

# Reports Issued in October 1987

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# Reports Issued in October 1987

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## National Defense

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### Defense Budget: Potential Reductions to DOD's Fiscal Year 1988 Ammunition Budget

Acc. No. 134237 (GAO/NSIAD-88-29), Oct. 27.

The President's FY 1988 defense budget request totals about \$3.6 billion for ammunition items and \$168.5 million for ammunition production facilities. GAO believes the request for the ammunition production base is adequately justified. However, about \$577.6 million of the \$3.6 billion request for ammunition items is inadequately justified and should not be funded.

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### Strategic Bombers: Estimated Costs to Deploy the B-1B

GAO/NSIAD-88-12, Oct. 7.

In addition to baseline program funds appropriated or requested for deployment of the B-1B bomber, about \$6 billion more will be needed. This additional money is for enhancements, such as flight simulators and spare parts—items that are not part of the formal B-1B program but which are required to deploy the plane.

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### Additional Costs to Government: Reflagging Kuwaiti Ships and Protecting Them in the Persian Gulf

GAO/NSIAD-88-9FS, Oct. 8.

The military services estimate that \$69.0 million in additive costs will have been incurred from July through September 1987 to protect 11 reflagged Kuwaiti ships. Protection is being provided primarily by the Navy. Its additive costs result from the increased tempo of operations, ship and aircraft fuel and some aircraft maintenance. The Air Force's additive costs are primarily for a support of reconnaissance and refueling aircraft. Additive costs for other forces include transportation of aircraft to the area of operations.

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### Battlefield Automation: Army Air Defense Command and Control System Acquisition and Budget Issues

Acc. No. 134125 (GAO/NSIAD-87-208), Sept. 28.

Estimates for the Forward Area Air Defense Command, Control, and Intelligence System should include all program costs and those related to the Army National Guard, the corps missile battalions, and war reserves. The ground sensor schedule should be revised to reflect the ACCS equipment delay. To reduce schedule concurrence and related risks, the ground sensor production contract should be deferred until 1989.

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This deferral, along with the software development and production integration contracts, will eliminate the need for \$93.2 million of the Army's \$207.8 million FY 1988 FAAD C2I budget request.

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**Aquila Remotely Piloted Vehicle:  
Its Potential Battlefield Contribution Still in Doubt**

Acc. No. 134220 (GAO/NSIAD-88-19), Oct. 26.

Major problems should be corrected before the Army makes its production decision on the Aquila Remotely Piloted Vehicle. Frequent inability to launch the aircraft, difficulty in detecting targets, and survivability require priority attention from a mission performance standpoint. Most of the other planned improvements for resolving problems identified during operational testing are not scheduled to be demonstrated until after the production decision. Army should demonstrate that the problems critical to mission performance have been corrected and that progress has been made in making the system more easily operable and maintainable by Army personnel before the Aquila enters production.

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**Ammunition:  
Analysis of Selected Activities at the Army's Hawthorne Plant**

GAO/NSIAD-88-33BR, Oct. 28.

The Hawthorne Army Ammunition Plant in Nevada was converted from a government-operated plant to a contractor-operated plant in October 1980. This report addresses cost savings and personnel reductions expected from the conversion; contractor performance problems after the conversion; lessons learned from the conversion that could be applied to future conversions; and Army monitoring of the contractor's performance and costs and the contractor-operated ammunition plants.

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**Army Inventory Management:  
Inventory and Physical Security Problems Continue**

GAO/NSIAD-88-11, Oct. 9.

Army's wholesale and retail inventories valued in the billions are misleading and do not reflect the degree of inaccuracies that exist. As a result, complete and accurate information for making important inventory decisions is lacking. Physical security over sensitive munitions also is a problem. The lack of proper storage facilities, insufficient serial number control over the munitions, and guard personnel problems, all add up to increased vulnerability of these types of weapons. Promised corrective actions either have not been taken or have not proven effective.

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**Naval Shipyards:  
Management of Borrowed  
Labor Can Be Enhanced by  
Stronger Internal Controls**

GAO/NSIAD-87-188, Sept. 23.

Shipyards managers believe that borrowing labor is the most expensive alternative to relieve temporary skill shortages because they operate as independent cost centers and are concerned with the costs charged to their individual operations. However, Navy officials, and GAO, believe that when viewed from a governmentwide perspective borrowed labor may be the least costly way to relieve a temporary labor shortage when the borrowed employees are excess to the needs of the lending shipyard. A mechanism is needed for collecting and reporting data on the extent to which alternatives for relieving temporary skill shortages are used so that officials can provide adequate management oversight of the borrowing practices and ensure that the least costly alternative to the government is used.

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**Contractor Pricing:  
Overpricing of AWACS  
Aircraft Color Monitor  
Subcontracts**

Acc. No. 134215 (GAO/NSIAD-88-28), Oct. 22.

A review of material pricing on a Hazeltine Corporation subcontract awarded by Boeing Aerospace Company for the production of color monitors for the E-3A AWACS aircraft revealed that Hazeltine did not provide Boeing with accurate, complete, and current cost or pricing data. Boeing included the overstated price in its proposal to the government. As result, the price of the prime contract was overstated by \$192,222 including \$85,587 in overhead and profit. After Hazeltine gave Boeing an updated bill of material, both companies executed an amended memorandum of agreement. Hazeltine then executed its certificate of current cost or pricing data certifying that the information supplied to Boeing was accurate, complete, and current.

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**Military Officers:  
DOD's Implementation of  
Congressionally Mandated  
Reductions**

GAO/NSIAD-88-1, Oct. 9.

Between FY 1980 and 1985, the number of military officers on active duty increased by 11.3 percent, while the number of enlisted personnel increased by only 3.9 percent. Concerned about the increase in officers, the Congress mandated a 6-percent reduction in the number of commissioned officers on active duty. DOD believes the increase in officers is justified and that reductions will harm its combat capability. GAO found that (1) the Office of the Secretary of Defense has not fully developed plans to allocate the reductions among the services; (2) only the Army has conducted a detailed analysis to determine officer positions that could be deleted with least impact on its combat capabilities; and (3) the

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officer requirements study does not fully explain and justify the increase in the number of officers.

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**Military Personnel:  
Treatment of Prominent  
Athletes on Active Duty**

GAO/NSIAD-87-224, Sept. 29.

Concern has been expressed that some graduates of the U.S. Naval Academy may have received preferential treatment in their post-graduation assignments to allow them to participate in professional athletics. The services have no written policies concerning the participation of active-duty personnel in professional sports although there are regulations concerning assignments and off-duty employment in general. This report investigates three prominent Naval Academy athletes and whether they have received favoritism.

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**Contract Pricing:  
Material Prices Overstated  
on Ground/Vehicular  
Laser Locator Designators**

Acc. No. 134131 (GAO/NSIAD-88-25), Oct. 13.

Prices of contracts for Ground/Vehicular Laser Locator Designators awarded to Hughes Aircraft Company were overstated by \$2,339,601 because Hughes (1) did not disclose accurate, complete, and current material prices, (2) made a computation error, and (3) did not disclose an updated bill of material. Contract prices were overstated by an additional \$1,777,396, including overhead and profit, because the Army contracting officer (1) did not rely on a Defense Contract Audit Agency recommendation regarding anticipated material price reductions between Hughes and its vendors and (2) accepted escalation on material costs even though they were based on firm vendor quotations. GAO believes that the Department of the Army should initiate action to recover these funds from Hughes.

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**Navy Contracting:  
Award of a Contract at  
Whidbey Island Naval Air  
Station**

GAO/NSIAD-88-10BR, Oct. 7.

Procedures followed in awarding a 5-year contract at Whidbey Island Naval Air Station, Oak Harbor, Washington, to Del-Jen, Inc., were not consistent with Office of Management and Budget or Navy guidance. An allegation concerning a conflict of interest in the award of the contract was investigated: it was determined that there was no violation.

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**ADP Modernization:  
Status of Proposed  
Enhancements to Defense  
Logistics Agency Systems**

Acc. No. 134214 (GAO/IMTEC-88-4FS), Oct. 22.

Sixteen proposed enhancements to the Defense Logistics Agency's automated information systems will cost over \$122 million. DLA has requested FY 1988 funds for 10 of the 16 enhancements. Funds for remaining 6 enhancements were not requested because DLA intends to fund them with money available from previous appropriations.

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**Financial Audit:  
Military Retirement  
System's Financial  
Statements for Fiscal Year  
1985**

Acc. No. 134213 (GAO/AFMD-87-35), Sept. 30.

GAO found internal accounting control weaknesses in the military retirement system's fund. The services reported accounts receivable to the Fund of \$1.8 million. GAO identified an additional \$5.8 million that should have been reported. Accounts payable shown in the statement of net assets available for benefits were understated by \$67.8 million for a death payment contingency. Accounts payable are understated by an additional \$7 million for Army retirees and survivors not yet receiving benefits, pending approval of their claims.

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**International Affairs**

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**Export Credit Insurance:  
Assessment of Export-  
Import Bank's Role**

Acc. No. 134124 (GAO/NSIAD-87-189), Sept. 30.

The Export-Import Bank's export credit insurance program assists in the expansion of exports and provides a facility comparable to those available to foreign exporters in major competitor countries. The level of U.S. exports depends on exchange rates and demand for U.S. products; the availability of export credit insurance alone will not have a significant effect on increasing export sales. GAO believes that the government would need to provide this insurance, at least in the near term. The insurance program incurred large losses in the early 1980s and all but four Federal Credit Insurance Association member firms withdrew from the Association. While Eximbank does not need to employ an agent for delivering the insurance services, FCIA's overall performance and its special expertise support a continuation of that agency relationship at the present time. FCIA has taken steps to improve its operations and the delivery of its service, but further actions are needed to reduce costs and improve program efficiency and effectiveness.

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**International Trade:  
FAS Management of  
Livestock Cooperator  
Program**

GAO/NSIAD-88-24, Oct. 26.

Livestock exporters have made allegations that, although cooperators—private nonprofit agricultural organizations—are beneficial in promoting livestock abroad, problems arise when they, through their subsidiaries or certain selected exporters, benefit commercially through sale of these commodities or through commissions from sales that result from Foreign Agricultural Service-funded market development efforts. The exporters believe this results in unfair competition and conflict of interest and that if cooperators continue these practices FAS funding should be discontinued. This report focuses on whether trade leads are being distributed by cooperators in a timely manner to other livestock exporters.

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**South Africa:  
Status Report on  
Implementation of the  
Comprehensive Anti-  
Apartheid Act**

GAO/NSIAD-88-44, Oct. 21.

The Anti-Apartheid Act (1) provides guidelines for U.S. policy in southern Africa and economic sanctions against South Africa; (2) provides impetus for the President to obtain foreign cooperation for the sanctions; (3) authorizes measures to assist the victims of apartheid; and (4) calls for reporting requirements by the administration on certain political, economic, social, and legal issues concerning South Africa. This report examines the administration's compliance with the deadlines and policy objectives of the act, its enforcement of the act, the operation of assistance programs designed to help the victims of apartheid, and administration efforts to obtain multilateral cooperation for sanctions against South Africa.

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**Financial Audit:  
Panama Canal  
Commission's Financial  
Statements for 1986 and  
1985**

Acc. No. 134200 (GAO/AFMD-87-45 0, Sept. 30).

The Panama Canal Commission is a federal agency which manages, operates, and maintains the canal and its complementary works, installations, equipment and provides for the orderly transit of vessels through the canal. The commission will perform these functions until the treaty terminates in December 1999, when the Republic of Panama will assume full responsibility for the canal. Total assets for 1986 were \$889,332,292.



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## Science, Space, and Technology

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### Space Shuttle Accident: NASA's Actions to Address the Presidential Commission Report

GAO/NSIAD-88-30BR, Oct. 30.

In January 1986, the Space Shuttle Challenger was destroyed shortly after lift-off. In response to a Presidential Commission report on the accident, NASA has performed extensive work to return the shuttle to safe flight. In many cases, it has exceeded the specific recommendations in the report in order to address related issues and/or problem areas. This report discusses each of the Commission's 39 specific recommendations and identifies many of the actions NASA is taking.

### Satellite Acquisition: Global Positioning System Acquisition Changes After Challenger's Accident

GAO/NSIAD-87-209BR, Sept. 30.

At the time of the Challenger accident in January 1986, the global positioning system program was completely dependent on the space shuttle for launching the 28 Block II satellites. By March, the Air Force had begun planning for shifting to unmanned boosters for launching GPS satellites and signed a contract for seven boosters capable of launching the first nine production satellites. Several major contracts in process at this time were modified by stopping some work, partially canceling the contract for 28 upper stage boosters, and delaying the need for additional 20 Block II-R replenishment satellites. The Air Force is still determining how and when these actions will be completed and what effect they will have on program funding requirements.

### NASA Procurement: The 1973 Space Shuttle Solid Rocket Motor Contractor Selection

GAO/NSIAD-87-215, Sept. 23.

The National Aeronautics and Space Administration assembled a Source Evaluation Board to evaluate proposals on the solid rocket booster motor; it chose Thiokol Chemical Corporation. This report addresses whether (1) NASA complied with applicable procurement regulations in replying to a bid protest decision on the 1973 source selection, (2) NASA's staff responsible for the source selection violated standards for federal employees to follow in avoiding conflicts of interest, and (3) the membership of NASA's Source Evaluation Board for the solid rocket booster motor complied with the Federal Advisory Committee Act.

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## Energy

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### Nuclear Test Lobbying: DOE Regulations for Contractors Need Reevaluation

Acc. No. 134209 (GAO/RCED-88-25BR), Oct. 9.

Allegations had been made that the Department of Energy was improperly employing contractors to assist in lobbying the Congress on nuclear weapons testing issues. The antilobbying criminal statute has been interpreted by the Department of Justice as allowing federal officials to provide information to the Congress and to state their views on proposed legislation but prohibits "grass-roots" lobbying by federal employees. Thus, DOE's extensive briefings of congressional Members and staff to influence their views on nuclear weapons testing issues did not violate applicable statutory provisions.

### Oil Reserves: An Analysis of Costs— Past, Present, and Future

GAO/RCED-87-204FS, Sept. 29.

This fact sheet determines (1) the total federal expenditures to date on the Strategic Petroleum Reserve per barrel of crude oil stored, with costs allocated among operations, construction, and oil, (2) the estimated additional per-barrel expenditures of the federal government over the next 5, 10, and 15 years, allocated among the same cost categories and assuming no changes in existing federal policy on reserve levels, and (3) in the event of an SPR drawdown, the amount any purchaser of crude oil from the SPR would pay per barrel under existing federal policy.

### Alternative Fuels: Information on DOE's Methanol Vehicle Demonstration Program

Acc. No. 134134 (GAO/RCED-88-38BR), Oct. 7.

The Department of Energy established a methanol vehicle demonstration program to encourage the fuel's increased use by stimulating the commercial readiness of methanol-fueled vehicles. This report discusses why other federal agencies have not participated in the program, DOE's experience in acquiring and operating demonstration fleets, coordination between the DOE and Department of Defense programs, and a recent initiative to acquire flexible-fueled vehicles that can operate on gasoline, methanol, or a combination of both fuels.

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**Federal Electric Power:  
Western Area Power  
Administration's Tracy/  
Livermore Transmission  
Project**

GAO/RCED-88-19, Oct. 27.

The Western Area Power Administration is a Department of Energy agency that markets electric power generated by federal hydroelectric dams in 15 central and western states. Western is planning to construct the Tracy/Livermore transmission line and GAO found no legal basis to question Western's authority on its plan. With a direct tie line, the Livermore Laboratory will have greater flexibility in obtaining its power from other utilities. In addition, the ultimate savings to be realized from the project will depend upon the extent to which a number of events anticipated by Western's analysis in support of building the line actually occur.

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**Software Distribution:  
Review of the Department  
of Energy's National  
Energy Software Center**

GAO/IMTEC-88-2, Oct. 14.

The National Energy Software Center manages and controls the transfer of computer software to other governmental agencies, the private sector, and foreign recipients. This report provides information on the Center's top 30 computer programs; program categories; records of distribution by foreign recipients to other countries; records of the domestic or foreign recipient's improvements of software distributed by the Center and whether this leads to commercialization; computer programs the Center shipped to Italy in recent months; and computer programs that are contained in the Center's more sensitive categories and those that have been shipped to foreign requesters in recent months.

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**Natural Resources and  
Environment**

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**Superfund:  
Improvements Needed in  
Work Force Management**

Acc. No. 134238 (GAO/RCED-88-1), Oct. 26.

The Superfund program faces the task of cleaning up perhaps thousands of hazardous waste sites, necessitating the services of various skilled personnel. But Superfund employees believe that the program was understaffed by as many as 600 full-time employees in early 1987; turnover more than doubled to surpass federal rates in FY 1986. The workers receive less pay than do their private-sector counterparts, according to the government's pay survey and need more training.

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**Hazardous Waste:  
Issues Surrounding  
Insurance Availability**

Acc. No. 134208 (GAO/RCED-88-2), Oct. 16.

Although more than 10,000 companies generate, handle, or dispose of hazardous substances, few of them have insurance for pollution risks. The Environmental Protection Agency has established minimum financial responsibility requirements, including insurance, for facilities that treat, store, or dispose of hazardous wastes but has not established similar requirements for other classes of facilities with pollution risks. Liability standards for cleanup costs have been consistently upheld by the courts. The ability to obtain compensation by those claiming to be victims of pollution for bodily injury and property damage is less clear. A survey of pollution claims closed in 1985 showed that insurers were generally not making high claims payments at that time. Data on pollution claims closed after 1985 would be needed to establish trends in pollution claims payments.

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**Hazardous Waste:  
Controls Over Injection  
Well Disposal Operations**

GAO/RCED-87-170, Aug. 28.

There have been few confirmed cases of drinking-water contamination from hazardous waste injection wells. However, because the contamination is hard to detect, it cannot be said with certainty that no other cases exist. Neither the Environmental Protection Agency nor the states require that groundwater immediately above injected waste be sampled and tested for contamination. In monitoring 21 wells in 2 states for which EPA has direct oversight responsibility, GAO found that the agency did not perform the required periodic inspections during FY 1985 and 1986. Effective in August 1988, underground hazardous waste injection will be banned except where it can be shown that the waste can be fully contained within the injection zone and will not spread into unintended areas; the burden of proof will fall on the well operator. EPA expects that, with few exceptions, wells operating today will be able to meet this test and will, therefore, continue to inject hazardous waste underground.

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**Mineral Resources:  
Interior's Actions on Three  
Coal Leases**

GAO/RCED-87-193, Sept. 30.

A Bureau of Land Management proposal to suspend portions of three coal leases in western Colorado owned by West Elk Coal Company was designed to improve the likelihood that Atlantic Richfield would comply with a provision prohibiting a company and its affiliates from obtaining additional onshore federal mineral leases covered by the act, including

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oil and gas, if the company is not producing commercial quantities of coal from a federal lease within a certain time frame. GAO found that although BLM was prepared to act on the proposal discussed in the memorandum the companies have not done so and BLM has taken no action on the proposal. However, Atlantic Richfield and West Elk are pursuing their appeal of BLM's determination of recoverable reserves.

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**Mineral Revenues:  
Interior's Control Over Oil  
and Gas Allowances**

GAO/RCED-87-207BR, Sept. 17.

Interior's Mineral Management Service's method of controlling gas allowances has three parts: (1) prior approval of allowances that companies expect to claim, (2) computerized comparison of allowances approved with allowances claimed, and (3) audits to verify the validity of allowances deducted. MMS uses only prior approval of allowances and audits, and these have had limited scope and effectiveness. MMS has initiatives underway that can affect control of allowances claimed—new product value regulations and computerized monitoring to identify claimed allowances that warrant further review. Because these actions have not been implemented, GAO doesn't know how MMS' controls on allowances will be affected.

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**Agriculture**

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**Farm Payments:  
Analysis of Proposals to  
Amend the \$50,000  
Payment Limit**

Acc. No. 134210 (GAO/RCED-88-42BR), Oct. 9.

This briefing report presents a side-by-side comparison of current law and regulations, H.R. 3042, and an alternative proposal. H.R. 3042 would prevent program abuses such as the proliferation of paper corporations each of which would get its own \$50,000 payment. The alternative proposal would close some loopholes in the existing law and regulations and prevent the Department of Agriculture from administratively closing others. It effectively increases the basic payment limit from \$50,000 to \$100,000 per person and doubles the other existing payment limits.

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

Acc. No. 134133 (GAO/RCED-87-142), Sept. 30.

Because of inconsistent and incomplete policies and, in some cases, a lack of notification of appropriate officials, the Food Safety and Inspection Service did not always attempt to locate and remove from U.S. food channels the remaining portions of lots from which samples were taken that showed chemical residue violations. FSIS has little information about the risk of residues in imported live animals: in 1986 about 60 percent of imported live animals came from Mexico where residues were detected in the meat. When the animals are slaughtered in U.S. plants, they are tested only for chemicals used in the United States. GAO believes that the Department of Agriculture should not require foreign meat processing plants to furnish quality control reports nor extend country-of-origin labeling of imported meat beyond that currently required.

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**Food Stamp Program:  
Error Rate Adjustments  
and Sanctions**

GAO/RCED-88-10, Oct. 22.

The Department of Agriculture uses error rates to assess sanctions against states for not complying with the Food Stamp Program's quality control review requirements. The Department may adjust a state's error rate for not completing the prescribed number of reviews and for reporting less in payment errors than actually occurred. These noncompletion adjustments are used to encourage states to complete required quality control reviews and thus avoid an increase in their error rates and possible increase in their sanctions. They have the potential to financially penalize some states that have higher completion rates than other states that may avoid sanctions altogether. Because of this potential, alternative ways are needed to (1) more accurately estimate the error rate and (2) assess penalties for not-completed case reviews.

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**Food Stamp Program:  
National Academy of  
Sciences'  
Recommendations on the  
Sanctions Backlog**

GAO/RCED-88-36BR, Oct. 21.

The National Academy of Sciences' proposed changes for handling the backlog of food stamp sanctions are similar to those Agriculture uses to calculate the sanction amount. However, its proposal differs substantially in the criteria used to determine if a state should be sanctioned. The Academy recommends using the lower bound (limit) of the error-rate estimate range that results from a state's error-rate sample to determine whether a state should be sanctioned. Hence, a state would be sanctioned only if the lower bound of the Academy's "yet-to-be recommended" error-rate estimate exceeds the state's target error rate. In

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addition, the Academy would require that the interval between the "yet-to-be-recommended" estimate and its lower bound be (1) the same for all states and (2) based estimates for the fiscal year involved.

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**Food Stamp Program:  
Evaluation of Improper  
Denial or Termination  
Error Rates**

GAO/RCED-88-12, Oct. 22.

A GAO survey of Illinois and Maryland detected 40 and 15 percent, respectively, of improper denials or terminations of food stamps to households. Forty-two percent of the households identified as having been improperly denied or terminated from the Food Stamp Program lost benefits as a result of the errors. Such errors caused the households to lose \$10 to \$234 in monthly food stamp benefits to which they were entitled. The Department of Agriculture was unaware of the problem because it is not required to routinely validate results of state reviews.

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**Supplemental Food  
Program:  
Using Cost Saving Methods  
Could Increase  
Participation**

GAO/RCED-88-35BR, Oct. 9.

Any savings achieved through the cost saving practices under the Special Supplemental Women, Infants, and Children program must be used solely to purchase food for additional eligible WIC participants. One food item—infant formula—has been purchased by some states through competitive bids for less than retail cost. Based on cost saving methods used by six states to purchase the formula at less than retail cost, between 221,400 and 630,200 additional eligible WIC participants might be served nationwide with savings achieved if all states purchased infant formula at reduced rates similar to those of the six states. Actual savings nationwide, however, are likely to be different because all states might not be able to purchase infant formula for savings rates with the range achieved by the six states.

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**Surplus Commodities:  
Temporary Emergency  
Food Assistance Program's  
Operations and  
Continuance**

GAO/RCED-88-11, Oct. 19.

Temporary Emergency Food Assistance Programs in Georgia, New Jersey, and Pennsylvania believe the program is achieving its objectives of reducing surplus commodity inventories while providing supplemental food assistance to needy individuals. These state officials, however, have questions about the method that the Department of Agriculture uses to allocate commodities and/or administrative funds among states, the recordkeeping and other accountability requirements, and how the program's continuance might affect state operations.

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## Agricultural Trade: Trends in Imports of Fruits, Vegetables, and Other Agricultural Products

GAO/RCED-87-177FS, Sept. 29.

The value of agricultural exports fell 40 percent over the past 5 years, dropping from about \$43 billion in 1981 to about \$26 billion in 1986. During this same period, the value of imports increased 20 percent, rising from less than \$17 billion to over \$21 billion. Some view the decline as a sign that the United States has lost its competitiveness in world agricultural export markets. Others predict that the U.S. agricultural trade balance will stabilize once again. Fruits and vegetables comprised almost a quarter of competitive imports in 1986, the major sources being Mexico and the European Community. Fruit imports grew from about \$350 million in 1975 to about \$1.6 billion in 1986. Vegetable imports almost tripled from 1975 through 1986, rising from about \$537 million to \$1.6 billion.

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## Farm Programs: USDA's Wheat Poll—The Results Are Not Reliable

Acc. No. 134221 (GAO/RCED-88-6), Oct. 23.

The Food Security Act of 1985 required that the wheat poll be taken to determine whether wheat producers favored mandatory limits on wheat production that would result in prices not lower than 125 percent of the cost of production as determined by the Secretary of Agriculture. GAO found the poll results unreliable because of weaknesses in the poll's design and administration. Because of the weaknesses, the extent that producers targeted by the law favored or opposed mandatory production controls may or may not be significantly different from that measured by the poll.

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## Commerce and Housing Credit

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### Postal Service: Processing of ZIP + 4 Letters Receiving Postage Discounts

GAO/GGD-88-5, Oct. 16.

Between 1985 and 1987 about 5 billion ZIP + 4 letters nationwide received almost \$28 million in ZIP + 4 postage discounts. These discounted letters represented less than 5 percent of all First-Class mail processed by the Postal Service nationwide during the period. GAO estimates that the Service used bar code sorters to process about 10 percent



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of the discounted letters to carrier routes. It gave about \$23 to \$25 million in discounts on the 90 percent that BCSS did not process to carrier routes. Even though the percentage processed automatically remained relatively small, full automated processing increased in the last six months of the period. More discounted letters received full automated processing in those months than during the previous 12 months.

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**ADP System:  
Patent Office's Contract  
Renegotiation Behind  
Schedule**

GAO/IMTEC-87-35, July 31.

Some progress is being made in renegotiating the Department of Commerce's automated patent system contract but the schedule is behind because of delays in the preparation and approval of detailed statements of work. Audit reports on the contract by the Defense Contract Audit Agency contain findings that may delay execution of the final contract modification. Commerce now expects to complete the renegotiation 2 to 3 months beyond its original October 1987 deadline.

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**Trademark ADP System:  
Patent Office Should  
Analyze Alternatives  
Before Contract Award**

GAO/IMTEC-87-44, Aug. 27.

This report addresses the justification for the procurement of replacement hardware and software for the Department of Commerce's Patent and Trademark Office's automated trademark system. PTO estimated this procurement to cost about \$22 million. GAO believes that awarding the contract on its current planned schedule is unnecessary because PTO's computer capacity problems are not as critical as it believes. There are no work-load backlogs, and PTO has not explored options to improve response times. Also, because PTO does not adequately manage computer capacity planning or performance evaluation, it has not identified the causes of computer performance problems and attempted to correct them.

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**Financial Audit:  
Government National  
Mortgage Association's  
Financial Statements for  
1986**

Acc. No. 134235 (GAO/AFMD-87-55), Sept. 30.

In 1985 the Government National Mortgage Association announced its intent to liquidate its mortgage loan portfolio. It made no adjustment in its 1985 financial statements to revalue the portfolio to be liquidated at the lower of cost or market, as required by generally accepted accounting principles. This report reduces the investment of the U.S. Government as of September 1985, to reflect a portfolio loss of \$460.2 million from book value (original cost) to the lower current market value.

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**Financial Audit:  
Rural Telephone Bank's  
Financial Statements for  
1986**

GAO/AFMD-87-54, Sept. 30.

The Rural Telephone Bank provides supplemental financing for the Rural Electrification Administration's telephone program borrowers. Its amount of net income and retained earnings accumulated appears to be higher than necessary—for the 3-year period ending September 1986 the net income exceeded \$60 million after payment of cash dividends. Its reserve balance was almost \$77 million. The bank also has a number of outstanding loan commitments with fixed interest rates that are higher than currently prevailing market interest rates. Adjusting those interest rate commitments to more appropriately reflect interest rates at the time of drawdown would provide relief to borrowers, thus ensuring the availability of funds at reasonable costs.

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**Transportation**

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**Railroad Regulation:  
Shipper Experiences and  
Current Issues in ICC  
Regulation of Rail Rates**

GAO/RCED-87-119, Sept. 9.

Rail shippers and their trade associations have charged that the Interstate Commerce Commission has made it difficult for a shipper to prove that a rail rate is unreasonable. The Staggers Rail Act's major goal was to provide a regulatory process that balances the needs of railroads, shippers, and the public. This report provides information on how shippers obtain rate relief from ICC under the Staggers Rail Act and whether any shippers have done so.

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**Buy America  
Requirements:  
Federal Enforcement  
Questioned in Sacramento  
Mass Transit Procurement**

GAO/RCED-87-162FS, Sept. 1.

The Urban Mass Transit Administration's finding that 15 light rail vehicles just completed by Siemens Energy and Automation, Inc. for the Sacramento Regional Transit District were in violation of the Buy America requirements was disputed by both Siemens and SRT. The case involved confusion over UMTA's Buy America's certification and bid requirements and disagreements over interpretation of the Buy America compliance requirements in the Surface Transportation Assistance Act. Seeking to minimize the confusion which gave rise to the case, UMTA revised its regulation to further specify the Buy America certification requirements. Congress then amended the Surface Transportation Assistance Act to clarify the Buy America compliance requirements.

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**FAA Staffing:  
Challenges in Managing  
Shortages in the  
Maintenance Work Force**

GAO/RCED-87-137, Sept. 25.

The number of Federal Aviation Administration specialists who maintain and repair air traffic equipment has decreased faster than FAA had projected. Current technician shortages are beginning to negatively affect equipment performance and other operation areas. In addition, the airline industry is experiencing an increase in flight delays caused by equipment failures. Without hiring in anticipation of attrition, staffing will become more critical because of (1) the retirement profile of the technician work force, (2) extensive training required to develop replacements, and (3) delays in the installation of new systems designed to reduce maintenance requirements. Unless corrective actions are taken, reduced staffing levels could result in a reduction in service. Corrective actions alone will not be sufficient to address attrition. In its planning FAA needs to develop a continued hiring program to begin rebuilding its technician work force.

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**FAA Staffing:  
FAA's Definition of Its  
Controller Work Force  
Should Be Revised**

Acc. No. 134216 (GAO/RCED-88-14), Oct. 23.

FAA's definition of the controller work force would be more accurate if it were changed to include only those who are responsible for separating and controlling air traffic. This would require adding first-line supervisors and traffic management coordinators who spend part of their time controlling traffic. Persons who do not control air traffic would no longer be counted as part of the controller work force.

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**Housing and  
Community  
Development**

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

Acc. No. 134078 (GAO/RCED-87-165), Sept. 30.

Since the inception of the Department of Housing and Urban Development's single family housing insurance program, HUD has lost several billion dollars as a result of mortgage defaults and subsequent resales. The program sustained a \$629 million loss in FY 1986 caused by weaknesses in the appraisal process and adverse economic conditions in certain areas of the country. HUD's selection of appraisals for review is not

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based on a systematic, statistical sample and the agency does not exercise sufficient internal controls over the field review process. HUD has not corrected these problems and has not adequately addressed its practices of training or terminating unsatisfactory appraisers.

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## Social Services

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### Block Grants: Federal Set-Asides for Substance Abuse and Mental Health Services

GAO/HRD-88-17

Legislation requires that states set aside a percentage of their Alcohol, Drug Abuse and Mental Health Services Block Grant funds for services. These funds are to be used specifically for new or expanded services to women, substance abusers and underserved mentally ill children, adolescents, and other underserved populations. GAO's review of eight states revealed that they use a variety of procedures to collect information about program needs. Most states allocated their funds according to historical trends or to maintain existing service delivery systems, rather than relying on the results of their needs assessments. The states also used different strategies to respond to the requirements to set aside funds for women substance abusers and underserved mental health populations. In 40 percent of the cases, states increased their commitment to provide required services. In the remaining cases, states addressed the requirements by either using projects that had already planned or passing the responsibility for the requirements to local service providers.

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

Acc. No. 134203 (GAO/HRD-87-76), Sept. 30.

Since 1965, the Guaranteed Student Loan Program has provided over \$60 billion in loans to students seeking a postsecondary education. Of these loans, students have defaulted on more than \$4 billion, \$1.3 billion of which occurred in FY 1986. New, more stringent loan collection procedures have helped reduce federal default costs. But additional legislative and regulatory changes would further reduce the default costs and increase federal revenue. Guaranty agencies should share all default payments with the Department of Education and remit collections quicker. Other changes might include increasing defaulters' interest

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rates, using a national information system to verify student loan eligibility, and continuing to use federal income tax returns to offset student loan debts.

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**Guaranteed Student Loans:  
Analysis of Insurance  
Premiums Charged by  
Guaranty Agencies**

Acc. No. 134207 (GAO/HRD-88-16BR), Oct. 7.

This report compares the insurance rates charged by 17 guaranty agencies, including the Higher Education Assistance Foundation, which was the designated guarantor for five states and the District of Columbia. The agencies received \$83 million in premium receipts in fiscal year 1986, with effective insurance rates ranging from 0.64 percent to 2.87 percent. Ten of the 17 agencies lowered their effective insurance rates while 7 increased their rates. Had the 17 agencies charged the maximum insurance rate of 3 percent, they could have earned (1) \$91 million more than they actually received in fiscal year 1986 and (2) \$104 million more than they could have earned with their current insurance rates.

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**Deaf Education:  
The National Mission of  
Gallaudet's Elementary  
and Secondary Schools**

Acc. No. 134204 (GAO/HRD-87-133 0, Sept. 30).

Gallaudet University's two pre-college schools have the national mission activities of research, development and evaluation of teacher guides and other educational materials, and dissemination of these products and technical assistance to educators of the deaf. Gallaudet estimates that it spends about \$9 million annually on these missions. Costs are in ranges because individual projects are not documented. Recordkeeping is sporadic and lack evidence that projects are monitored. There is strong customer satisfaction of the services. However, Gallaudet's marketing strategy, which relies primarily on the bookstore catalog, has resulted in limited dissemination of its products and services.

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**Noncash Benefits:  
Methodological Review of  
Experimental Valuation  
Methods Indicates Many  
Problems Remain**

GAO/PEMD-87-23, Sept. 30.

Increasingly, the poor have been receiving federal assistance through goods and services rather than cash. Until recently, cash-only measures of income and poverty had been available. Now the Bureau of the Census has developed experimental methods for assigning a dollar value to noncash benefits. However, these methods are controversial and have not been systematically assessed. GAO developed an empirical evaluation approach for assessing poverty indicators to the Bureau's methods and found that 10 of 11 issues examined have sizable effects on poverty

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rates; 8 of these were in the direction of either reclassifying persons as nonpoor or misclassifying them as out of poverty when in fact they were not. The Bureau's estimate can be misleading as to how many, and who, are no longer considered to be poor as a result of the inclusion of noncash benefits.

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**U. S. Commission on Civil Rights:  
Commission Publications  
During Fiscal Years 1978-1986**

GAO/GGD-87-117BR, Sept. 25.

The number of publications issued each year by the new Commission on Civil Rights has declined significantly compared to the number issued by the old Commission. The largest decline was in state advisory committee reports. The committees also produce documents called briefing memoranda—informal, unpublished, internal documents that describe for the Commissioners the results of local community forums. These forums enable the advisory committees to identify and share with the Commission how community leaders perceive local civil rights problems. The Chairman of the Commission believes that a count of publications was an inadequate measure of assessing effectiveness of the old and new Commissions. The Commission is an advisory body and the issuance of publications is the primary means by which it presents the results of its work to the public.

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## Health

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**Medicare:  
Catastrophic Illness  
Insurance**

Acc. No. 134132 (GAO/PEMD-87-21BR), July 30.

Congress approved two new bills which would expand Medicare coverage for catastrophic illness by increasing the number of covered hospital days and altering deductibles and coinsurance payments. However, some gaps remain—coverage for long-term care, coverage for prescription drugs, and certain out-of-pocket expenses. GAO reviewed the experiences of five states implementing the catastrophic illness programs and found that high costs and rapid growth in program costs was a general characteristic; some states included assets as a factor in eligibility determination; and the states used deductibles, coinsurance, and limits to coverage to control the cost growth. Despite the benefits available to the elderly with these two new bills, some of them would still be at risk for substantial out-of-pocket health care expenses, even if the bills are enacted.

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**Medicare:  
Comparison of  
Catastrophic Health  
Insurance Proposals—An  
Update**

GAO/HRD-88-19BR, Oct. 16.

The two new proposals by the Congress—H.R. 2470 and S.1127—to expand Medicare coverage for catastrophic illness would still leave the elderly at risk of high out-of-pocket costs. First, Medicare provides only minimal coverage of long-term care services for the chronically ill elderly. Second, Medigap policies primarily cover only the deductibles and coinsurance for Medicare-covered services rather than expand coverage to other services. Neither bill would relieve Medicare beneficiaries of charges in excess of Medicare-approved rates by physicians not accepting the Medicare-determined reasonable charge. Medigap policies generally will not pay for charges above the Medicare-approved rate. And providing further relief under the new bills to those elderly who incur high out-of-pocket health care expenses would obviously increase Medicare costs.

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**Medicare:  
Better Controls Needed for  
Peer Review  
Organizations' Evaluations**

Acc. No. 134236 (GAO/HRD-88-13), Oct. 8.

The Health Care Financing Administration's contract renewal evaluation process for Peer Review Organizations had instructions that were inconsistent, incorrect, or not properly implemented by the panels, and documentation of the panels' and HCFA's decisions were not always adequate. In addition, HCFA's procedures for monitoring current contracts sometimes lacked criteria to enable monitoring personnel to distinguish between acceptable and unacceptable PRO performance. Also, HCFA set the overall funding for the program on the basis of the minimum amount allowed by law.

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**Nuclear Health and Safety:  
Radiation Exposures for  
Some Cloud-Sampling  
Personnel Need to Be  
Reexamined**

GAO/RCED-87-134, Sept. 29.

Between 1945 and 1962, nearly 200,000 Americans participated in the atmospheric nuclear weapons testing program, with more than half receiving some level of radiation exposure. In 1985, a public interest group reported that a radiation monitoring device installed inside aircraft that had penetrated the nuclear clouds read more than twice the level of radiation recorded on film badges worn by the aircraft crews suggesting that a reexamination of radiation exposure should be made. Ground personnel working on the testing program did not consistently wear protective breathing devices when working around radioactively

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contaminated cloud-sampling aircraft and the effect of that lack of protection on how much internal radiation they may have received needs to be evaluated.

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**Undocumented Aliens:  
Estimating the Cost of  
Their Uncompensated  
Hospital Care**

GAO/PEMD-87-24BR, Sept. 16.

Until recently, undocumented aliens were specifically excluded from eligibility for Medicaid. As a result, states and counties have had to shoulder much of the financial burden. Most methods previously used to estimate the costs of health care provided undocumented aliens were flawed by a lack of accurate data; hospitals and health economists differed on what to include in the definition of uncompensated care and how to assign dollar values to it. GAO believes that (1) efforts to test and finalize new approaches to the identification of undocumented aliens' use of health care should await full implementation of the new alien laws and (2) future estimates of the uncompensated cost of such care should be considered in the context of other issues contributing to uncompensated care. The estimates should also address the methodological problems associated with previous cost estimates.

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**ADP Procurements:  
Food and Drug  
Administration  
Circumvented  
Procurement Regulations**

GAO/IMTEC-87-48, Sept. 11.

There are serious weaknesses in the Food and Drug Administration's management controls over ADP procurements. FDA circumvented the General Services Administration's delegation of procurement authority thresholds, as prescribed in federal procurement regulations and Health and Human Services guidelines. Procurement of computer equipment supporting an office automation project violated the same regulations and guidelines. FDA used its own draft procurement guidelines to support its actions in conducting these procurements. These guidelines are inconsistent with federal regulations and HHS guidelines.

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**Health Risk Analysis:  
Technical Adequacy in  
Three Selected Cases**

Acc. No. 134077 (GAO/PEMD-87-14), Sept. 30.

Risk analysis is the process of examining information concerning the level of risk posed by a hazard source, the acceptability of that risk level, and possible actions to reduce the risk. GAO investigated the quality of the risk analysis activities at the Food and Drug Administration, the Occupational Safety and Health Administration, and the Environmental Protection Agency. Risk management in all three cases exhibited



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serious problems. The integration of policy options and risk assessment results was poorly documented, and the basis for regulatory decisions was unclear. Follow-up evaluations of the regulatory actions were not generally performed, largely because of cost or technical infeasibility. This means that the agencies cannot determine the risk reduction, if any, that is achieved by regulation.

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**Public Health Service:  
Disapproval of a Grant  
Application for Migrant  
Health Services**

GAO/HRD-87-129, Sept. 21.

The Department of Health and Human Services' Public Health Service in Philadelphia's regional office disapproved a grant to Telamon Corporation for continued funding of the Shenandoah Migrant Health Clinic in Winchester, Virginia because it believed the relatively small number of migrant workers involved could be serviced at less cost. Telamon's appeal of this decision was denied. The regional office later awarded a 12-month supplement of \$69,249 to the existing grant, under which health services are provided to migrants in parts of West Virginia. GAO's review showed no basis for questioning the actions or decisions of either the regional office or the Appeals Board.

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**Financial Audit:  
Statement of  
Accountability for the  
Office of the Attending  
Physician for 1986**

Acc. No. 134201 (GAO/AFMD-87-60), Sept 30.

The Legislative Branch Appropriations Act, 1986, provided funds to the Office of the Attending Physician for monthly allowances of \$1000 for the Attending Physician, \$600 for the senior medical officer, and \$200 for the other medical officers and assistants. The unexpended balance as of September 1986 was \$17,963.

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**Income Security**

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**Equal Employment  
Opportunity:  
Some Racial Imbalance in  
SSA Region X; Better Data  
and Remedies Needed**

GAO/HRD-88-6, Oct. 13.

The Social Security Administration's Region X is located in Seattle and includes Alaska, Idaho, Oregon, and Washington. Both the Region X work force and the civilian labor force in the Seattle area included a small ratio of blacks. Because of the relatively small numbers, in most cases an increase of one or two employees could change a minority

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group's status from that of being underrepresented to being fully represented. However, SSA data showed that as of September 1986 blacks were underrepresented in some grades/grade bands in certain job series. But where underrepresentation existed for blacks, Region X's affirmative action plan did not fully comply with the Department of Health and Human Services and/or equal employment opportunity requirements.

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**Social Security:  
Payment Accuracy Rates  
Are Overstated**

GAO/HRD-88-10, Oct. 29.

Over 33 million beneficiaries received about \$175 billion in Social Security benefits during FY 1986. These beneficiaries rely on SSA to calculate and pay the correct benefits. But when the payment benefits are incorrect not all the detected errors are included when accuracy rates are calculated because of how SSA interprets errors. Consequently, GAO believes actual error rates are about twice what SSA calculates. This means that in 1986 about 4.2 million persons were overpaid or underpaid benefits totalling \$1.1 billion. In calculating the total impact of all errors on individual cases over time, GAO found almost two-thirds of errors were underpayments and most would not have been likely to be detected by routine SSA processes.

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**Social Security:  
Effects of Budget  
Constraints on Disability  
Program**

GAO/HRD-88-3, Oct. 28.

In reviewing the effects of the Social Security Administration's budget constraints, GAO found that state agencies' work-years for 1987 were reduced 3.7 percent from their 1986 level. For FY 1988, SSA plans to reduce state agencies' staff resources by 3.5 percent. SSA limited the number of continuing disability reviews it required the states to do in FY 1987 and reduced its continuing disability reviews workload by 262,000 cases. This cost the Disability Insurance Trust Fund more than \$200 million in unnecessary benefit payments annually. The same problem probably will exist in FY 1988. SSA's current measure of productivity, which was used to allocate staff to state agencies does not allow for accurate or uniform comparisons of productivity. A new measurement system developed by SSA will alleviate most of the problems.

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**Federal Compensation:  
Estimated Cost of  
Proposed Change in  
Federal Firefighters' Work  
Week**

Acc. No. 134202 (GAO/GGD-88-2FS), Oct. 16.

A Department of Defense estimate of a bill to establish a separate pay system and change the work week for certain federal civilian firefighters indicated the work week reduction would require the employment of 1,684 additional civilian firefighters and increase salary costs by \$27.2 million a year to maintain the same level of fire protection now provided. In addition, other costs, primarily for employee benefits of at least \$10.7 million, would result from the bill's enactment.

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**Veterans Affairs**

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**Veterans' Benefits:  
Improving the Integrity of  
VA's Unemployability  
Compensation Program**

GAO/HRD-87-62, Sept. 21.

Over 90 percent of the veterans who should have reported their earnings to the Veterans Administration failed to do so. If VA had access to tax information, it could identify those veterans not reporting their earnings and potentially reduce benefit payments by millions of dollars, paying the veterans at their basic compensation rate instead of the higher unemployability rate. VA needs a consistently applied definition of marginal employment—the amount of earnings a veteran may have and still receive unemployability benefits. Under VA's current practice of defining and applying marginal employment, veterans could receive inequitable treatment between VA rating boards, which determine eligibility for unemployability benefits.

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**Veterans Administration:  
Proposed Consolidation of  
Philadelphia and St. Paul  
Insurance Offices**

GAO/HRD-87-106, Sept. 16.

The Veterans Administration estimates that it would save \$3.94 million during the first 5 years of consolidating its insurance operations with its St. Paul and Philadelphia offices. GAO questions the validity of the estimated savings but believes that VA's savings would be greatly reduced or could be eliminated if (1) the Philadelphia office's future productivity is similar to its current productivity and (2) office space cost was included. VA does not agree with GAO.

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**ADP Systems:  
Department of Veterans  
Benefits Modernization  
Program**

GAO/IMTEC-88-3, Oct. 30.

The Department of Veterans Benefits initiated a \$153 million program to modernize its automated computer systems to improve its service to veterans. However, the Department has not specified measurable goals and objectives against which to assess progress, has not analyzed the costs and benefits of alternative approaches to determine the optimal modernization strategy, and has not adequately assessed and documented the costs and benefits of the selected approach. This information is necessary for the Veterans Administration and the Congress to have a basis for making informed decisions on the project.

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**Administration of  
Justice**

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**District of Columbia:  
Inmate Participation in  
Correctional Programs and  
Previous Lorton  
Confinements**

GAO/GGD-87-90, Sept. 11.

About 70 percent of the 57 adult inmates that GAO sampled at Lorton correctional institute had been convicted of multiple felonies and previously imprisoned. During the 62-month period that GAO reviewed, most of the sampled inmates participated in one or more of the programs for which they were recommended. At the end of the period, the inmates had completed or were still participating in over half of their recommended programs. To reduce inmate idleness, the Department of Corrections is now requiring all inmates to participate in work programs unless they participate in other programs.

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

Acc. No. 134206 (GAO/HRD-88-7), Oct. 1.

States and other administering entities must verify through the Immigration and Naturalization Service all alien applicants for certain social service programs, beginning no later than October 1, 1988, unless granted a waiver by the responsible federal program agency. Concern has been expressed over the lack of sufficient information in INS' automated alien verification data base for determining the immigration status of certain aliens. INS needs to increase efforts with federal program agencies to determine what information needed to make eligibility verifications should be included in its automated data base. Cost and other

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operating data about INS' verification data base should be provided to federal, state, and other administering entities to help them make waiver decisions and select the most efficient methods for accessing INS' data.

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

GAO/IMTEC-87-45BR, Sept. 30.

The Systematic Alien Verification for Entitlements pilot projects provided the eligibility status for aliens to receive benefits. In the majority of cases SAVE provided a quick, positive response to an alien's legal status and detected aliens with an ineligible status who had applied for benefits. However, there is considerable room for improving the accuracy and reliability of the automated system. Records show that over one-third of aliens applying in three states GAO reviewed required secondary verification; 62 to 96 percent were found to have legal status after the Immigration and Naturalization Service checked other manual and automated records. To make SAVE more fully responsive to user needs, INS may have to place additional alien information into the data base. Identification of such additional information is not yet completed, and an analysis of the costs and benefits of adding such has yet to be accomplished.

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**Justice Department:  
Problems in Collecting  
Forfeited Corporate Surety  
Bail Bonds**

GAO/GGD-87-114BR, Sept. 22.

A corporate surety bail bond is a private insurance company's promise to pay a U.S. district court a certain dollar amount if a defendant purchases a bond from the company and fails to appear for court proceedings or trial. This report determines (1) the number of defendants released on corporate surety bail bonds prior to trial; (2) the number of those defendants who failed to appear at a court proceeding; (3) the dollar amount of forfeited corporate surety bail bonds collected by the Department of Justice; and (4) the reasons why funds, if any, remain uncollected.

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## General Government

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### Procurement: Better Compliance With the Competition in Contracting Act Is Needed

GAO/NSIAD-87-145, Aug. 26.

The competition act requires the use of certain procedures to provide agencies with assurance that decisions not to award contracts over \$25,000 based on full and open competition are appropriate. However, these procedures provided less assurance than the act intended. Most of the decisions either were or probably were appropriate, some were questionable, and a few were clearly inappropriate. Lack of assurance was primarily because of management's failure to publish in the Commerce Business Daily notices of proposed awards as statutorily required. Compliance problems relating to written justifications for other than full and open competition were also widespread and need to be corrected.

### Tax Policy: Taxation of Single Premium Life Insurance

GAO/GGD-88-9BR, Oct. 16.

Single premium life insurance policies provide a device for capturing investment income without reflecting it on an income tax return. Although this type of insurance meets the definition of life insurance for tax purposes, the policies may be inconsistent with congressional efforts pertaining to life insurance and investments. Should Congress decide to change the tax status of single premium life insurance, GAO presents two alternatives. One would treat loans for the policies in the same manner as distributions from annuity contracts, under which that part of a policy loan that represents return on investment is considered as taxable income in the year withdrawn. The other alternative would change the definition of life insurance such that single premium contracts no longer qualify for favorable tax treatment if policy loans reduce the death benefit below a certain level.

### Tax Administration: Replacement of Service Center Computers Provides Lessons for the Future

GAO/GGD-87-109, Sept. 23.

The Internal Revenue Service encountered numerous problems during 1985 that disrupted returns processing activities and strained tax-payer relations. As a result, IRS' operational costs increased as productivity declined, the government's interest payments to taxpayers increased as refunds were delayed, and IRS' image waned as the public became increasingly frustrated. A new Service Center Replacement computer

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system failed to meet service centers' processing requirements because (1) IRS did not have sufficient oversight needed to insure timely and informed decisionmaking and (2) management did not emphasize quality during the software conversion phase of the project.

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**Data Communications:  
Delays Hampering  
Installation of IRS'  
Communications  
Replacement System**

Acc. No. 134130 (GAO/IMTEC-88-10), Oct. 8.

The Internal Revenue Service is in the process of replacing its existing data communications processing system and obsolete computer terminals with the new \$150 million Communications Replacement System. According to IRS, additional time is needed to complete testing of the system because some of the contractor-written software did not work properly, other contractor software was delivered late, and a contractor-developed test plan was not acceptable to IRS and needed revision. As a result, nationwide installation of the system will be delayed by at least 5 weeks. Because of the delay, IRS now plans to have the system operations in only one service center by that time. While IRS plans to install the system in at least three additional service centers by May 1988, it does not expect any serious disruption to the processing of tax returns and related data.

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**Information Management:  
Criteria for Assessing  
Agency Performance Are  
Limited**

GAO/IMTEC-87-43BR, Sept. 24.

Objectives of the Paperwork Reduction Act includes reducing the information burden imposed on the public; reducing costs and ensuring the usefulness of information collected, maintained, used, and disseminated by the government; making federal information policies and practices uniform; improving the efficiency of federal programs through the effective use of automated data processing and telecommunications; and ensuring that privacy and confidentiality concerns of individuals and enterprises are safeguarded. Information resources management problems have continued to exist at some agencies since the act became effective. Some of the problems are inadequate planning processes, lost potential savings due to improper management of information resources, and operated systems that contained duplicate information.

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**Federal Personnel:  
Status of Personnel  
Research and  
Demonstration Projects**

GAO/GGD-87-116BR, Sept. 21.

The Office of Personnel Management has overall responsibility for conducting research programs and demonstration projects, either directly or through federal agencies or other organizations. Federal agencies have not used OPM's programs very often. The most commonly cited reasons given were the time and resources required to develop and propose a project and difficulties in getting proposals through an agency approval process. Agencies believed OPM did not encourage such projects during the previous Director's tenure. OPM could better assist agencies by taking a more active role in project development and by providing clearer, more definitive guidance and information on other agencies' projects.

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**Senior Executive Service:  
Implementation of the  
Navy's Program to Rotate  
Career SES Members**

GAO/GGD-88-4, Oct. 5.

The Navy began its rotation program for all its Senior Executive Members before providing them with information on how the program would be implemented. As a result, SES members knew of the rotation program but were not informed of the details for almost one year. Many career Navy SES members now have reservations about the desirability and long-range effects of the rotation program. Navy should determine what, if anything, needs to be done to alleviate concerns.

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**Financial Audit:  
Examination of GSA's  
Financial Statements for  
Fiscal Years 1986 and  
1985**

Acc. No. 134128 (GAO/AFMD-87-49), Sept. 30.

The possibility exists that material errors in the General Services Administration's financial records could occur and not be promptly detected. It is becoming increasingly difficult to identify sources of discrepancies between GSA and Treasury cash balances. GSA has assigned responsibility for the cash reconciliations to the Kansas City and Fort Worth regional finance offices and needs to assure itself that these offices devote sufficient attention to completing the reconciliations to meet Treasury's requirements. GSA also needs to resolve problems with its automated systems and to actively monitor their operations and data to ensure reliability.



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**Impoundment of Funds:  
Revised Deferrals of FY  
1987 Forest Service and  
SSA Funds**

GAO/OGC-87-10, Oct. 22.

The Forest Service schedule as of Sept. 1987 shows a deferral of \$535,790,883 and total budgetary resources of \$758,879,883. The total amount deferred in the Social Security Administration account is \$170,919,000.

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**Congressional  
Testimony by GAO  
Officials**

Financial Audit of the Rural Telephone Bank, by Frederick D. Wolf, Accounting and Financial Management Division, before the Subcommittee on Government Information, Justice and Agriculture, House Committee on Government Operations, July 23. GAO/T-AFMD-87-19.

Management of the National Acid Precipitation Assessment Program and EPA's Proposal to Control Vehicle Refueling and Evaporative Emissions, by J. Dexter Peach, Resources, Community, and Economic Development Division, before the Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce, Oct. 2. GAO/T-RCED-88-2. Acc. No. 134082.

Effects of Budget Constraints on SSA Disability Program, by Franklin Frazier, Human Resources Division, before the Subcommittee on Social Security, House Committee on Ways and Means, Oct. 6. GAO/T-HRD-88-1.

Regulation of the Financial Guarantee Industry, by William J. Anderson, General Government Division, before the Subcommittee on Commerce, Consumer Protection, and Competitiveness, House Committee on Energy and Commerce, Oct. 14. GAO/T-GGD-88-2. Acc. No. 134135.

Presidential Transitions and Management Leadership, by Charles A. Bowsher, before the Senate Committee on Governmental Affairs, Oct. 14. GAO/T-GGD-88-3. Acc. No. 134136.

Uncredited Earnings for Social Security, by Edward A. Densmore, Human Resources Division, before the Subcommittee on Retirement Income and Employment, House Select Committee on Aging, Oct. 15. GAO/T-HRD-88-2. Acc. No. 134144.

Aviation Safety: Is Re-regulation Needed to Improve Aviation Safety, by Herbert R. McLure, Resources, Community, and Economic Development Division, before the Senate Committee on Commerce, Science, and Transportation, Oct. 15. GAO/T-RCED-88-3. Acc. No. 134145.

The Army's Risk Assessment of Chemical Munitions Transportation, by Thomas J. Brew, National Security and International Affairs Division, before the Subcommittee on Government Activities and Transportation, House Committee on Government Operations, Oct. 19. T/NSIAD-88-2. Acc. No. 134159.

Postal Service's Processing of ZIP + 4 Letters Receiving Postage Discounts, by L. Nye Stevens, General Government Division, before the Subcommittee on Government Information, Justice, and Agriculture, House Committee on Government Operations, Oct. 21. GAO/T-GGD-88-1.

Food Stamp Program Eligibility Determination, by John W. Harman, Resources, Community, and Economic Development Division, before the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition and Investigations, Senate Committee on Agriculture, Nutrition, and Forestry, Oct. 22. GAO/T-RCED-88-7. Acc. No. 134219.

FAA's Implementation of a Performance Standard for Passenger Screening Process, by Kenneth M. Mead, Resources, Community, and Economic Development Division, before the House Subcommittee on Government Activities and Transportation, Oct. 22. GAO/T-RCED-88-4. Acc. No. 134217.

Key Elements of Effective Independent Oversight of DOE's Nuclear Facilities, by J. Dexter Peach, Resources, Community, and Economic Development Division, before the Subcommittee on Strategic Forces and Nuclear Deterrence, Senate Committee on Armed Services, Oct. 22. GAO/T-RCED-88-6. Acc. No. 134218.

Vesting Status of Selected Participants in Top-Heavy Pension Plans, by Joseph F. Delfico, Human Resources Division, before the Subcommittee on Private Retirement Plans and Oversight of the Internal Revenue Service, Senate Committee on Finance, Oct. 23. GAO/HRD-88-3. Acc. No. 134422.

Department of Defense Inventory Management Problems Continue, by Charles A. Bowshe, Comptroller General of the United States, before the Senate Committee on Governmental Affairs, Oct. 27. GAO/NSIAD-88-1.

GAO's Estimate of the Costs of the "Parental and Medical Leave Act of 1987," by William J. Gainer, Human Resources Division, before the Subcommittee on Children, Families, Drugs, and Alcoholism, Senate Committee on Labor and Human Resources, Oct. 29. GAO/T/HRD-88-5.



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- ☐ Battlefield Automation:  
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- ☐ Aquila Remotely Piloted  
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- ☐ Ammunition:  
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- ☐ Naval Shipyards:  
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- ☐ Contractor Pricing:  
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- ☐ Military Officers:  
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- ☐ South Africa:  
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- ☐ Financial Audit:  
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□ Agricultural Trade: Trends in Imports of Fruits, Vegetables, and Other Agricultural Products GAO/RCED-87-177FS, Sept. 29.

□ Farm Programs: USDA's Wheat Poll—The Results Are Not Reliable Acc. No. 134221 (GAO/RCED-88-6), Oct. 23.

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□ Trademark ADP System: Patent Office Should Analyze Alternatives Before Contract Award GAO/IMTEC-87-44, Aug. 27.

□ Financial Audit: Government National Mortgage Association's Financial Statements for 1986 Acc. No. 134235 (GAO/AFMD-87-55), Sept. 30.

□ Financial Audit: Rural Telephone Bank's Financial Statements for 1986 GAO/AFMD-87-54, Sept. 30.

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□ FAA Staffing: Challenges in Managing Shortages in the Maintenance Work Force GAO/RCED-87-137, Sept. 25.

□ FAA Staffing: FAA's Definition of Its Controller Work Force Should Be Revised Acc. No. 134216 (GAO/RCED-88-14), Oct. 23.

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□ Guaranteed Student Loans: Legislative and Regulatory Changes Needed to Reduce Default Costs Acc. No. 134203 (GAO/HRD-87-76), Sept. 30.

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□ Deaf Education: the National Mission of Galaudet's Elementary and Secondary Schools Acc. No. 134204 (GAO/HRD-87-133 0), Sept. 30.

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□ U. S. Commission on Civil Rights: Commission Publications During Fiscal Years 1978-1986 GAO/GGD-87-117BR, Sept. 25.

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□ Medicare: Comparison of Catastrophic Health Insurance Proposals—An Update GAO/HRD-88-19BR, Oct. 16.

□ Medicare: Better Controls Needed for Peer Review Organizations' Evaluations Acc. No. 134236 (GAO/HRD-88-13), Oct. 8.

□ Nuclear Health and Safety: Radiation Exposures for Some Cloud-Sampling Personnel Need to Be Reexamined GAO/RCED-87-134, Sept. 29.

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□ Veterans Administration: Proposed Consolidation of Philadelphia and St. Paul Insurance Offices GAO/HRD-87-106, Sept. 16.

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☐ Department of Defense  
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☐ GAO's Estimate of the  
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