool of contractors and volunteers to keep the trails in good condition; (4) about 5,000 miles of trails were unusable because of deferred maintenance; (5) although the Forest Service annually reported the number of miles of trails maintained and constructed during the year, it neither routinely gathered data on maintenance and reconstruction needs or costs nor categorized needs by trail condition severity; (6) although the Forest Service would have a computerized trail inventory system in operation in 1990, it would not include

recurring data on trail maintenance and reconstruction needs and costs; (7) the Forest Service used 926,000 volunteer hours in 1988 to maintain and reconstruct over 17,600 miles of forest trails and received about \$2.5 million in funds from outside sources to compensate for limited funding; and (8) the Forest Service planned to construct about 8,400 miles of new trails over the next 5 years, at an estimated cost of about \$60 million, but would receive only about one-third of those funds at current funding levels.

### Open Recommendations to Agencies

**Recommendation:** To enable the Service and Congress to monitor the trail maintenance and reconstruction backlog and to prioritize trail program funding decisions, the Secretary of Agriculture should direct the Chief of the Forest Service to gather and make available to Congress, on a periodic basis, nationwide data on: (1) the trail maintenance and reconstruction work that needs to be done; (2) the severity of conditions requiring the work; and (3) the associated costs. The Service's new computerized information system may serve as a useful vehicle for gathering and reporting these data.

**Status:** Action not yet initiated.

## Water Resources

# Wildlife Management: National Refuge Contamination Is Difficult To Confirm and Clean Up

RCED-87-128, 07/17/87

### Background

In response to a congressional request, GAO reviewed the status of cleanup activities at the Kesterson National Wildlife Refuge to determine whether the federal government: (1) assessed the extent of contamination at refuges nationwide; (2) developed water quality criteria to protect wildlife and refuge habitats from contamination; and (3) dealt with actual or potential contamination from agricultural drainage water or other sources.

### Findings

GAO found that the: (1) Bureau of Reclamation stopped the flow of contaminated water to the Kesterson

refuge and prepared a phased cleanup plan to initially treat contamination in place, rather than dispose of it; (2) board responsible for protecting California's water resources rejected the phased plan and approved the concept of on-site disposal; and (3) cleanup will cost an estimated \$27 billion. GAO also found that the Department of the Interior: (1) intensified efforts to identify contaminated refuges, since an Interior survey indicated that 85 of 430 refuges were or could be contaminated by agricultural drainwater or by municipal, industrial, or military activities; and (2) did not use survey techniques that would identify all contaminated refuges. GAO concluded that obstacles to identifying and cleaning up sites include the: (1) lack of water quality criteria to

determine when contamination threatens wildlife and refuge habitats; (2) lack of federal regulatory authority over agricultural drainage water; and (3) lengthy process of identifying the party responsible for cleanup, deciding on a cleanup plan, and obtaining cleanup funds.

### Open Recommendations to Agencies

**Recommendation:** The Administrator, Environmental Protection Agency (EPA), in close coordination with the Secretary of the Interior, should develop water quality criteria for protecting wildlife and refuge habitats. If current resources and funding levels are insufficient for

this program, the Secretary and the Administrator should submit estimates of the additional needs to Congress for consideration.

**Status:** Action in process. EPA is conducting chemical screening to assess potential problems for wildlife species exposed to priority pollutants in water resources to help define future programs. EPA is working jointly with the Fish and Wildlife Service to evaluate risks, from multiple sources, to wildlife species exposed to pollutants.

**Recommendation:** The Secretary of the Interior should evaluate the results of

the ongoing studies to determine if agricultural drainage traceable to a single source is occurring elsewhere.

**Status:** Action in process. A comprehensive survey of all Interior-sponsored or -managed irrigation projects has been completed. A total of 19 reconnaissance studies were undertaken. Seven were selected for detail studies of which four are scheduled for completion in fiscal year (FY) 1990.

**Recommendation:** If agricultural drainage traceable to a single source is occurring elsewhere, the Secretary of the

Interior should work with the Administrator, EPA, in preparing a legislative proposal to amend the Clean Water Act to require that agricultural drainage traceable to a single source be subject to discharge permit requirements.

**Status:** Action in process. Interior is working with EPA in scoping the Clean Water Act Amendments with a goal of having a draft by the end of FY 1990. In the past, staffing limitations restrained this joint effort.

## Water Resources

# Water Resources: Issues Concerning the Arkansas River Basin Operation Plan

RCED-88-166, 06/23/88

## Background

Pursuant to a congressional request, GAO examined: (1) whether the Corps of Engineers' Arkansas River Basin Operation Plan accurately reflected the authorized purposes and actual uses of the Basin's 11 reservoirs; (2) the Corps' methodology for estimating benefits and damages resulting from a July 1986 plan modification that called for slowing the rate of water release after flood events; and (3) the Corps' compliance with the Administrative Procedure Act in adopting the modification, especially whether the Corps provided sufficient opportunity for public comment.

## Findings

GAO found that the Corps: (1) planned to operate all 11 reservoirs for navigation, but legislation authorized such use for only 3 reservoirs; (2) lacked

sufficient authority to operate 8 of the 11 reservoirs for navigation unless it could show that such operation was not detrimental to an authorized purpose; (3) was conducting a study to determine the compatibility of authorized and unauthorized uses; (4) used incomplete data in its analysis of the benefits and damages resulting from the July 1986 plan modification, causing understated hydrologic and economic estimates; and (5) did not have to comply with the Administrative Procedure Act requirements for public notice and comment, but solicited comments from interested organizations and individuals, and formed a committee to recommend necessary changes to the plan.

## Open Recommendations to Agencies

**Recommendation:** If the Corps' information indicates that the operation of the Arkansas River Basin operation plan for navigation is detrimental to the reservoirs' flood control functions, the Secretary of the Army should direct the Corps' Chief of Engineers to discontinue the reservoirs' use to benefit navigation unless the Corps can obtain legislative approval to add navigation as an authorized purpose for the eight reservoirs.

**Status:** Action taken not fully responsive. In February 1989, GAO wrote the Department of Defense (DOD) reiterating the conclusion and recommendation. In March 1989, DOD informed GAO that the Corps Chief Counsel and the Army General Counsel are reviewing the GAO position and will

respond in the near future. Review still in process at the end of 1989.

## Water Resources

# Water Resources: Costs of the Fountain Valley Authority Pipeline

RCED-88-125, 07/13/88

### Background

In response to a congressional request, GAO examined the Bureau of Reclamation's construction of the Fountain Valley pipeline in Colorado to determine: (1) why there was an increase in the pipeline project's total cost; (2) whether the Bureau had the legal authority to charge overhead costs to the pipeline operator; and (3) the equity of the Bureau's overhead charges.

### Findings

GAO found that: (1) about \$12.3 million of the project's \$13.9-million total cost increase was due to increases in construction costs; (2) the overhead rate in the preliminary contract estimate was too low; (3) the construction contract legally authorized the Bureau to charge overhead costs to the pipeline operator; (4) although the direct overhead and noncontract costs were appropriate for the project, the Bureau's Missouri Basin Region overcharged the operator more than \$500,000 in indirect overhead charges between 1981 and 1986; (5) the Region improperly applied an allocation rate in 1981 when distributing overhead costs among individual projects; (6) the Region used three different methods to

allocate indirect costs to the operator; and (7) the Region did not comply with generally accepted accounting principles. GAO also found that regional officials agreed to: (1) recompute the pipeline's cost allocations using each of the three methods it applied during the project's life; (2) correct the erroneous rate applied in 1981; (3) exclude inequitable indirect overhead cost shifts; and (4) provide the recomputation to the operator and determine the amount of indirect overhead costs the operator should reasonably pay.

### Open Recommendations to Agencies

**Recommendation:** To ensure that all Bureau regions are using an appropriate and uniform cost allocation method, recording and reporting reliable project cost data, and complying with accounting principles for federal agencies, the Secretary of the Interior should direct the Commissioner, Bureau of Reclamation, to select and approve an indirect overhead cost allocation method that is equitable to all projects and direct all regional office administrators to use the approved method consistently. **Status:** Action in process. Interior's task force recommended distributing indirect

project costs to the purposes of a project. Using direct labor costs as the basis for the distribution would be in most cases proportional to the service or benefits received. Each region will maintain the latitude for adjustments with regional director approval. The Bureau anticipates full implementation by late 1989.

**Recommendation:** To ensure that all Bureau regions are using an appropriate and uniform cost allocation method, recording and reporting reliable project cost data, and complying with accounting principles for federal agencies, the Secretary of the Interior should direct the Commissioner, Bureau of Reclamation, to require Missouri Basin regional administrators to stop the practice of shifting indirect overhead costs among projects to avoid exceeding project budgetary limits, and thereby bring the Region's accounting practices into conformance with prescribed accounting principles.

**Status:** Action in process. Interior's task force is studying the allocation of indirect overhead costs. The task force is to make appropriate recommendations to the Commissioner of Reclamation.

**Water Resources**

**Water Resources: Corps of Engineers' Drought Management of Savannah River Projects**

RCED-89-169, 06/12/89

**Background**

Pursuant to a congressional request, GAO reviewed the Army Corps of Engineers' management of the Hartwell, Russell, and Thurmond reservoirs in Georgia and South Carolina, focusing on the: (1) Corps' management of the reservoirs during the 1988 drought; (2) drought's effect on the reservoirs' ability to serve users; and (3) Corps' efforts to develop a drought contingency plan for the reservoirs.

**Findings**

GAO found that: (1) the Corps reduced releases from Lake Thurmond beginning in November 1987 and has maintained a constant release rate of 3,600 cubic feet per second since April 1988; (2) the levels of Lakes Thurmond and Hartwell were significantly affected by the drought; (3) the Corps gave water supply and quality maintenance the highest priority during the drought; (4) drought conditions severely curtailed recreational and hydropower uses of the reservoirs; and (5) the Corps was unable to generate sufficient hydropower to satisfy the Southeastern Power Administration's contractual obligations. GAO also found that the Corps: (1) had not completed its drought management plan when the current drought began; (2) did not complete the plan until more than 8

years after a regulation required it and more than 3 years after the Corps' initial target date for plan completion; (3) could have better maintained lake levels had it timely completed the plan; (4) has not completed drought contingency plans for over two-thirds of its water resource projects nationwide; and (5) failed to consider downstream inflows or worst-case scenarios in its drought management plan for the Savannah River Basin.

**Open Recommendations to Agencies**

**Recommendation:** In order for the district to be better prepared to manage drought conditions in the Savannah River Basin, the Assistant Secretary of the Army (Civil Works) should require the Chief Engineer to improve the Savannah District's drought contingency plan by ensuring that the plan: (1) is based on thoroughly documented and current water supply needs; (2) includes downstream inflows in determining releases from the projects; and (3) includes actions to be taken in worst-case situations.

**Status:** Action in process. Estimated completion date: 09/90. The Corps recognized the need to periodically review and update water supply needs to ensure that this information is current.

These needs will be periodically reviewed and revised as appropriate. Downstream inflows will be reanalyzed to ensure that these are properly accounted for, and that water releases will be consistent with the goal of achieving all project purposes to the maximum extent.

**Recommendation:** So that the Corps is prepared nationwide to better manage ongoing and future drought situations, the Assistant Secretary of the Army (Civil Works) should direct the Chief Engineer to ensure that each district has drought contingency plans for all controlled reservoir storage projects, and that the plans are based on a thorough analysis of user needs, adjust release rate calculations to account for downstream inflows, and include worst-case situation plans.

**Status:** Action in process. Estimated completion date: 09/92. The Corps agreed that drought contingency plans are needed at all controlled storage projects as required by its engineering regulations. It agreed to consider downstream inflows and worst-case scenarios in developing the drought plans. Completion of the remaining drought contingency plans nationwide will be accomplished by the end of fiscal year 1992 if sufficient funding is available.

# Procurement - Other Than Defense

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

RCED-89-54, 06/30/89

### Background

Pursuant to a congressional request, GAO reviewed the extent to which the Department of Defense (DOD) used minority-owned media and advertising companies in developing its advertisements and conducting campaigns, focusing on whether DOD prime contractors complied with the national policy to use small disadvantaged firms for subcontracts.

### Findings

GAO found that: (1) DOD contracts totaled about \$160 million of the \$166 million federal advertising budget for fiscal year 1986, and included six contracts that were subject to the subcontracting provisions of the Small Business Act and the Federal Acquisition Regulation (FAR); (2) DOD did not use small disadvantaged advertising firms as prime contractors and only minimally used them as subcontractors; (3) DOD and its contractors often did not comply with the act, since they did not develop subcontracting plans or did not develop

subcontracting plans that included all the mandated elements, did not keep records of the amount subcontracted to small disadvantaged subcontractors, set small-disadvantaged-business spending goals substantially less than the subcontracting dollar amount, or counted some advertising geared to minority audiences as meeting subcontracting goals; and (4) DOD and its prime contractors may not have complied in good faith with the policies or required subcontracting, which could constitute in a material breach of contract.

### Open Recommendations to Agencies

**Recommendation:** In order to comply with the Small Business Act of 1958, as amended, and FAR, the Secretary of Defense should require prime contractors to develop and implement subcontracting plans to make maximum use of small disadvantaged advertising firms.

**Status:** Action not yet initiated.

**Recommendation:** In order to comply with the Small Business Act of 1958, as amended, and FAR, the Secretary of Defense should enforce the requirement that prime contractors keep the appropriate records and meet reporting requirements to comply with section 211.

**Status:** Action not yet initiated.

**Recommendation:** In order to comply with the Small Business Act of 1958, as amended, and FAR, the Secretary of Defense should disallow the purchase of media space and time geared to minority audiences as subcontracting with small disadvantaged advertising firms unless it is actually purchased from a small disadvantaged firm.

**Status:** Action not yet initiated.

**Recommendation:** In order to comply with the Small Business Act of 1958, as amended, and FAR, the Secretary of Defense should ensure that prime contractors set small disadvantaged spending goals on the total dollars planned to be subcontracted.

**Status:** Action not yet initiated.

# Civilian Agency Procurement: Improvements Needed in Contracting and Contract Administration

GGD-89-109, 09/05/89

## Background

Pursuant to a congressional request, GAO examined 87 contracts worth a total of about \$1.4 billion at the Departments of Education, Energy, Health and Human Services, and Housing and Urban Development, focusing on how well the agencies administered large contracts.

## Findings

GAO found that: (1) 16 of the contracts had planning or specifications deficiencies, which delayed delivery, increased costs, or resulted in incomplete deliveries; (2) the agencies' use of cost-plus-fixed-fee contracts for 33 repetitive requirements was questionable, since that type of contract provided minimal performance and cost control incentives; (3) the agencies awarded nine contracts before they were ready to have the contractors commence performance; (4)

eight contracts had defective work statements, specifications, or clauses; (5) contract administration deficiencies in 50 contracts increased contract costs, delayed contract completion, or circumvented internal control procedures in the contracting process; and (6) program offices hindered contractor performance on 27 contracts and exceeded their authority on 12 contracts by directing work beyond the original requirements, while contracting officers extended 10 service contracts and modified 21 contracts after their completion dates, resulting in improper sole-source procurements.

## Open Recommendations to Agencies

**Recommendation:** The Administrator, Office of Federal Procurement Policy (OFPP), should encourage civilian agencies to strengthen their contracting practices. Specifically, OFPP should

work together with the heads of civilian agencies and initiate a concerted effort to improve civilian agency contracting and contract administration. Weaknesses that should be addressed by this effort include: (1) planning contracts; (2) writing specifications and statements of work; (3) using cost-plus-fixed-fee contracts for repetitive requirements; (4) hindering contractor performance by failing to comply with contract terms; (5) exceeding authority when program officers direct contractors to do work not covered by the contract; (6) extending contract completion dates because of poor planning for replacement contracts; (7) modifying contracts that have expired; and (8) monitoring contracts and communication between program and contracting officers.

**Status:** Action not yet initiated.

# Transportation

## Air Transportation

### Airline Competition: Impact of Computerized Reservation Systems

RCED-86-74, 05/09/86

#### Background

Pursuant to a congressional request, GAO examined the effects of airline-owned computerized reservation systems on competition in the airline industry, focusing on: (1) conflicting studies on system profitability conducted by two system-vendor airlines and a consultant; and (2) a Department of Justice report on the structure and performance of the market.

#### Findings

GAO found that: (1) a group of airlines has charged that the airlines that own the two largest systems have used them to create an unfair competitive advantage; (2) before the now-defunct Civil Aeronautics Board (CAB) promulgated system rules in 1984, systems used biased screens which displayed the owning airlines' flights first in the listings of available flights;

and (3) other airlines have charged that vendor airlines also charge unreasonably high rates to competitors for system participation and use information gained from their systems to gain an unfair advantage. GAO also found that: (1) the consultant study reported that the two airlines underreported the profitability of their systems; (2) the consultant overestimated potential incremental revenues for the two vendor airlines, but the airlines erroneously determined that they would earn no incremental revenues for the period after CAB implemented its regulations; and (3) while the study was flawed, its conclusion that the two airlines underestimated potential profitability was accurate. In addition, GAO found that Justice reported that: (1) the market will probably remain highly concentrated, with the two largest airline-owned systems controlling about 70 percent of all domestically booked

travel revenue; (2) the prospects for a new entry into the market are slim unless a competitive group buys out a smaller system and attempts to make it more competitive; and (3) vendor airlines could still use their market power to increase booking fees for airlines using their systems.

#### Open Recommendations to Agencies

**Recommendation:** The Secretary of Transportation should report to the concerned committees of Congress on the results of the studies and any actions planned.

**Status:** Action in process. Estimated completion date: 09/90. A report was issued in May 1988. DOT is now working with Congress and is providing monthly status reports as final decisions are being made on what specific actions will be taken from study results.

## Air Transportation

### Aviation Safety: Needed Improvements in FAA's Airline Inspection Program Are Underway

RCED-87-62, 05/19/87

#### Background

In response to a congressional request, GAO examined the Federal Aviation Administration's (FAA): (1) ability to maintain airline safety standards in a

deregulated environment; and (2) actions to correct weaknesses in its inspection program.

#### Findings

GAO found that FAA: (1) did not develop a system for monitoring deregulation's impact; (2) decreased its inspection force by 250 between 1981 and 1983, although

it did not have staffing standards to provide a framework for determining how many inspectors it needed; (3) failed to collect inspection data and often did not identify major safety problems or ensure their correction through appropriate followup; (4) lacked guidelines concerning the needed frequency and scope of inspections; and (5) gave priority to certifying new airlines while existing airlines were experiencing safety compliance problems due to rapid growth and personnel turnover. GAO also found that FAA has begun to address these problems by: (1) increasing its inspector work force; (2) establishing minimum inspection standards; (3) improving its internal control and management information

systems; and (4) instituting a National Inspection Plan (NIP), using specially assembled teams to inspect targeted airlines.

**Open Recommendations to Agencies**

**Recommendation:** To help expedite the implementation of FAA efforts and better ensure their effectiveness, the Secretary of Transportation should direct the Administrator, FAA, to ensure that the FAA management information system is adequate to: (1) identify who is inspecting which airlines, thereby permitting FAA to better allocate its inspector work force and identify the current training needs of all of its

inspectors; and (2) analyze nationwide inspection results for each airline to provide FAA with a better picture of each airline's compliance with safety regulations.

**Status:** Action in process. Estimated completion date: 09/91. The rehosting of the Work Program Management Subsystem and other Burroughs applications to an IBM-compatible microcomputer environment will be accomplished in fiscal year 1990. Due to insufficient equipment funding, a phased-in equipment approach for the rehost will be necessary. Funding for complete one-on-one replacement of Burroughs equipment remains uncertain.

**Air Transportation**

**FAA Staffing: Challenges in Managing Shortages in the Maintenance Work Force**

RCED-87-137, 09/25/87

**Background**

Pursuant to a congressional request, GAO examined the adequacy of the Federal Aviation Administration's (FAA) maintenance staffing, focusing on the impact of the: (1) current staffing situation on the air traffic system; and (2) projected attrition of maintenance personnel on staffing requirements.

**Findings**

GAO found that: (1) FAA hiring restrictions, staffing priorities, and failure to receive budget approval for additional staffing caused critical technician vacancies; (2) staffing shortages seriously impaired air traffic maintenance services; (3) increased work

loads affected staff morale; (4) the outlook for technician staffing was not good, due to the large number of prospective retirements and the long training period for replacements; and (5) the performance data used for management analysis did not accurately reflect current conditions in the field.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to consider the options discussed above, such as rehiring retirees and redistributing the work force, to deal with situations where field staffing is already critical.

**Status:** Action in process. Estimated completion date: 06/90. Further evaluation indicated that this proposal may contribute to retirement problems. FAA is looking at other options, such as paying bonuses.

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to standardize the preventive maintenance reporting system.

**Status:** Action in process. Estimated completion date: 07/90. Preventive maintenance reporting was standardized through the Maintenance Management System, which is still in phase I of implementation.

**Air Transportation**

**Aviation Weather: Status of FAA's New Hazardous Weather Detection and Dissemination Systems**

RCED-87-208, 09/29/87

**Background**

Pursuant to a congressional request, GAO reviewed the Federal Aviation Administration's (FAA) efforts to: (1) develop better ground-based hazardous weather detection systems; and (2) disseminate weather information to pilots in a more timely manner.

**Findings**

GAO found that: (1) the enhanced low-level wind-shear alert system (LLWAS) could not detect wind shears that occurred above or below its ground-based sensors; (2) the terminal next-generation weather radar has a much greater range and is more accurate than LLWAS in detecting wind shears; (3) FAA will replace LLWAS with the terminal doppler weather radar when it becomes available; (4) FAA plans to award a procurement contract for 100 doppler radars in 1988, although the radar has

not realized some performance objectives; (5) some of the doppler radar's performance objectives could require competing siting and scanning strategies; (6) FAA was uncertain on how best to use its improved weather detection data; and (7) an effective communication system to inform pilots of weather conditions was at least a decade away.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to inform the Department of Transportation (DOT) and Congress of any performance objectives that the terminal doppler weather radar cannot meet and their impact on safety and cost before committing funds for a procurement contract.

**Status:** Action in process. Estimated completion date: 01/90. Before committing funds to procure terminal doppler weather radar, FAA plans to inform DOT and Congress if any performance objectives cannot be met. FAA continues to comply with this requirement.

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to develop guidance on how air traffic controllers are to monitor the airport surveillance radar weather display and what hazardous weather information they are to disseminate to pilots.

**Status:** Action in process. Estimated completion date: 01/90. FAA has not implemented operational procedures for the ASR-9 weather channel. This is the subject of the recommendation in a report released in October 1989, RCED-90-17.

**Air Transportation**

**Aviation Safety: Commuter Airports Should Participate in the Airport Certification Program**

RCED-88-41, 11/18/87

**Background**

In response to a congressional request, GAO evaluated the Federal Aviation Administration's (FAA) requirements for participation in its Airport Certification

Program, particularly: (1) its requirements for commuter airlines with 30 or fewer passenger seats; (2) the program's safety benefits and cost-effectiveness; and (3) alternative

requirements and their impact on commuter airports.

**Findings**

GAO found that: (1) airports that serve only commuter airlines with less than 31 passengers cannot acquire certification; (2) many currently certified airports could lose their certification because they no longer meet FAA participation requirements; (3) the program has increased airport safety by reducing the risk of accidents and enhancing airports' ability to deal with accidents; (4) airport certification costs ranged from \$25,000 to \$313,000 for capital costs, \$8,200 to \$77,000 for annual operating costs, and \$820 to \$2,100 for FAA inspection and recertification; (5) a grant program under the Airport and Airway Improvement Act of 1982 could cover most of airports' capital costs; and (6) implementation of alternative

participation requirements would increase the number of certified commuter airports.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to change the participation requirements for the Airport Certification Program to require certification for all airports that receive regularly scheduled service. If the Secretary deems it necessary to resolve uncertainty over his authority to certify commuter airports, he should seek specific authority from Congress.

**Status:** Action in process. Estimated completion date: 07/90. The Department

of Transportation (DOT) has determined that it does not have the authority to implement these recommendations. It will pursue this through the legislative agenda.

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to develop a new category of certification for low-activity airports that would require full implementation of the risk reduction features of the airport certification program and allow the use of alternatives for crash, fire, and rescue equipment.

**Status:** Action in process. Estimated completion date: 07/90. DOT agreed with this recommendation, but needs changes in legislation which it is pursuing.

**Air Transportation**

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

RCED-88-77, 02/08/88

**Background**

Pursuant to a congressional request, GAO reviewed the Federal Aviation Administration's (FAA) program to consolidate and automate its flight service stations, focusing on: (1) whether the new automated system is performing all FAA-required services and the quality of those services; (2) the effect of technical problems experienced at the automated stations; and (3) the effect of staff constraints on automated operations.

**Findings**

GAO found that the automated stations: (1) are performing all FAA-required

services, although the manner in which they provide services has changed; (2) do not provide weather observations; and (3) are experiencing technical problems involving computer systems, telephone lines, data lines, and telephone and radio communications. GAO also found that: (1) FAA contracted for weather observation services in areas that permanently closed stations formerly served; and (2) FAA is testing an automated weather observing system to replace the observers. In addition, GAO found that staffing and consolidation constraints: (1) have delayed achievement of anticipated productivity gains; (2) have increased the number of stations with reduced hours that FAA

has not been able to close; and (3) will probably continue until consolidation is complete.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to not further reduce the flight service specialist work force until after the flight service stations are closed and performance standards and staffing levels can be developed for the automated stations.

**Status:** Action in process. Estimated completion date: 12/94. Staffing standards for automated stations should

be completed by April 1990. The FAA policy is that existing stations will not be consolidated until automated stations are equipped with Model 1 or Model 1 Full Capacity. As a result of legislation, consolidation schedules for 40 stations have been modified to postdate delivery of Model 1 Full Capacity systems to the automated stations.

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to ensure that the automated weather observing systems, acquired to replace contracted weather observers for areas formerly served by stations that have been closed, meet all FAA weather forecasting operational requirements.

**Status:** Action in process. Estimated completion date: 12/94. FAA Advisory Circular 150/5220-16, Automated Weather Observing Systems for Non-Federal Applications, contains all the requirements for weather forecasting. FAA is ensuring that actions meet weather forecasting operational requirements.

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## Air Transportation

# Airport Noise: FAA's Enforcement of Noise Rules at National Airport

RCED-88-117, 04/15/88

## Background

In response to a congressional request, GAO reviewed the Federal Aviation Administration's (FAA) monitoring and enforcement of aircraft noise rules at Washington National Airport.

## Findings

GAO found that: (1) between January 1982 and June 1987, FAA monitored all flights between 10 P.M. and 7 A.M. for compliance with the nighttime rule and imposed penalties for violations; (2) FAA exempted noncompliant operations which it determined were beyond operator control; (3) during the past 6 years, flights during peak traffic hours have exceeded high-density rule limits by up to 13 percent; (4) since its

monitoring equipment broke down in 1985, FAA has relied on voluntary operator compliance with the airport's noise abatement procedures; and (5) it was unable to determine the number of violations or the rate at which FAA imposed penalties, since FAA did not maintain adequate records. GAO noted that the Metropolitan Washington Airports Authority budgeted funds to purchase monitoring equipment as part of its responsibility for noise abatement.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to: (1) monitor all— or a systematic, generalizable sample

of—operations at high-density airports, including National Airport, for compliance with the high-density rule; and (2) maintain a system of records of the violations identified and its disposition of them in a form that will enable FAA to evaluate its overall monitoring and enforcement effort. **Status:** Action taken not fully responsive. FAA does not intend to follow the first part of this recommendation. FAA is: (1) monitoring air carrier and commuter flights to prevent scheduling of flights in excess of the number of slots held or flown outside hours of slots without detection by FAA, and (2) maintaining records of enforcement actions and also inquiries into situations which may lead to enforcement.

## Air Transportation

# Microwave Landing Systems: Additional Systems Should Not Be Procured Unless Benefits Proven

RCED-88-118, 05/16/88

### Background

Pursuant to a congressional request, GAO reviewed the Federal Aviation Administration's (FAA) National Airspace System Plan, focusing on: (1) the justification and requirements for replacing its improved instrument landing systems (ILS) with microwave landing systems (MLS); (2) potential MLS operational and economic benefits; (3) the MLS siting strategy; and (4) industry and user association views of ILS and MLS.

### Findings

GAO found that FAA: (1) first justified its need for MLS in 1969, citing concerns about ILS reliability and limitations and projected large increases in air traffic volume; (2) planned to replace ILS with MLS, although it did not reassess its needs by taking into consideration substantial ILS improvements and lower-than-projected traffic volumes; (3) experienced significant delays and increased program costs for MLS production and testing; (4) has not adequately assessed potential MLS benefits or identified its limitations; (5) requested \$20 million to initiate a second MLS procurement and to develop the avionics to demonstrate MLS benefits; (6) is developing plans to test MLS at two airports; and (7) developed its list of MLS implementation sites without considering test results, cost benefits, and user support. GAO also found that: (1) both national and international air carriers were generally satisfied with ILS capabilities; (2) regional and

commuter airlines generally supported MLS; and (3) commercial and general aviation pilots' views toward MLS differed.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Transportation should require the Administrator, FAA, to reassess the requirements to replace ILS with MLS, recognizing improvements to ILS and current and expected air traffic growth. The reassessment should consider: (1) improved ILS reliability; (2) increases in the number of available ILS channels; (3) reduced ILS siting problems; and (4) the ability of aircraft to land using ILS in lower ceiling and visibility minimums than previously possible.

**Status:** Action in process. Estimated completion date: 12/91. FAA concurs with this recommendation, although the Department of Transportation (DOT) had not yet released the official response. A detailed plan for the second MLS procurement was approved by the Deputy Secretary in December 6, 1988, which provides for integration of the demonstration project into the overall MLS implementation strategy. Final production is targeted for the end of 1991.

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to demonstrate MLS benefits by testing the system in the challenging airport environments in which it is to be used. This should be

done before proceeding with further MLS procurements. The operational tests should involve: (1) wide-bodied aircraft; (2) landing at major hub airports having difficult and complex operating requirements; (3) both good and poor weather conditions; (4) both curved and segmented approaches; and (5) operating under the control of FAA traffic controllers and interfacing with the air traffic control environment. **Status:** Action in process. Estimated completion date: 12/91. A detailed plan for the second MLS procurement was approved by the Deputy Secretary on December 6, 1988, which provides for integration of the demonstration project into the overall MLS implementation strategy. The demonstration project consists of nine projects which are all underway and a decision point for final production is targeted for the end of calendar year 1991.

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, not to proceed with the planned second MLS procurement unless the assessment of ILS improvements and air traffic growth, as well as the operational testing of MLS, has been completed. In the interim, FAA must accept delivery of 178 MLS and should use them: (1) in operational tests; (2) on some international runways, if internationally scheduled airlines are willing to acquire the necessary on-board avionics; (3) at locations that qualify for a precision landing system, but where FAA can clearly show that ILS can not be sited because of terrain or obstacles

in the approach or missed approach path; and (4) at heliports.  
**Status:** Action in process. Estimated completion date: 12/91. The contract has been terminated for cause. Two replacement contracts for a limited number of commercial systems to satisfy the requirements for the demonstration program are underway. They will be deployed in the manner recommended by GAO.

**Recommendation:** The Secretary of Transportation should require the Administrator, FAA, to take the action necessary to maintain ILS as the primary landing system nationally and internationally until the assessment, analysis, and demonstrations have been completed.  
**Status:** Action in process. Estimated completion date: 12/91. The contract has been terminated for cause. Two

replacement contracts for a limited number of commercial systems to satisfy the requirements for the demonstration program are underway. They will be deployed in the manner recommended by GAO.

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## Air Transportation

# FAA Staffing: Improvements Needed in Estimating Air Traffic Controller Requirements

RCED-88-106, 06/21/88

## Background

Pursuant to a congressional request, GAO examined the Federal Aviation Administration's (FAA) standards for estimating its air traffic controller staffing requirements, focusing on: (1) whether the standards reasonably projected staffing requirements; (2) how FAA used the standards; and (3) how FAA can improve the standards and their use.

## Findings

GAO found that FAA understated its staffing requirements, since: (1) its controller staffing standards did not adequately reflect work-load complexity, peak traffic conditions, actual operating conditions at terminals and centers, attrition, and training needs; and (2) it used orders rather than computer models to determine its other personnel needs. GAO also found that: (1) Congress offset the possible impact of underestimated staffing needs by authorizing more staffing than FAA requested; (2) FAA adopted the current

standards in 1981, but has not yet officially published or effectively communicated them to regional and facility managers; (3) FAA regional and facility managers used their own unvalidated processes and formulas for estimating staffing needs and did not use the current standards as management tools or for productivity measures; and (4) FAA has not revalidated or updated the current standards and has not established a process for doing so.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to revise the terminal and center staffing standards to better reflect actual field operations.  
**Status:** Action in process. Estimated completion date: 09/90. FAA has revised application of the terminal staffing standard to reflect work load, making it consistent with the center staffing standard. FAA is developing standards for terminal facilities. Terminal rate

approach control standards have been developed. Tower cab standards are currently being developed, center standards have been updated, and revised standards are being developed.

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to base its overhead staffing requirements on operational needs and facility work load.  
**Status:** Action in process. Estimated completion date: 09/90. FAA is currently reviewing staffing requirements for supervisors and traffic management coordinators.

**Recommendation:** To improve the process it uses to determine air traffic controller staffing requirements, the Secretary of Transportation should direct the Administrator, FAA, to update the 1980 order on air traffic staffing standards to reflect the standards and process actually used by FAA.

**Status:** Action in process. Estimated completion date: 12/89. FAA plans to

issue a revised directive by the end of 1989.

**Recommendation:** To improve the process it uses to determine air traffic controller staffing requirements, the Secretary of Transportation should

direct the Administrator, FAA, to train facility managers on the staffing standards and process and in ways to use the standards to maximize resource utilization.

**Status:** Action in process. Estimated completion date: 06/90. FAA has

submitted a proposal to its Center for Management Development to have staffing standards included as part of all management training. FAA has developed a videotape for presentation to facility managers on the staffing standard development process.

## Air Transportation

# Aircraft Noise: Implementation of FAA's Expanded East Coast Plan

RCED-88-143, 08/05/88

## Background

Pursuant to a congressional request, GAO reviewed the Federal Aviation Administration's (FAA) implementation of its Expanded East Coast Plan, focusing on: (1) agencies' responsibilities for assessing the environmental impact of revising air routes and flight procedures; (2) the plan's effects on noise and air routes; (3) how FAA measured aircraft noise; (4) reasons why FAA did not perform an environmental assessment of the plan; and (5) actions FAA took in response to citizens' complaints regarding increased aircraft noise.

## Findings

GAO found that FAA: (1) designed the plan to reduce air traffic delays by revising air traffic control routes and flight procedures; (2) had sole responsibility for assessing the plan's environmental impact and used a measure of day-night noise level (Ldn) to determine cumulative exposure to aircraft noise; (3) did not assess the plan's environmental impact, based on

its long-standing policy to exempt routes and flight procedures carried out at over 3,000 feet from such assessment; and (4) concluded that the plan significantly reduced flight delays, but failed to link any delay reductions to specific plan components. GAO also found that: (1) the plan resulted in three new departure routes, two new arrival routes, and six realigned routes over New Jersey; (2) New Jersey residents lodged numerous complaints about increased aircraft noise after the plan's implementation; (3) a 1-day FAA study in one affected area showed aircraft noise to be within FAA guidelines; and (4) in response to citizen complaints, FAA directed air traffic controllers to, when possible, direct flights along more varied paths to spread traffic over a wider area.

## Open Recommendations to Agencies

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to improve the information base available on which to assess the merits of the Expanded East

Coast Plan and other such major airspace changes by: (1) preparing an environmental assessment of the effects of the plan and, if significant impacts from the plan are found, preparing an environmental impact statement; (2) making a qualitative determination of which portions of the reduced delays are due to the plan and which are due to other factors; and (3) preparing an environmental assessment of any major proposal for making widespread air route or flight procedure changes on the West Coast or in other areas of the country where delays and congestion warrant such changes.

**Status:** Action taken not fully responsive. FAA does not concur with this recommendation; however, it intends to work with state and local authorities concerning the East Coast Plan and reviewing local study results in the impact of the Expanded East Coast Plan. This falls short of performing an environmental assessment.

**Air Transportation**

**Airspace Use: FAA Needs to Improve Its Management of Special Use Airspace**

RCED-88-147, 08/05/88

**Background**

In response to a congressional request, GAO evaluated the Federal Aviation Administration's (FAA) management of special-use airspace set aside for military training, focusing on its: (1) approval process for special-use proposals; and (2) monitoring of existing special-use airspace.

**Findings**

GAO found that FAA: (1) lacked adequate data to effectively manage special-use airspace areas and did not require military services to provide such data; (2) did not establish guidance for its regions to reduce or eliminate inappropriate use of special airspace areas; and (3) planned to discuss its role in evaluating military environmental assessments in special-use proposals with the Council on Environmental Quality. GAO noted that, in 1987, two Navy staff studies on special-use airspace utilization showed that the Navy: (1) lacked a standard, centralized system for documenting and reporting its airspace

usage; and (2) inefficiently and inappropriately used special airspace areas.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to require standardized user reporting of actual usage data for restricted areas and expand the reporting requirement to other areas, such as military operations areas.

**Status:** Action in process. Estimated completion date: 12/89. FAA has established a Military Operations Division with an integral element being a joint FAA-Department of Defense National Airspace Management Facility, which will collect standardized data and analyze airspace utilization. Activity began in October 1988 and will evolve into a national system by late 1989.

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to review

periodically the usage reports and ensure that the airspace is being used for the designated purpose.

**Status:** Action in process. Estimated completion date: 12/89. FAA will take action to publish in FAA Order 7400.2C more specific guidance and procedures to ensure utilization reports are periodically reviewed and the airspace is being analyzed for proper usage.

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to establish standards for measuring the effectiveness of special-use airspace utilization to develop a starting point for all regional discussion of modification or disestablishment of special-use airspace.

**Status:** Action in process. Estimated completion date: 10/90. Guidance is being developed which will establish threshold usage levels triggering a detailed review of continued need considering frequency of use and types of activities performed for the purpose of determining airspace modification or revocation.

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

RCED-88-189, 09/02/88

**Background**

Pursuant to a congressional request, GAO examined the Federal Aviation Administration's (FAA) progress in meeting congressionally mandated staffing goals for air traffic controllers, aviation safety inspectors, and maintenance technicians, focusing on its: (1) employment qualifications; and (2) recruitment, hiring, and initial training programs.

**Findings**

GAO found that FAA: (1) was behind planned hiring levels for inspectors and maintenance personnel, but expected to meet fiscal year (FY) staffing goals; and (2) expects to fall 518 controllers short of its FY 1988 staffing goal. GAO also found that controller shortages resulted from: (1) the lack of a national,

centralized recruitment policy and resultant failure to attract high-quality candidates; (2) the time-consuming hiring process, averaging 11.5 months before candidates enter the FAA Academy for training; (3) the large number of candidates who did not complete training; and (4) field placement of trainees without consideration of individual candidates' test scores, performance levels, and organizational and personal needs. In addition, GAO found that FAA is studying ways to redesign, reorganize, and modernize its training programs for controllers, inspectors, and technicians.

**Open Recommendations to Agencies**

**Recommendation:** To the extent practicable, the Administrator, FAA,

should, consistent with the agency's own placement policy, place Academy graduates at field facilities according to their performance during the screening program.

**Status:** Action in process. Estimated completion date: 11/90. FAA has developed a screening and placement program for developmental controllers who complete initial training. FAA stated that to the extent possible, it will do so. FAA also stated that under new screening procedures being planned, FAA will have enough information about the applicant's potential and preferences before hiring that placements could be determined at this time.

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**Air Transportation**
**Aviation Safety: Enhanced Requirements Can Improve Commuter Pilot Training**

RCED-88-218, 09/28/88

**Background**

Pursuant to a congressional request, GAO reviewed the Federal Aviation Administration's (FAA) commuter airline pilot training regulations, specifically: (1) changes in the commuter airline industry; (2) commuter and major

airline pilot training regulatory requirements; and (3) commuter airline accident reports and statistics.

**Findings**

GAO found that: (1) commuter airlines are flying more passengers, on more

routes, in larger, more complex planes, but have been losing experienced pilots to major airlines; (2) copilots are often upgraded to captain more rapidly than in the past, allowing less time for them to accumulate experience; (3) commuter and major airline pilot training regulations are similar, except that the

commuter regulations do not specify required minimum training hours or flight training requirements; (4) accident investigation statistics showed that pilots were a factor in 57 percent of commuter airline accidents between 1980 and 1984 and 95 percent in 1985; and (5) recent accident investigations cited problems with cockpit resource management, including crew coordination, standard operating procedures, and pilot decisionmaking,

rather than the pilots' flying ability or equipment problems.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to include as part of the forthcoming rulemaking for commuter pilot training: (1) guidance describing minimum training program requirements using standards such as

pilot performance criteria or required training hours; (2) guidance describing required flight training maneuvers and procedures; and (3) requirements for cockpit resource management training, including crew coordination, standard operating procedures, and pilot decisionmaking, and guidance describing acceptable training programs.

**Status:** Action in process. Estimated completion date: 09/90. This issue has been made part of the fiscal year 1989 rulemaking, which is in progress.

## Air Transportation

# Air Traffic Control: Continued Improvements Needed in FAA's Management of the NAS Plan

RCED-89-7, 11/10/88

### Background

In response to a congressional request, GAO evaluated the Federal Aviation Administration's (FAA) National Airspace System (NAS) Plan to determine: (1) the additional resources that modernization would require before realizing its benefits; (2) the causes and effects of development delays that the most costly and complex NAS Plan projects have experienced; and (3) FAA weaknesses in managing the plan.

### Findings

GAO found that: (1) although FAA awarded contracts to develop or produce 80 of the 92 projects, including 8 of the major systems needed to upgrade the air traffic control (ATC) system, the projects were an average of 3 years behind schedule; (2) because new projects and changes to existing projects expanded the extent of modernization, FAA would need at least \$25 billion in appropriations by the year 2000; (3) FAA

lacked experience in developing and integrating large-scale systems and put several of its major systems into full production without adequate testing and evaluation; (4) FAA underestimated the size and complexity of the development effort, which led to additional performance requirements and software design difficulties; (5) FAA overstated some projects' benefits, which made trade-offs difficult among projects whose benefits had high passenger-time-savings components; (6) FAA runs the risk that the planned testing of its major systems will not be objective due to program managers' competing goals of achieving a timely, working system within budget; (7) FAA implemented a long-range planning policy to ensure that it would effectively integrate the separate plans for the interrelated NAS components; and (8) the NAS Plan needed revisions to include all the projects for modernization, correctly estimate many project benefits, and better coordinate the NAS Plan with other FAA plans for

building airports, making airspace changes, and managing human resources.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to revise the ATC modernization plan by: (1) identifying all needed projects and their associated benefits, costs, and schedules so that relative priorities can be set on the basis of benefit-cost ratios, mission need, or safety considerations; and (2) reflecting in project schedules and quantity requirements the results of other agencywide plans for airspace changes, airport development, and human resource management.

**Status:** Action in process. Estimated completion date: 09/90. FAA has publicly indicated that the 1990 NAS Plan will be modified to reflect all capital investment needs.

## Air Transportation

# Air Traffic Control: FAA Should Define the Optimal Advanced Automation System Alternative

IMTEC-89-5, 11/30/88

## Background

Pursuant to a congressional request, GAO reviewed the Federal Aviation Administration's (FAA) plans to acquire the Advanced Automation System (AAS), focusing on FAA compliance with congressional direction to: (1) obtain more technical information and modify test plans before awarding the AAS acquisition contract; and (2) conduct a cost-benefit study.

## Findings

GAO found that FAA complied with congressional direction to obtain more technical information regarding AAS by: (1) directing design contractors to perform risk-reduction activities and demonstrate how their chosen hardware and software technologies would meet performance requirements; (2) requiring the completion of additional tests before authorizing full controller work station production; and (3) reviewing the need to simulate advanced en route automation functions and deciding not to simulate them before awarding the contract. GAO also found that the FAA cost-benefit study: (1) stated that modernizing the air traffic control computer system was a good investment; (2) concluded that the most cost-beneficial approach was to close about 180 terminal control facilities and consolidate their functions at 23 large centers; (3) did not fully analyze or properly compare a full range of alternatives, including

nonconsolidation approaches, to its preferred system; (4) used an unsound methodology to estimate AAS benefits; (5) addressed potential safety improvements qualitatively; (6) estimated that AAS contract costs could total about \$3.3 billion, \$1.7 billion less than an independent cost analysis estimated; and (7) did not successfully control AAS design costs and opposed suggestions to adopt a design-to-cost goal to help control costs.

## Open Recommendations to Agencies

**Recommendation:** To ensure that FAA completes a credible cost-benefit analysis and retains the flexibility to acquire the optimal alternative, the Secretary of Transportation should direct the Administrator, FAA, to conduct an analysis to determine the optimal terminal control alternative: (1) using the data supporting the recently completed cost-benefit study; and (2) comparing a full range of alternative system configurations, capabilities, and locations.

**Status:** Action in process. FAA has formed a task force to develop criteria for terminal control consolidation and examine operational performance and benefit-cost issues.

**Recommendation:** To ensure that FAA completes a credible cost-benefit analysis and retains the flexibility to acquire the

optimal alternative, the Secretary of Transportation should direct the Administrator, FAA, to exclude from new contracts or extensions of existing contracts materials and services required to prepare to consolidate terminal control facilities into AAS area control facilities until FAA determines the optimal alternative. This recommendation should not preclude FAA from modernizing facilities to perform en route functions.

**Status:** Action in process. The Department of Transportation (DOT) agreed with this recommendation and stated that the AAS contract has flexibility to deliver systems to consolidated or nonconsolidated sites. However, DOT did not state whether it would prevent FAA from extending or awarding other contracts to prepare facilities for consolidation until FAA determines whether to consolidate.

**Recommendation:** To ensure effective cost control on the multi-billion dollar AAS acquisition, the Secretary of Transportation should review FAA cost control processes to determine whether improvements, including establishing design-to-cost goals, should be implemented.

**Status:** Action in process. DOT agreed to work with FAA to review potential cost control strategies, including design-to-cost goals.

## Air Transportation

# FAA Training: Continued Improvements Needed in FAA's Controller Field Training Program

RCED-89-83, 03/29/89

## Background

In response to a congressional request, GAO examined the Federal Aviation Administration's (FAA) training of developmental and full-performance-level air traffic controllers, focusing on: (1) FAA changes to improve its training; and (2) whether FAA evaluated contractor-provided training, as required.

## Findings

GAO found that FAA: (1) needs to standardize its on-the-job training (OJT) for developmental controllers to achieve its objectives; (2) use of multiple OJT instructors was ineffective because developmental controllers did not receive consistent training or the benefit of a primary instructor; (3) certification procedures for controllers varied, and did not specify the required certification process; (4) inconsistently provided refresher training to full-performance-level controllers; (5) has not developed or tested its 10 proposed core training courses scheduled for implementation by 1990; (6) provided informal training, rather than thorough classroom instruction; (7) first-line supervisors believed that training was limited in such areas as backup systems, simulation, and specialized training; (8) data on developmental controller training was inadequate to assess training quality; (9) issued a new

contract, at a cost of about \$120 million, for classroom and laboratory training for developmental controllers; and (10) plans to expand its use of contractor-provided training, but does not intend to evaluate contractor performance.

## Open Recommendations to Agencies

**Recommendation:** To improve controller training programs, the Secretary of Transportation should direct the Administrator, FAA, to revise its training orders to: (1) limit, to the extent practicable, the number of instructors per developmental controller; (2) establish a uniform process for conducting controller certification evaluations; and (3) specify minimum time requirements for refresher training hours.

**Status:** Action in process. Estimated completion date: 09/90. FAA is currently preparing changes to a series of training orders in line with GAO recommendations.

**Recommendation:** To improve controller training programs, the Secretary of Transportation should direct the Administrator, FAA, to ensure that facilities are providing required refresher training, such as training on backup systems.

**Status:** Action in process. Estimated completion date: 06/90. FAA revision of

training requirements will include this requirement.

**Recommendation:** To improve controller training programs, the Secretary of Transportation should direct the Administrator, FAA, to enhance refresher training methods for full-performance-level controllers, including increased use of videotapes and enhanced computer-based instruction.

**Status:** Action in process. Estimated completion date: 06/90. FAA revision of training requirements will include this requirement.

**Recommendation:** To improve its oversight of field training, the Secretary of Transportation should direct the Administrator, FAA, to: (1) establish milestones to ensure the timely development and implementation of the training tracking system; and (2) evaluate contractor performance, in view of the additional funds committed for contractor-provided training.

**Status:** Action in process. Estimated completion date: 06/90. FAA has developed milestones for deployment and operational testing of an automated training management system. FAA is developing an FAA order that will delineate the responsibilities of management for contractor oversight at each management level.

**Air Transportation**

**Aircraft Noise: Status and Management of FAA's West Coast Plan**

RCED-89-84, 05/08/89

**Background**

Pursuant to a congressional request, GAO reviewed the status of the Federal Aviation Administration's (FAA) West Coast Plan and related environmental and management issues.

**Findings**

GAO found that: (1) FAA has completed 3 of the 10 West Coast Plan projects and plans to implement the other 7 by late 1994; (2) FAA estimates total plan costs at about \$143 million; (3) a 1988 FAA environmental assessment of a proposed change to an airport departure procedure did not comply with regulations requiring FAA to discuss alternatives and involve the public in the assessment; (4) FAA stated that it would make its field personnel better aware of environmental considerations and would involve the public in future

assessments; (5) several proposed West Coast Plan routes involve expanding existing civil air corridors into military airspace, and FAA and the Department of Defense (DOD) have reached agreement on some proposals, but have suspended work on others; (6) to facilitate progress in discussions with DOD, FAA ceased managing West Coast Plan projects as a coordinated group and began managing each project independently; and (7) the project management decentralization caused potential procurement redundancy, ineffective communication, and insufficient emphasis on project accomplishment to ensure timely completion.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Transportation should direct the

Administrator, FAA, to develop a means to facilitate and evaluate regional office adherence to FAA Order 1050.1D, particularly in preparing environmental assessments.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to consider ways of ensuring coordination and integration of related airspace projects that are focused on a specific geographic part of the country or are carried out substantially by a single FAA regional office. In the case of the West Coast Plan, this might necessitate reestablishing the position of a West Coast Plan manager in the Western-Pacific region.

**Status:** Action not yet initiated.

**Air Transportation**

**Air Traffic Control: Voice Communications System Continues to Encounter Difficulties**

IMTEC-89-39, 06/01/89

**Background**

Pursuant to a congressional request, GAO evaluated the Federal Aviation Administration's (FAA) efforts to implement its Voice Switching and Control System (VSCS), a computer-

controlled voice system designed to significantly improve air traffic controllers' communications capabilities.

**Findings**

GAO found that: (1) FAA continues to encounter significant cost, schedule, and technical difficulties in implementing VSCS, with cost estimates tripling from

\$258 million in 1982 to over \$786 million, and up to 6-year schedule slippages; (2) the two prototype contractors continue to experience difficulties in designing hardware and software capable of meeting VSCS performance requirements; (3) delays in implementing VSCS will adversely affect implementation of the Advanced Automation System, intended to replace work stations and some computer hardware and software to increase controller efficiency and effectiveness; and (4) FAA reduction in VSCS prototype testing requirements, intended to facilitate an earlier award of a production contract, could result in

higher costs and longer delays if it is later determined that the equipment does not meet performance requirements.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, not to award the VSCS production contract until, at a minimum, the agency has: (1) the results of complete factory acceptance testing to ensure that prototypes meet system requirements; (2) an independent verification of the results of the

contractors' testing, including an assessment of the system's performance under maximum work loads; and (3) an assessment of the operational suitability of the system.

**Status:** Action not yet initiated.

**Recommendation:** To reduce the government's potential liability, the Secretary of Transportation should direct the Administrator, FAA, to explore possible changes in the Advanced Automation System contract in order to lessen the possible adverse impact of VSCS delays.

**Status:** Action not yet initiated.

**Air Transportation**

**Air Traffic Control: FAA's Implementation of Modernization Projects in the Field**

RCED-89-92, 06/28/89

**Background**

Pursuant to a congressional request, GAO evaluated the Federal Aviation Administration's (FAA) progress in implementing the National Airspace System (NAS) Plan, focusing on: (1) the adequacy of FAA headquarters planning for regional installation and integration of NAS equipment; and (2) whether FAA regions had sufficient information to perform those tasks within established schedules.

**Findings**

GAO found that: (1) some headquarters implementation plans did not adequately identify regional tasks or project requirements; (2) FAA headquarters changed project requirements after

regions began implementation; and (3) all of the projects it reviewed experienced some delivery delays, but in at least four cases, the delays allowed the regions sufficient time to prepare for implementation. GAO also found that: (1) the regions used separate information systems to manage various implementation tasks, and the systems frequently yielded data different from data that the headquarters systems produced; (2) regional information systems included inaccurate data on delivery dates and could not accurately estimate staffing needs; (3) regional and headquarters project milestones were not comparable; and (4) FAA had no clear timetable for implementing the Regional Project Management Information System (RPMS), which it will require in order to estimate staffing

for future regional NAS implementation projects.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to ensure that project implementation plans conform to established FAA planning standards before they are issued.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to ensure that RPMS is available in time to develop the fiscal year 1991 budget request.

**Status:** Action not yet initiated.

**Air Transportation**

**Airline Competition: DOT's Implementation of Airline Regulatory Authority**

RCED-89-93, 06/28/89

**Background**

Pursuant to a congressional request, GAO examined the effectiveness of the Department of Transportation's (DOT) airline oversight activities, focusing how DOT: (1) developed and implemented its policy for approving airline mergers; and (2) protected airline passengers from unfair and deceptive trade practices.

**Findings**

GAO found that: (1) major changes occurred in the airline industry between 1979, when the Civil Aeronautics Board (CAB) formed its assumptions about airline contestability, and 1985, when DOT used CAB assumptions to approve mergers; (2) airlines developed such new strategies as frequent-flyer programs and computerized reservations systems to compete for business and limit new competition; (3) DOT studied the roles of potential competitors, rather than the combined effects of the new strategies on competition; (4) DOT considered such physical barriers as airports' capacity to handle take-offs and landings as the only meaningful measure of whether a merger would significantly limit

competition; (5) although the DOT merger authority under the CAB Sunset Act should have expired in 1988, an act anomaly allowed DOT to continue its authority to bring administrative proceedings against airline mergers that violated antitrust laws; and (6) although the Federal Trade Commission and the Department of Justice continued to receive premerger notification, DOT and Justice would be the only two agencies that could stop mergers. GAO also found that: (1) DOT improved some aspects of its consumer protection functions; (2) DOT resolved almost 41,000 consumer complaints in 1987 and conducted 378 investigations in 1988 that resulted in \$174,500 in fines for violations; (3) although DOT stated that a major priority of the investigative effort was to look for violation patterns, it failed to follow up on several companies' deceptive trade practices; and (4) DOT policies on deceptive advertising caused confusion and prompted state actions to establish other advertising guidelines.

**Open Recommendations to Congress**

**Recommendation:** To treat airline mergers like mergers in most other industries, Congress may wish to consider amending 15 U.S.C. 21 and 45 and 49 U.S.C. 1381 to ensure that only the Department of Justice and the Federal Trade Commission, rather than the Department of Transportation, have jurisdiction over airline mergers.  
**Status:** Action not yet initiated.

**Open Recommendations to Agencies**

**Recommendation:** To make better use of its limited resources, the Secretary of Transportation should ensure that DOT coordinates its consumer affairs functions with state offices. Such coordination could include a strategy for sharing information and coordinating rulemaking and enforcement activities with the states.  
**Status:** Action not yet initiated. DOT has stated that it intends to hold a conference with state consumer protection officials to improve coordination.

## Air Transportation

# Air Traffic Control: Computer Capacity Shortfalls May Impair Flight Safety

IMTEC-89-63, 07/06/89

### Background

Pursuant to a congressional request, GAO evaluated the Federal Aviation Administration's (FAA) computer systems capability to minimize the possibility of near mid-air collisions, focusing on: (1) how FAA managed computer capacity in existing terminal systems; and (2) if FAA assessed capacity limitation in terminal systems that could preclude effective implementation of planned safety enhancements intended to reduce near mid-air collisions.

### Findings

GAO found that: (1) there were widespread computer shortfalls at terminal area facilities that FAA did not recognize until controllers began experiencing lost, flickering, or delayed data on their displays; (2) the shortfalls occurred because FAA lacked a computer capacity and performance management program to monitor Terminal Radar Approach Control (TRACON) system performance and to determine future requirements; (3) FAA concluded that it did not need the program because it believed that the existing systems would meet requirements until an advanced system would replace it in the next decade; (4) FAA could not predict computer shortfalls, since it did not measure computer utilization or test software enhancements under the heaviest work loads; (5) FAA improved software and postponed some less critical functions in an attempt to alleviate capacity

shortfalls at some terminals; (6) FAA did not adequately assess the resources necessary to accommodate future traffic growth, the Mode C Intruder function, and additional Mode C-equipped aircraft; and (7) the current sole-source contract to increase computer capacity was not an ideal solution, since it included purchasing equipment that was no longer manufactured and might not meet FAA needs.

### Open Recommendations to Agencies

**Recommendation:** To address existing shortfalls that currently threaten the ability of controllers to maintain separation of aircraft, the Secretary of Transportation should direct the Administrator, FAA, to take necessary actions to ensure that critical air traffic control functions are not interrupted by capacity shortfalls. Initially, this involves gathering and reporting important capacity-related data, identifying quickly those TRACON that have the most urgent problems, and in concert with TRACON officials, identifying potential solutions to the problems. Identification of potential solutions should include considering those temporary measures that have been successfully used at selected TRACON, as well as other approaches to reduce work loads.  
**Status:** Action not yet initiated.

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to implement a

computer capacity and performance management program for TRACON computer systems, including analyzing trends in data processing work loads to determine when existing system capacities will be saturated.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to implement a computer capacity and performance management program for TRACON computer systems, including conducting a comprehensive analyses of the utilization, processing capacity, and input/output rates of present and projected work loads. Analyses of future work loads should include the full impact of the expanded Mode C rule.  
**Status:** Action not yet initiated.

**Recommendation:** The Administrator, FAA, should ensure that the FAA Technical Center test facility uses configurations that more accurately replicate the processors, displays, and traffic at the busiest operational sites to ensure that approved software functions will work.  
**Status:** Action not yet initiated.

**Recommendation:** After implementing the program and identifying the workload requirements for TRACON, the Secretary of Transportation should direct the Administrator, FAA, to ensure that all future procurements of hardware and software are determined by these requirements.  
**Status:** Action not yet initiated.

**Recommendation:** Because a new advanced system is not scheduled to replace existing TRACON systems until the mid-to-late 1990s, the Secretary of Transportation should direct the Administrator, FAA, to perform a

complete analysis of all available alternatives for meeting the larger TRACON air traffic requirements for at least the next 10 years. Recognizing that the existing Automated Radar Terminal System IIIA design is over 15 years old,

this analysis should seek to identify the most cost-effective solution for meeting FAA requirements.

**Status:** Action not yet initiated.

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## Air Transportation

# Aviation Training: FAA Aviation Safety Inspectors Are Not Receiving Needed Training

RCED-89-168, 09/14/89

## Background

Pursuant to a congressional request, GAO examined the Federal Aviation Administration's (FAA) training of its aviation safety inspectors, focusing on whether: (1) operations inspectors received the recurrent flight training required to make pilot flight checks; (2) opportunities existed to more efficiently utilize the inspectors; and (3) airworthiness inspectors received the training they needed to perform maintenance inspections.

## Findings

GAO found that: (1) although FAA required that operations inspectors receive flight training every 6 months, 495 of the 786 operations inspectors

assigned to flight-check duties had not received the required training; (2) many unqualified inspectors continued to make flight inspections because FAA often waived the training requirement and assigned most of its operations inspectors to flight-check duties, regardless of the number of flight checks that each inspector performed; (3) because some inspectors made only a few flight checks each year, opportunities existed for FAA to assign fewer inspectors to flight-check duties and reduce the number of inspectors requiring training; (4) airworthiness inspectors received only half of the training that FAA had planned for them in 1988 because of the lack of qualified instructors and available courses; and (5) although FAA plans to upgrade and

modernize its training system, further improvements are needed to effectively meet the training requirements as the inspector work force grows.

## Open Recommendations to Agencies

**Recommendation:** To improve the aviation safety inspector training program, the Secretary of Transportation should direct the Administrator, FAA, to reevaluate the roles and responsibilities of the operations inspectors and identify the number of operations inspectors that are needed to conduct flight checks and provide these inspectors flight training.

**Status:** Action not yet initiated.

**Air Transportation**

**Air Traffic Control: FAA Needs to Implement an Effective Testing Program**

IMTEC-89-62, 09/22/89

**Background**

Pursuant to a congressional request, GAO reviewed the Federal Aviation Administration's (FAA) program for testing the air traffic control systems and equipment it procures under its National Airspace System (NAS) plan.

**Findings**

GAO found that: (1) a December 1986 FAA test and evaluation order sought to implement an independent contractor's recommendations for improving system testing, but did not address the roles of system users or establish effective controls to ensure compliance; (2) FAA established an operational test and evaluation group, but that group only reviewed those systems which cost at least \$150 million, and subsequent agency reorganizations eliminated the group's independence from system developers and users; (3) FAA did not always conduct the testing necessary to ensure that systems worked as intended

and were operationally suitable before proceeding with system production and deployment, resulting in schedule delays of up to 8 years for some systems; (4) 11 of 15 reviewed deployed systems did not comply with the December 1986 test order, and 7 of those systems lacked approved master test plans; (5) FAA issued a new test and evaluation order in February 1989 to overcome past testing deficiencies, but that order did not recognize the need for independent oversight; and (6) FAA top management has not provided the support necessary for implementing an effective test program.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to revise the recently issued test policy by providing for a test and evaluation component organizationally independent of the development and user communities, in

accordance with federal guidance. This independent component should be responsible for ensuring that adequate test plans and procedures are developed and that testing is successfully completed for all critical NAS systems. To discharge its responsibilities, the component should: (1) be responsible for reviewing all NAS systems it considers critical to safety, regardless of their cost; (2) be given test plans, procedures, and other documentation that it determines is necessary to assess tests and evaluations; and (3) review test results and report findings to an appropriate level.

**Status:** Action not yet initiated.

**Recommendation:** The Secretary of Transportation should direct the Administrator, FAA, to: (1) focus management attention on implementing fully the test and evaluation policy; and (2) periodically review the program to ensure its success.

**Status:** Action not yet initiated.

**Ground Transportation**

**Department of Transportation: Enhancing Policy and Program Effectiveness Through Improved Management**

RCED-87-3, 04/13/87

**Background**

Pursuant to a congressional request, GAO reviewed the Department of

Transportation's (DOT) changing role as its programs place greater reliance on state and local governments and the

private sector to operate transportation systems, in order to: (1) assess DOT

management; (2) analyze its problems; and (3) recommend improvements.

### Findings

GAO found that: (1) DOT has made transportation safety one of its highest and most visible priorities, but needs a more systematic approach for measuring progress; (2) since grantees now have greater control over funds and more flexibility to select projects, DOT needs to resolve issues concerning program accountability; (3) to prevent loss of services due to budget reductions, DOT needs to modernize its financial, information resource management, and procurement systems; (4) DOT needs to improve its management of human resources to cope with changes caused by deregulation and the emphasis on deficit reduction; and (5) DOT needs to implement a strategic research and development (R&D) policy by linking R&D investment resources to DOT priorities and industry needs.

### Open Recommendations to Agencies

**Recommendation:** To enhance and sustain the progress DOT has achieved in improving its management of safety programs and resources, the Secretary of Transportation should direct that operational measures of effectiveness be developed and applied for safety programs throughout DOT to link the overall goal of safer transportation with ongoing program activities and to provide the basis for setting program objectives, monitoring performance, and allocating resources.  
**Status:** Action in process. Estimated completion date: 07/90.

**Recommendation:** To enhance and sustain the progress DOT has achieved in improving its management of safety programs and resources, the Secretary of Transportation should require that

productivity standards, including the definition and use of standards of quality, timeliness, and efficiency for delivery of services, be used to integrate productivity improvement with safety program planning throughout DOT and to establish and implement annual productivity improvement goals.  
**Status:** Action in process. Estimated completion date: 07/90.

**Recommendation:** To enhance and sustain the progress DOT has achieved in improving its management of safety programs and resources, the Secretary of Transportation should ensure that current and accurate staffing standards (e.g. standard hours for completing program tasks) are used in formulating safety program budgets throughout DOT.  
**Status:** Action in process. Estimated completion date: 07/90.

**Recommendation:** The Secretary of Transportation should strengthen the DOT grant programs by reassessing and defining the DOT role in managing and overseeing its grants programs.  
**Status:** Action in process. Estimated completion date: 07/90.

**Recommendation:** The Secretary of Transportation should strengthen the DOT grant programs by developing a grants management strategy appropriate for carrying out that role.  
**Status:** Action in process. Estimated completion date: 07/90.

**Recommendation:** Given the various mandates and continuing need to strengthen the integrity of the DOT financial, information, and procurement systems, the Secretary of Transportation should establish an agenda or action plan for short- and long-term improvements. The agenda GAO provided could be the basis for developing a blueprint for the future. GAO recognizes that many factors must

be considered, yet it believes that with the Secretary's continued support and commitment, such a blueprint can guide the building and maintenance of sound financial, information, and procurement systems across DOT.

**Status:** Action in process. Estimated completion date: 07/90.

**Recommendation:** Because change management and strategic human resource management require sustained effort and attention over the long term, the Secretary of Transportation should take additional steps to focus on human resource management DOT-wide. These steps should provide visibility and tangible evidence of top management commitment by establishing a prominent organizational focus for strategic human resource management at both the operating administration and Office of the Secretary of Transportation levels.

**Status:** Recommendation valid/action not intended. Focus and management commitment to an effective human resources management program is being carried out through the existing organizational structure.

**Recommendation:** Because change management and strategic human resource management require sustained effort and attention over the long term, the Secretary of Transportation should take additional steps to focus on human resource management DOT-wide. These steps should develop a DOT-wide awareness of the importance and value of change management and strategic human resource management.  
**Status:** Action in process. Estimated completion date: 07/90.

**Recommendation:** Because change management and strategic human resource management require sustained effort and attention over the long term, the Secretary of Transportation should

take additional steps to focus on human resource management DOT-wide. These steps should develop the selection, appraisal, reward, and development functions needed to support human resources management activities and spur management improvement.  
**Status:** Action in process. Estimated completion date: 07/90.

**Recommendation:** To better integrate policy with program management and support system requirements, and to

promote productive use of the information resources available to support policymaking, the Secretary of Transportation should: (1) establish a framework to direct and support the development, implementation, and monitoring of transportation policies, which would include the basic elements enumerated in table 6.1 of this report; and (2) initiate an assessment of DOT policy-related data requirements and responsibilities, including an inventory and evaluation of the data currently

collected, data no longer collected, and the costs, if any, imposed by the unavailability of data, and the most cost-effective means of meeting DOT present and expected needs for transportation data collection and analysis.  
**Status:** Recommendation valid/action not intended. DOT is continuously assessing its program support requirements; however, it will continue efforts to improve R&D activities linkage with secretarial priorities and industry needs.

## Ground Transportation

# Trucking Deregulation: Proposed Sunset of ICC's Trucking Regulatory Responsibilities

RCED-87-107, 04/23/87

## Background

In response to a congressional request, GAO: (1) assessed the merits of retaining or eliminating certain Interstate Commerce Commission (ICC) trucking regulatory functions; and (2) estimated the budgetary impact of deregulation on ICC.

## Findings

GAO found that: (1) ICC had eight ancillary trucking regulatory functions, for which it spent about 483 staff years in fiscal year (FY) 1985; (2) the ICC labor effort has decreased by 13 percent and is expected to decrease an additional 5 years in FY 1988; (3) the budgetary effects of deregulation would depend on which functions Congress eliminated and how other agencies met those responsibilities; (4) while there is broad support for continued Department of Transportation (DOT) regulation of the trucking industry's safety practices and insurance coverage, there is little

evidence of how ICC improves safety through its limited monitoring role; (5) the existing disparities in insurance coverage requirements for private carriers and for-hire carriers may not have merit, since insurance requirements promote safety; (6) there was no consensus on the continuing value of ICC promulgation and enforcement of rules regarding liability responsibility for cargo damage; and (7) neither DOT nor the Office of Management and Budget (OMB) plan to collect the needed truck data if Congress eliminates the ICC data-gathering role.

## Open Recommendations to Congress

**Recommendation:** If Congress acts favorably on proposed deregulatory legislation, it may wish to consider revising the provisions in section 30 of the Motor Carrier Act of 1980, which specify insurance requirements for motor carriers, so as to make the

requirements for private and for-hire carriers identical.  
**Status:** Action not yet initiated.

**Recommendation:** If Congress takes further action on deregulatory legislation, it may wish to consider either retaining the Carmack Amendment as statutory law, or replacing by statute both the statutory and common law cargo damage liability requirements, leaving such requirements solely to contractual agreements between the carrier and the shipper.  
**Status:** Action not yet initiated.

**Recommendation:** Congress may also wish to consider, in any deregulatory legislation, the need to restructure the collection of data on the trucking industry in the federal government to ensure that public and private needs for data are met in the most cost-effective manner if the ICC role in data collection is terminated. Congress may wish to mandate that DOT act to coordinate

such a restructuring along the lines described above.

Status: Action not yet initiated.

### Open Recommendations to Agencies

Recommendation: The Secretary of Transportation should direct appropriate

department officials to develop a long-term assessment of requirements for and costs of data on truck transportation, based on the needs of various users in the federal and state governments and in the private sector, and, in conjunction with OMB, coordinate data gathering among DOT, ICC, Census, and other

truck transportation data-gathering agencies.

Status: Recommendation valid/action not intended. DOT does not believe that further action is needed.

## Ground Transportation

# Highway Contracting: Assessing Fraud and Abuse in FHWA's Disadvantaged Business Enterprise Program

RCED-89-26, 11/30/88

### Background

Pursuant to a congressional request, GAO reviewed the Federal Highway Administration's (FHWA) Disadvantaged Business Enterprise (DBE) Program, focusing on the: (1) nature and extent of program fraud and abuse; (2) results of FHWA investigations of DBE fraud and abuse cases; and (3) approaches FHWA and states used to minimize fraud and abuse.

### Findings

GAO found that: (1) FHWA established the DBE program to expand highway-related contracting opportunities for disadvantaged small businesses; (2) FHWA did not collect nationwide data relating to key program activities, disadvantaged business investigation results, contractor eligibility assessment and reassessment results, and program monitoring reviews; (3) contractor irregularities primarily involved ineligible businesses using inaccurate or

misleading information to obtain contracts or eligible businesses engaging in questionable activities; (4) the Department of Transportation investigated 89 disadvantaged businesses in the program nationwide and resolved 53 cases administratively and 17 cases with legal action; (5) contractors in the resolved cases paid a total of over \$1 million to federal and state governments; (6) New York and Pennsylvania investigated 90 additional disadvantaged businesses, resulting in 60 administratively resolved cases; (7) FHWA encouraged states to administratively resolve cases, citing the difficulty in getting cases prosecuted; (8) to minimize program fraud and abuse, most states initially assessed and annually reassessed contractors' eligibility, and FHWA monitored states' and contractors' compliance with program requirements; and (9) New York did not have a program for annually reassessing contractors' eligibility.

### Open Recommendations to Agencies

Recommendation: The Secretary of Transportation should direct the Administrator, FHWA, to expand its information system to annually obtain and compile pertinent summary information on the results of key program activities. The data could include the results of all investigations, certification and reassessment actions, and FHWA and states' monitoring reviews.

Status: Recommendation valid/action not intended. FHWA disagrees with this recommendation. FHWA believes that this expanded system would place a tremendous administrative burden (cost and personnel resources) on FHWA and the states. Jointly with the Inspector General, GAO reported its finding as an internal control weakness to the FHWA Administrator.

**Ground Transportation**

**Truck Safety: Implementation of the Single Driver's License and Notification Requirements**

RCED-89-30, 02/13/89

**Background**

In response to a congressional request, GAO reviewed the Federal Highway Administration's (FHWA) efforts to implement and enforce the single driver's license and violation notification requirements of the Commercial Motor Vehicle Safety Act of 1986.

**Findings**

GAO found that: (1) FHWA, the states, and commercial motor carriers responded to the single license requirement with a major information campaign to identify multiple license holders, resulting in commercial drivers voluntarily surrendering over 42,000 multiple licenses; (2) after FHWA identified and notified potential multiple licensed holders of their noncompliance, it accepted drivers' statements, without accompanying evidence of license surrender, as proof of their compliance; and (3) FHWA will limit enforcement until states fully implement their participation in a national licensing

information system. GAO also found that FHWA did not enforce the act's notification requirement, since: (1) commercial drivers did not routinely report their out-of-state convictions to their licensing states; (2) states did not use the information in their licensing decisions; and (3) it did not identify and penalize drivers who violated the requirements.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Transportation should direct the Administrator, FHWA, to require potential multiple license holders to submit to FHWA either evidence that they surrendered their excess licenses or a letter authorizing the state to cancel them.

**Status:** Action taken not fully responsive. DOT enforcement procedures do not ensure that commercial drivers found to have licenses in more than one state, but traffic violations on only one state record, have surrendered their

excess licenses. DOT revised procedures to allow these drivers to submit unsubstantiated statements alone as proof of compliance with the single license requirement.

**Recommendation:** The Secretary of Transportation should direct the Administrator, FHWA, to enforce the notification requirement by, at a minimum, comparing states' records of more serious traffic convictions to other states' lists of commercial drivers reporting out-of-state convictions, in order to identify drivers who did not report such convictions. FHWA could then use this information to take actions against drivers who failed to comply with the notification requirement and had unsafe (disqualifying) offenses.

**Status:** Action taken not fully responsive. DOT did not directly address this recommendation and stated that it intends to rely on future state participation in the Commercial Driver's License Information System to enforce this current federal requirement.

**Ground Transportation**

**Mass Transit Grants: UMTA Needs to Improve Procurement Monitoring at Local Transit Authority**

RCED-89-94, 03/31/89

**Background**

Pursuant to a congressional request, GAO evaluated the Urban Mass Transportation Administration's (UMTA) oversight of the Southeastern Pennsylvania Transportation Authority's (SEPTA) procurement operations.

**Findings**

GAO found that: (1) an UMTA-hired independent consultant concluded that SEPTA procurement practices did not comply with federal requirements; (2) SEPTA established a task force to address problems the consultant identified, including lack of autonomy, inadequate written procedures, and competition restriction; and (3) UMTA planned to continue conducting pre-award reviews of proposed SEPTA contracts and will require SEPTA to report on its corrective actions. GAO also found that UMTA did not adequately monitor SEPTA procurement operations, since it: (1) lacked adequate documentation to show that it conducted appropriate analyses and pre-award reviews of proposed SEPTA procurements; (2) limited its pre-award reviews to ensuring that SEPTA

submitted the required supporting documentation and written justifications; (3) approved proposed procurements on the basis of the specific contract and did not review procurements for compliance with other procurement requirements; (4) concluded, from a triennial review that did not focus on procurement practices, that SEPTA maintained a competitive procurement system; and (5) did not require SEPTA annual audits to report on compliance with its procurement requirements.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Transportation should direct the Administrator, UMTA, to increase the emphasis on the procurement area during triennial reviews at SEPTA by including the reviews and tests of selected procurements needed to determine that proper procurement procedures are in place and being followed.

**Status:** Action not yet initiated. The next triennial review of SEPTA is scheduled for December 1989.

**Recommendation:** The Secretary of Transportation should direct the Administrator, UMTA, to request SEPTA to have the independent auditor conducting the annual audit include the reviews and tests necessary to determine compliance with UMTA procurement requirements.

**Status:** Action not yet initiated. UMTA agrees with the recommendation and plans to work with SEPTA but cannot mandate because of OMB A-128 guidelines. The Department of Transportation plans to send a letter to its regional and state offices regarding the recommendation.

**Recommendation:** The Secretary of Transportation should direct the Administrator, UMTA, to increase the scope of pre-award reviews of SEPTA contracts to include the analyses needed to identify procurement weaknesses and problems in complying with UMTA procurement requirements.

**Status:** Action not yet initiated. UMTA plans to work directly with SEPTA to improve the procurement program, but it is not known at this time whether UMTA plans to increase the scope of its pre-award reviews.

**Ground Transportation**

**Railroad Safety: FRA Needs to Correct Deficiencies in Reporting Injuries and Accidents**

RCED-89-109, 04/05/89

**Background**

Pursuant to a congressional request, GAO assessed: (1) the reliability and accuracy of injury and accident data railroads reported to the Federal Railroad Administration (FRA); and (2) FRA efforts to ensure data accuracy.

**Findings**

GAO found that: (1) although FRA relies on injury and accident reports as a basis for conducting its railroad safety program, it does not require railroads to have internal controls for reporting; (2) the five railroads GAO visited were either underreporting the number of injuries and accidents, understating the number of lost workdays and the estimated cost of damages due to train accidents, or not maintaining sufficient information for GAO to determine reporting accuracy; (3) the railroads' inaccurate reporting generally occurred because they did not collect the most current data available before reporting to FRA; (4) FRA inspectors focused their efforts on detecting individual reporting errors, rather than on railroad reporting procedures; and (5) inspectors did not have the authority to cite railroads for internal control weaknesses.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Transportation should direct the Administrator, FRA, to require railroads

to establish injury and accident reporting internal control procedures. **Status:** Action in process. Estimated completion date: 11/90. FRA is allocating more inspection time at the railroads to review the accuracy of railroads' reporting, including an evaluation of the system controls in place between claims offices, other reporting offices, and the safety reporting office of several railroads to ensure that all injuries and accidents are properly reported.

**Recommendation:** The Secretary of Transportation should direct the Administrator, FRA, to include an analysis of railroads' internal control procedures for reporting in FRA safety record inspections. **Status:** Action in process. Estimated completion date: 11/90. As part of intensified inspection activities, FRA inspectors will evaluate the system controls in place between the claims office, other reporting sources, and the safety reporting office to ensure that all injuries and accidents are properly reported. FRA also plans to initiate a rulemaking on ways to improve the accuracy of FRA other reporting systems.

**Recommendation:** The Secretary of Transportation should direct the Administrator, FRA, to provide inspectors with the authority to take enforcement actions against railroads with deficient internal control procedures.

**Status:** Action in process. Estimated completion date: 11/90. FRA is in the process of sending letters to all railroads' accident/injury reporting officers instructing them to review their reporting procedures to ensure accurate reporting and will, if necessary, take civil penalty action against railroad employees who willfully violate accident/injury reporting requirements. FRA will also use civil penalties against railroads that underreport.

**Recommendation:** The Secretary of Transportation should direct the Administrator, FRA, to require railroads to update reports on workdays lost due to injuries.

**Status:** Action in process. Estimated completion date: 12/90. FRA intends to initiate a rulemaking to clarify the need for railroads to submit amended monthly reports and require internal control procedures to be used by railroads to ensure accurate reporting.

**Recommendation:** The Secretary of Transportation should direct the Administrator, FRA, to clarify the FRA requirement for railroads to update accident reports when significant changes occur.

**Status:** Action in process. Estimated completion date: 12/90. FRA intends to initiate a rulemaking to clarify the need for railroads to submit amended monthly reports and require internal control procedures to be used by railroads to ensure accurate reporting.

**Ground Transportation**

**Truck Safety: Information on Driver Training**

RCED-89-163, 08/03/89

**Background**

Pursuant to a congressional request, GAO reviewed: (1) the Federal Highway Administration's (FHWA) efforts to establish minimum federal standards for training tractor-trailer drivers; (2) driver training curricula offered by various public and private schools; and (3) trucking industry efforts to improve the quality of driver training.

**Findings**

GAO found that: (1) FHWA published rules establishing a 1992 deadline for all

truck drivers to pass tests meeting federal standards; (2) FHWA has recommended a minimum 320 hours of training for new drivers; (3) while many schools had adopted the FHWA model curriculum, the hours of instruction and distribution of those hours varied widely among schools; (4) student-to-teacher ratios varied widely among schools and types of instruction; (5) various trucking industry associations were working to develop certification standards; and (6) the majority of private truck driving schools were unaccredited.

**Open Recommendations to Agencies**

**Recommendation:** The Secretary of Transportation should direct the Administrator, FHWA, to: (1) request public comments on the merits of establishing by regulation formal tractor-trailer training as a uniform standard for the issuance of state commercial drivers' licenses and developing federal standards for such training; and (2) if appropriate, initiate a new rulemaking for this purpose.

**Status:** Action in process. Estimated completion date: 09/90.

**Other Transportation**

**Pipeline Safety: New Risk Assessment Program Could Help Evaluate Inspection Cycle**

RCED-89-107, 03/07/89

**Background**

In response to a congressional request, GAO examined the Department of Transportation's (DOT) Office of Pipeline Safety's development of the inspection cycle for natural gas and hazardous liquid pipelines, focusing on whether the: (1) office based the pipeline inspection cycle on sound risk assessments; and (2) Pipeline Inspection Priority Program (PIPP) would identify pipelines with the greatest potential safety risks.

**Findings**

GAO found that: (1) in 1987, the office determined that it should inspect each pipeline inspection unit every 2.5 years; (2) although the office believed that the 2.5-year cycle was reasonable, it did not consider variations in relative safety conditions among individual units; (3) regional chiefs believed that the cycle was too ambitious because of the time required to perform other important compliance activities; and (4) the office expected its field inspectors to conduct 32 investigations per year at an average of 2.5 days per inspection, while field

chiefs believed that inspectors needed between 2.5 and 7.5 days to complete an inspection. GAO also found that: (1) the office developed the Pipeline Inspection Priority Program to identify the relative risk of pipeline companies and units on the basis of weighted safety factors; (2) the office could not ensure the reliability of program data, since it did not provide sufficient training on how to access the computer system or how to assign unit inspection priority codes; (3) pipeline inspectors had no consistent guidance on how to assign unit safety risk priority codes; and (4) the office did not plan to

use program data to evaluate its inspection cycle or staffing level.

**Open Recommendations to Agencies**

**Recommendation:** To ensure that the Pipeline Inspection Program identifies and prioritizes pipeline inspections on the basis of a sound assessment of risk, the Secretary of Transportation should direct the Administrator, Research and Special Programs Administration (RSPA), to: (1) provide training to field staff on how to access and validate the pipeline priority program data; and (2) issue guidance to regions on how to

characterize the pipeline units' safety risks.

**Status:** Action taken not fully responsive. RSPA recognized the need to train regional staff. Also, RSPA is hiring a senior engineer whose major responsibilities will include the management of PIPP and the development of guidance and training for regional staff. RSPA has not issued guidance on how to characterize a pipeline unit's safety risk to regional staff.

**Recommendation:** Once the pipeline priority program becomes operational, the Secretary of Transportation should

direct the Administrator, RSPA, to use the information on the number and regional location of high-risk pipelines to determine whether its pipeline inspection cycle and current inspector staffing level are appropriate.

**Status:** Action not yet initiated. RSPA intends, after fully field-testing PIPP, to use the program as a management tool in determining the appropriate inspection interval. RSPA will also determine, after field-testing and evaluation, whether the program can be used as a tool in determining inspection staff levels.

**Water Transportation**

**Coast Guard: Better Information Needed Before Deciding on Facility Closings**

RCED-89-48, 11/29/88

**Background**

In response to a congressional request, GAO reviewed the implications of the Coast Guard's plans to eliminate or reduce facilities in response to reductions in its requested fiscal year 1988 appropriations to determine the: (1) factors the Coast Guard used in selecting the New York and New Orleans vessel traffic service (VTS) facilities for closure; (2) safety value of the two VTS facilities; and (3) estimated personnel cost savings from closing the two VTS facilities and decommissioning two icebreaker vessels.

**Findings**

GAO found that: (1) the Coast Guard used selection factors primarily to reduce its operating expenses and gave little consideration to VTS effectiveness in enhancing safety; (2) the Coast Guard

considered for closure only those VTS facilities with voluntary traffic participation that would not require legislative changes to close them, low user participation rates, and low potential for local resistance; and (3) an additional advantage in selecting the New Orleans site was avoiding over \$16 million for required equipment upgrades. GAO also found that the Coast Guard: (1) did not maintain required cost-effectiveness and safety information; (2) did not consider accident prevention information, total VTS activity levels, or the complexity of traffic in VTS areas; and (3) could not clearly demonstrate VTS safety value, since it did not have complete and current management information regarding VTS program effectiveness. In addition, GAO found that: (1) the estimated annual savings from the New York and New Orleans

VTS facility closures totalled \$1,341,000 and \$1,980,000, respectively; (2) \$2.4 million of the total savings represented personnel cost savings, while the remainder was attributable to the elimination of operations and maintenance costs; (3) the Coast Guard estimated annual savings from decommissioning two icebreaker vessels at about \$14.2 million, \$9.3 million in personnel cost savings, and the remainder in fuel and maintenance costs, but could not provide documentation for the figures; and (4) the Coast Guard needed four icebreakers to meet future need and estimated the costs of two new vessels at about \$250 million each, with annual operating costs of \$7.4 million.

### Open Recommendations to Agencies

**Recommendation:** To improve management control within the VTS program, the Secretary of Transportation should direct the Commandant, U.S. Coast Guard, to

develop and maintain VTS cost-effectiveness information that demonstrates the current and potential value of each VTS facility, including New York and New Orleans, and to use such information in deciding where such facilities would be most beneficial.

**Status:** Action in process. Estimated completion date: 07/92. To improve management control within the VTS program, the Coast Guard is rewriting the report format used to collect quarterly statistical data from VTS units. In addition, a VTS risk analysis is in the planning stages.

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## Water Transportation

# Coast Guard: Information Needed To Assess the Extent of Sexual Assaults on Ships

RCED-89-59, 12/29/88

### Background

In response to a congressional request, GAO provided information regarding sexual assaults on women in the U.S. merchant marine, specifically: (1) the number of women documented, licensed, and working in the U.S. merchant marine and selected other occupations; (2) the number of shipboard sexual assaults on women reported to government agencies in Washington, Oregon, and Alaska; and (3) whether the Department of Transportation should change laws and regulations relating to such assaults.

### Findings

GAO found that: (1) 4,670 of the 88,482 individuals listed in the U.S. Coast

Guard's data base of documented mariners were women, but the data base was incomplete and not currently maintained; (2) the Coast Guard's more complete data base of licensed officers showed that 4,554 of the 131,934 persons listed were women; (3) at least 1,083 of the 34,550 individuals actively working on U.S. merchant ships in 1985 were women; (4) government officials in Washington, Oregon, and Alaska have reported four cases of shipboard sexual assaults since 1981; (5) many in the merchant marine believe that more assaults actually take place than are reported; and (6) the Coast Guard did not have specific requirements for the reporting of shipboard sexual assaults and other offenses which the Sexual Abuse Act of 1986 covered.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Transportation should direct the Commandant of the Coast Guard to require that masters of vessels or other responsible officials promptly report to the Coast Guard any complaint of a criminal sexual offense covered by the Sexual Abuse Act of 1986 as soon as possible following its occurrence or report of its occurrence.

**Status:** Action in process. The Coast Guard has not implemented this recommendation. However, it has agreed to annotate its annual marine casualty report to Congress to provide the number of sexual assaults aboard vessels reported through entries in ship logs or through other means.

# Veterans Benefits and Services

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## Hospital and Medical Care for Veterans

### Better Guidelines Could Reduce VA's Planned Construction of Costly Operating Rooms

HRD-81-54, 03/03/81

#### Background

The Veterans Administration (VA) is planning to spend more than \$1 billion to replace 10 of its medical centers. Each replacement center will have a surgical suite, which is among the most costly hospital departments to construct and operate.

#### Findings

In reviewing operating room utilization at centers that VA intends to replace, GAO found that, on the average, the 74 operating rooms at these centers were idle about 50 percent of the time that they were available for scheduled surgery. The current planning criterion used by VA calls for 1 operating room for every 28 surgical beds. The continued use of this criterion could result in overconstruction of operating rooms with resulting low utilization. In developing its criterion, VA did not recognize that

not all patients admitted to surgical beds undergo surgery. VA did not fully recognize the significant variation among medical centers in the type of surgical procedures performed and the length of time different surgical procedures take. Average operating times varied significantly among VA medical centers. Surgical procedures generally performed by medical school residents at affiliated centers took longer than similar procedures performed by VA staff at nonaffiliated centers. GAO developed a model for planning operating rooms which focused on the unique surgical work-load characteristics of each VA center. It showed that VA could handle the surgical work load with 22 fewer operating rooms than planned using the present criterion, a potential \$3.5 million saving. VA assigned more operating room (OR) nurses than needed to handle the surgical work load due to this criterion, and savings could be

realized if VA made use of less-skilled personnel to do many of the nonprofessional tasks now handled by operating room nurses.

#### Open Recommendations to Agencies

**Recommendation:** The Administrator of Veterans Affairs should direct the Chief Medical Director to develop staffing guidelines for OR nurses based on the number of operating rooms needed to handle the surgical work load.

**Status:** Action in process. As of March 1989, OR and Recovery Room Staffing Guidelines had been developed and were awaiting approval. Patient classification systems need to be published for guidelines to be approved. The operating room classification system is expected to be issued in March 1990, and the recovery room classification system at some later date.

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## Hospital and Medical Care for Veterans

### Veterans Administration: Identifying Physicians With License Sanctions—An Incomplete Process

HRD-88-47, 05/13/88

#### Background

Pursuant to a congressional request, GAO examined the Veterans Administration's (VA) Office of Inspector General's (OIG) methodology for

identifying VA physicians with license sanctions.

#### Findings

GAO found that the OIG study: (1) ran a computer match of physicians listed in the VA data base with the Federation of State Medical Boards data base to

identify physicians with license sanctions; (2) identified 93 VA physicians with license sanctions; (3) did not include contract physicians or physicians providing services without VA compensation; and (4) did not include all VA medical center physicians and residents. GAO also found that the VA Department of Medicine and Surgery's (DMS) plans to use the OIG methodology for biennial reviews of physicians' licenses do not include review of: (1) residents, since they are under continual supervision; (2) contract physicians, since that is the contractors' responsibility; and (3) fee-basis physicians, since such review would make them VA employees and create an additional work load for VA. GAO believes that Congress may wish to consider requiring VA to include all of its paid or authorized physicians in its biennial reviews.

### Open Recommendations to Agencies

**Recommendation:** The Administrator of Veterans Affairs should require the Chief Medical Director to establish a complete physician data base to be used to check the licenses of physicians authorized or paid by VA to treat veterans. This data base should include all physicians authorized or paid by VA to treat veterans.

**Status:** Action in process. VA is in the process of entering into a memo of understanding (MOU) with the Department of Health and Human Services (HHS) national data bank. If MOU is finalized, this recommendation will not be applicable. VA will check all the licenses of all physicians except fee-basis.

**Recommendation:** The Administrator of Veterans Affairs should require the Chief Medical Director to establish a complete physician data base to be used

to check the licenses of physicians authorized or paid by VA to treat veterans. The data base should be verified with information at individual medical centers.

**Status:** Action in process. VA is in the process of entering into MOU with the HHS national data bank. If MOU is finalized, this recommendation will no longer be applicable.

**Recommendation:** The Administrator of Veterans Affairs should require the Chief Medical Director to determine whether there are alternatives that would permit VA to keep the results of the DMS biennial reviews while complying with Office of Management and Budget computer-matching guidelines.

**Status:** Action in process. VA is in the process of entering into MOU with the HHS national data bank. If MOU is finalized, this recommendation will no longer be applicable.

## Hospital and Medical Care for Veterans

### VA Health Care: Delays in Awarding Major Construction Contracts

HRD-89-75, 03/31/89

#### Background

In response to a legislative requirement, GAO reviewed Department of Veterans Affairs (VA) contracting delays for reportable construction projects, focusing on the impoundment implications under the Impoundment Control Act.

#### Findings

GAO found that: (1) the contracting delays for 22 projects did not constitute an impoundment of budget authority; (2)

VA did not intentionally refrain from using the funds, since programmatic considerations, such as changes in project scope or design and receipt of bids exceeding the available funds, caused the delays; (3) VA awarded or expected to award contracts for 18 of the 22 projects by September 1989; (4) VA did not report two projects for which it had not awarded primary construction contracts because it believed that one project's additional funding requirement obviated the reporting requirement and

its award of a contract for site preparation satisfied the act's requirement for the other project; and (5) the delays in those two projects did not constitute impoundments of budget authority.

#### Open Recommendations to Agencies

**Recommendation:** The Secretary of Veterans Affairs should report on all major construction projects that do not

have working drawings or construction contracts awarded within the specified time limits for the primary activity for which the funds were appropriated. With respect to projects for which

additional funding has been requested or received, the time limits established when the projects were originally funded should be used to determine whether a project is reportable.

**Status:** Action in process. Estimated completion date: 12/89. VA is in the process of revising its reporting criteria and will issue specific guidelines incorporating this recommendation.

## Hospital and Medical Care for Veterans

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

HRD-89-77, 08/22/89

### Background

Pursuant to a congressional request, GAO examined the Department of Veterans Affairs' (VA) physician credentialing and privileging processes, focusing on: (1) policies, procedures and implementation of the credentialing program required by law; and (2) VA policies and procedures on granting or rescinding physician privileges.

### Findings

GAO found that: (1) although VA was required to obtain physician licensing information from state boards, it had only verified and properly documented 102 of 207 physicians it hired between 1986 and 1988; (2) in 34 of the 105 undocumented cases, medical center officials had contacted a cognizant state board, but failed to document the contract; (3) VA planned to require VA-affiliated medical schools to conduct background investigations on the residents they sent to VA; (4) VA took few actions to correct identified problems with its privileging processes; (5) VA had no documentation to show whether it considered current competence, treatment results, or conclusions in its privileging decisions; (6) VA provided only minimal guidance to its medical centers on privileges and

no guidance on the documentation required to support privileging decisions; (7) medical centers were reluctant to reduce or revoke physicians' privileges for fear of litigation; (8) although VA was required to notify state licensing boards of physicians who had their privileges formally revoked, the law limited VA to reporting physicians for clinical incompetence; and (9) VA was also reluctant to report physicians who retired or resigned before receiving a hearing because of its concern over their due process rights.

### Open Recommendations to Congress

**Recommendation:** Congress should amend Public Law 99-166 to expand the physician reporting criteria beyond clinical competence.

**Status:** Action not yet initiated.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Veterans Affairs should require the Chief Medical Director to fulfill the commitments made to the House and Senate Veterans' Affairs Committees in 1986 to improve the credentialing process. This includes taking the steps

necessary to ensure the medical centers' compliance with credentialing guidance and performing a match of VA data regarding currently employed physicians' licenses with data from the Federation of State Medical Boards.

**Status:** Action in process. VA should have the information from the match by December 1989; however, it does not currently have the staff to analyze the data. VA has already mandated that credentialing be monitored.

**Recommendation:** The Secretary of Veterans Affairs should require the Chief Medical Director to incorporate procedures in regional office survey requirements to ensure that each medical center's compliance with VA credentialing guidance is examined and corrective action is taken in a timely manner.

**Status:** Action not yet initiated. VA will incorporate procedures in the regional office surveys after it issues its new guidance.

**Recommendation:** The Secretary of Veterans Affairs should direct the Chief Medical Director to revise the VA physician application form to require full disclosure of any drug or alcohol dependency problems.

**Status:** Action in process. Personnel indicated that they collect this information on a separate form from the application. VHSRA has not indicated whether it will use this information.

**Recommendation:** The Secretary of Veterans Affairs should require the Chief Medical Director to fulfill the commitments made to the House and Senate Veterans' Affairs Committees in 1986 to improve the VA privileging process. This includes issuing privileging guidance that would specify: (1) the documentation needed to support privileging decisions; and (2) the types of physicians that should be privileged.  
**Status:** Action in process. Estimated completion date: 12/89. VA is currently drafting guidance.

**Recommendation:** The Secretary of Veterans Affairs should require the Chief Medical Director to require regional offices to follow up on medical centers' proposed corrective actions and ensure that they have been properly implemented.

**Status:** Action not yet initiated. VA will incorporate procedures in the regional office surveys after it issues new guidance.

**Recommendation:** The Secretary of Veterans Affairs should require the Chief Medical Director to enter into a memorandum of understanding with the Department of Health and Human Services (HHS) and support the National Practitioner Data Bank.

**Status:** Action in process. Estimated completion date: 12/89. The memorandum of understanding is being reviewed by HHS and VA.

**Recommendation:** The Secretary of Veterans Affairs should require the Chief Medical Director to work with the Office of General Counsel to develop a policy and establish guidance on how to provide due process to physicians who resign or retire before receiving a hearing.

**Status:** Action in process. Estimated completion date: 12/89. VHSRA is currently working on the policy.

## Income Security for Veterans

# Veterans Administration: VA Pensions to Medicaid Nursing Home Residents Should Be Reduced

HRD-87-111, 07/10/87

### Background

GAO reviewed how Veterans Administration (VA) and Medicaid benefits interact to determine: (1) how many medical nursing home residents are receiving VA pensions; (2) how states apply these pensions toward the cost of care; (3) the effect of VA pensions on state and federal costs; and (4) how other needs-based programs adjust benefits for institutionalized recipients.

### Findings

GAO found that: (1) about 6 percent of the Medicaid nursing home residents in the eight states it reviewed received VA

benefits; (2) each state required veterans to apply their VA pensions toward the cost of their care; (3) because the states applied the VA payments to the cost of care as part of the Medicaid recipient's income, the federal government paid a higher percentage of Medicaid nursing home costs for veterans with VA benefits than those with no income; and (4) all eight states instituted programs to maximize VA benefit collections on behalf of Medicaid nursing home residents, since the federal government pays about 71 percent of the cost.

### Open Recommendations to Congress

**Recommendation:** Congress should amend title 38 to require that the VA pension for veterans and their survivors who enter a nursing home under Medicaid be reduced. One way would be to amend title 38 to extend the VA pension reduction criteria that currently apply when the recipient is institutionalized in a VA-supported facility to cover recipients supported by Medicaid. Alternately, the reduction could be tailored to the personal needs allowance established by each state Medicaid agency.

**Status:** Action not yet initiated.

**Income Security for Veterans**

**Veterans' Benefits: Improving the Integrity of VA's Unemployability Compensation Program**

HRD-87-62, 09/21/87

**Background**

In response to a congressional request, GAO reviewed the Veterans Administration's (VA) Unemployability Compensation Program to determine whether: (1) veterans receiving unemployability benefits were reporting their earnings to VA as required; and (2) access to tax information would enable VA to better administer the program.

determinations for unemployability benefits; (4) although access to tax information could improve payment accuracy, granting VA access to any tax information would raise privacy concerns; and (5) VA did not have the medical evidence it needed to evaluate veterans for employment in 75 percent of its files.

affect voluntary compliance with the tax system.

Status: Action in process.

**Open Recommendations to Agencies**

**Recommendation:** The Administrator of Veterans Affairs should amend the VA guidelines to clarify how marginal employment is defined for unemployability compensation so that the criteria used in making determinations of marginal employment are consistent between rating boards.

Status: Action in process. Estimated completion date: 12/89. VA-proposed regulations for defining marginal employment were published in the Federal Register on August 28, 1989. VA is reviewing the responses in order to implement the regulation.

**Open Recommendations to Congress**

**Recommendation:** To improve the VA eligibility determination process, Congress should consider amending section 6103(1)(7) of the Internal Revenue Code to permit VA access to tax information. Congress would need to weigh the potential benefits of such disclosure with: (1) privacy concerns; and (2) Internal Revenue Service concerns that expanding access in this way could

**Findings**

GAO found that: (1) 90 percent of the veterans receiving unemployability benefits failed to report their earnings; (2) veterans received potential overpayments of over \$10 million during 1984 and 1985; (3) VA rating boards used different criteria in determining marginal earnings, which resulted in unequal and inconsistent eligibility

**Income Security for Veterans**

**Veterans' Benefits: Need To Update Medical Criteria Used in VA's Disability Rating Schedule**

HRD-89-28, 12/29/88

**Background**

GAO reviewed the medical criteria the Veterans Administration (VA) used in its veteran disabilities rating schedule to determine whether the rating schedule reflected current medical advances and terminology to enable rating specialists

to make accurate and uniform disability decisions.

**Findings**

GAO found that: (1) VA has periodically revised parts of its rating schedule, but

has not comprehensively revised the schedule since 1945 and has not revised 10 of 14 schedule sections since 1978; (2) VA lacked a systematic process for reviewing schedule sections; (3) VA, military, and private physicians reviewing the schedule identified

examples of outdated terminology, poorly defined impairments, and common medical conditions missing from the schedule; and (4) VA rating specialists cited concerns about their ability to accurately and uniformly rate disabilities with the schedule, since it used diagnostic codes which did not distinguish between degrees of severity and did not list all medical conditions identified in medical examination reports.

### Open Recommendations to Agencies

**Recommendation:** To better ensure that the rating schedule serves as a practical tool in assigning uniform disability ratings to veterans, the Administrator of Veterans Affairs should: (1) prepare a plan for a comprehensive review of the rating schedule and, using the results of the review, revise medical criteria accordingly; and (2) implement a procedure for systematically reviewing

the rating schedule so as to keep it up-to-date in the future.

**Status:** Action in process. In August 1989, VA issued advance notice of proposed rulemaking (ANPRM) for the first-body system, and expects to develop rating schedule revisions by December 1989 and issue proposed regulations for comment in March 1990. The second-body system ANPRM is planned for November 1989, the third for January 1990. VA expects to follow this bi-monthly schedule until all body systems are covered.

## Income Security for Veterans

# Veterans' Benefits: Improvements Needed to Measure the Extent of Errors in VA Claims Processing

HRD-89-9, 04/13/89

### Background

In response to a congressional request, GAO assessed whether the Department of Veterans Affairs' (VA) Statistical Quality Control (SQC) System reliably estimated the extent of errors made in adjudicating veterans' claims for compensation and benefits.

### Findings

GAO found that SQC did not have accurate and reliable information on claims processing accuracy, since: (1) VA regions did not randomly select case samples or review cases within the required time period; (2) VA regions used the same staff that adjudicated the claims to review them for errors; and (3) the VA central office did not adequately validate the regions' reported error rates or ensure that the regions complied with SQC procedures. GAO also found that VA often inappropriately used SQC data to estimate national claims processing

errors, because SQC could not accurately project total claims processing error rates, specific program error rates, or payment accuracy.

### Open Recommendations to Agencies

**Recommendation:** The Secretary of Veterans Affairs should improve the SQC system by requiring regional offices to: (1) select sample cases randomly; and (2) review cases within the required time period.

**Status:** Action in process. Estimated completion date: 10/90. As of October 25, 1989, VA: (1) had directed regional offices to randomly select cases and to timely review them; and (2) was modifying its automated sampling system to enable regional offices to randomly select the exact number of cases needed for reviews, and to better identify the entire population from which rating cases could be selected.

**Recommendation:** The Secretary of Veterans Affairs should improve the SQC system by assigning personnel to perform SQC reviews who are independent of regional management. **Status:** Recommendation valid/action not intended. VA stated it lacks sufficient regional staff with the program knowledge needed to do independent SQC reviews outside the adjudication divisions. VA believes that an SQC review committee chaired by a member of the regional director's office to oversee the SQC process and central office reviews to validate SQC reviews are adequate to ensure proper reviews by the regional adjudication staff.

**Recommendation:** The Secretary of Veterans Affairs should improve the SQC system by improving the central office role by: (1) having validation reviews cover the same period and types of processing actions as the regional reviews being validated; and (2)

enforcing regional office compliance with central office requirements.

**Status:** Action in process. Estimated completion date: 10/90. VA noted that the planned modification to its automated sampling system in response to the first recommendation will enable central office reviewers to cover the same periods and processes as the regional reviews being validated.

Pending this change, the central office has revised its manual sampling to accomplish these goals in future reviews.

**Recommendation:** To address the concerns of congressional committees, the Secretary of Veterans Affairs should consider developing a quality measurement system to implement current quality control systems. At a

minimum, VA should measure claims processing quality for individual programs and payment accuracy. **Status:** Action in process. VA internal documents show that as of October 25, 1989, it was developing a system to measure quality by individual program and in fiscal year 1990, it will begin compiling data needed to determine payment error rates.

## Income Security for Veterans

# Veterans' Benefits: Improvements Needed in Processing Disability Claims

HRD-89-24, 06/22/89

### Background

In response to a congressional request, GAO reviewed the Department of Veterans Affairs' (VA) claims processing procedures for compensation and pension disability benefits, focusing on the extent to which the procedures violated veterans' due process rights or resulted in their unfair treatment.

### Findings

GAO found that VA: (1) communicated its claims decisions primarily through written notices, which were often unclear and did not provide veterans with the necessary information to make knowledgeable appeals decisions; (2) had no evidence that it sent the notices; (3) did not inform many veterans that it closed their claims because they failed to provide requested information or did not appear for a medical examination; (4) did not properly determine veterans' benefits eligibility, obtained too much or too little evidence, or closed claims before allowing veterans sufficient time to provide requested evidence; (5) frequently did not send courtesy copies

of development letters to veterans' representatives, which hindered their assistance; (6) took an average of 9 days to log compensation and pension claims, 2 days more than its goal; (7) attributed the unclear notices largely to its rigid automated notification system, which provided little flexibility to add explanatory information; and (8) suffered from such administrative control weaknesses as ineffective quality control over regional offices claims processing, an inaccurate and unorganized procedural manual, noncompliance with sampling requirements, and staff reductions.

### Open Recommendations to Agencies

**Recommendation:** To better serve the veteran, the Secretary of Veterans Affairs should modify the Target system to provide greater flexibility in the preparation of decision notices, which should clearly state why a decision was made. At a minimum, notices should list the evidence considered and the basic rationale for decisions. Further, notices

should be sent as VA regulations require.

**Status:** Action in process. VA is exploring the possibility of adding expanded text manipulation and development capabilities to its Target system. VA also began testing other initiatives to improve the quality of correspondence to claimants.

**Recommendation:** To better serve the veteran, the Secretary of Veterans Affairs should improve the procedures manual by simplifying the structure, indexing subjects to make guidance more accessible, and ensuring that changes to the manual are printed and distributed promptly.

**Status:** Action in process. A VA task force is rewriting its claims processing procedures manual and several new chapters had been completed. VA plans to begin issuing revised chapters in late 1989.

**Recommendation:** To better serve the veteran, the Secretary of Veterans Affairs should evaluate as to whether the extent of supervision is sufficient to

provide acceptable quality in claims processing.

**Status:** Action in process. VA has begun to evaluate the adequacy of supervision

to provide an acceptable level of quality in claims processing.

**Veterans Housing**

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

RCED-89-58, 07/12/89

**Background**

Pursuant to a congressional request, GAO reviewed the Department of Veterans Affairs (VA) Home Loan Guaranty Program, focusing on: (1) program effect of Deficit Reduction Act requirements that limited estimated VA losses per foreclosed property to the amount of guaranty on each property, and increased the percentage of foreclosed properties that VA sold for cash; and (2) whether VA could improve the property acquisition and disposition process to reduce program costs.

**Findings**

GAO found that: (1) VA limited its estimated loss to the guaranty amount to meet the act's requirements, but did not estimate the interest costs of holding property in inventory until the property was sold; (2) VA could have reduced its costs by about \$16.6 million in 1987, if it had considered interest costs; (3) VA could also have reduced losses incurred from declines in property value and from cash discounts offered for property resale by about \$25 million in 1987; (4) cash sales for acquired properties increased from about 5 percent prior to the act to about 34 percent in 1987; (5) to increase cash sales, VA gave preference to cash offers that were equal to or greater than 90 percent of the property's listed price; (6) although cash sales had

benefits, VA could have offset those benefits in some cases where buyers were willing to pay more than the listed price if VA financed the mortgage loan; (7) VA used third-party bidding in only 5 percent of its foreclosure sales in 1987; (8) the use of third-party bidding at foreclosure sales precluded VA from using its resources to hold and resell property, which avoided substantial depreciation on property costs; and (9) VA did not buy the least expensive title insurance policies on foreclosed properties.

**Open Recommendations to Agencies**

**Recommendation:** To ensure that VA property acquisition and disposition procedures result in the best financial interests of the government, the Secretary of Veterans Affairs should consider the interest costs associated with acquiring and disposing of properties in deciding whether to leave properties with lenders.

**Status:** Action in process. VA is implementing a regulation to consider interest costs.

**Recommendation:** To ensure that VA property acquisition and disposition procedures result in the best financial interests of the government, the Secretary of Veterans Affairs should determine the cost-effectiveness of the

VA policy of always giving preference to qualified cash offers over offers requiring VA financing as part of the VA study on cash-sale incentives.

**Status:** Action in process. VA is finalizing a study to consider cash/financing trade-offs.

**Recommendation:** To reduce the costs of the loan guaranty program, the Secretary of Veterans Affairs should, to improve the property acquisition and disposition process, encourage more successful third-party bidding at foreclosure sales by establishing a minimum amount for lenders to bid that reflects VA acquisition and disposition costs, including cash discounts.

**Status:** Recommendation valid/action not intended. VA does not concur that action would be beneficial to the program.

**Recommendation:** To reduce the costs of the loan guaranty program, the Secretary of Veterans Affairs should, to improve the property acquisition and disposition process, encourage VA offices to obtain from lenders assurance of good and marketable title through the least expensive means available. If VA offices continue to obtain title insurance policies, they should purchase the least expensive policies.

**Status:** Action in process. VA is revising the regulation.



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