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Reports Issued in July 1987

National Defense

Strategic Forces: Supportability, Maintainability, and Readiness of the B-1B Bomber

GAO/NSIAD-87-177DR, June 26.

Spare parts shortages of the B-1B bomber have resulted in the temporary grounding of aircraft. The primary cause is high demand resulting from spare parts that have not been as reliable as predicted and from false test failures of parts in operational aircraft. Air Force in-house maintenance has been delayed primarily because of limited availability of repair instructions and lack of support equipment. Contractor repair costs are substantially higher than original estimates and estimated funding requirements for sustaining engineering have increased substantially because the Air Force believes that several years of intensive contractor support will be required. The Air Force is continuing to work toward its goals for readiness and training. Aircraft have been unavailable at times for training because of fuel leaks, engine vane icing, and other problems but in a national emergency, all B-1Bs would be available within days.

Air Defense: Comparison of Upgraded F-4D and F-16A Aircraft

GAO/NSIAD-87-163, June 15.

The Air Force plans to transfer 270 F-16A fighter aircraft from the Tactical Air Forces to the Strategic Air Defense forces. Their primary role would be to defend the United States against enemy bombers and cruise missiles. However, the F-16A's performance capability for air defense has been questioned. An Air Force study concludes that a modified F-4D aircraft would have capabilities superior to the F-16A in performing the air defense mission and that approximately $2.5 billion in aircraft replacement costs could be saved if the F-16As are modified and kept in the Tactical Air Force. GAO recommends that the Air Force conduct a cost and operational effectiveness analysis comparing the modified F-4D and F-16A aircraft for the air defense mission.


Acc. No. 133521 (GAO/NSIAD-87-179), July 23.

Live fire and operational test plans for the Bradley Fighting Vehicle, as well as its plans for evaluating the results, are extensive in scope and could lead to much useful information about the vehicle's vulnerability and survivability in combat. DOD's report to the Congress on the test
plans together with additional information not required by the test plans should provide the basis for a realistic assessment. The additional information should include an analysis of the various vehicles' overall vulnerability using the Army's models to supplement the test results, the probable results of the shots that were deleted, and certain medical information concerning the crew's condition after a round penetrates the vehicle. Results of computer simulations of a helicopter threat will also be included. GAO believes that information on the Bradley's performance in a tank-heavy environment is also needed to supplement the assessments of the test results and provide a more comprehensive picture of the Bradley's survivability.

Electronic Warfare: Navy/Air Force Still Developing Separate, Costly Radar Warning Receivers

Testimony GAO gave before the Subcommittee on Legislation and National Security on the Air Force's and the Navy's radar warning receiver programs focused on the lack of response by the Department of Defense to prior recommendations for achieving commonality in RWR acquisition programs; continuing proliferation of Air Force and Navy RWRs; and adverse effects stemming from concurrent production and testing of RWRs. This report recommends the Defense (1) select the best RWR, based on cost and effectiveness, for maximum common use on existing Air Force and Navy tactical aircraft and (2) stop those RWR programs that cannot be demonstrated as cost effective. Cost effective analyses should consider the life-cycle costs, including expected savings to result from commonality.

DOD Warranties: Improvements Needed in Implementation of Warranty Legislation

Warranties on weapon systems are supposed to make contractors more accountable and encourage them to build better quality and reliability into their systems. Six major Department of Defense procurement activities have generally complied with the requirements of the warranty laws and have waived the warranty requirement in only two instances for specific weapon system contracts. However, some problems GAO noted were that (1) the services obtained many warranties without performing appropriate cost-effectiveness analyses; (2) most warranties did not clearly identify the performance requirements that would be assessed during the warranty period or identify how and when performance would be assessed; and (3) many warranties did not explicitly state whether the contractor was responsible for redesign if performance
requirements were not met. Better clarification of the warranties is needed.

<table>
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<th>Procurement:</th>
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<td>Defense Logistics Agency Implementation of the Spare Parts Initiatives</td>
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<td>Navy Implementation of the Spare Parts Initiatives</td>
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<td>Army Implementation of Spare Parts Initiatives</td>
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Spare parts initiatives—a corrective action plan—addresses the problem of unwarranted price increases and/or excessive pricing on spare parts procurements by pursuing refunds on a voluntary or legal basis; strengthening procedures for debarring and/or suspending contractors; refusing to do business with contractors guilty of excessive pricing; and identifying alternate sources, including foreign sources. GAO found substantial evidence that the initiatives are being implemented in the Defense Logistics Agency and that they have had an effect. However, ample opportunity exists for further improvement. Inadequate price analyses are occurring and the Defense Electronic Supply Center has not consolidated purchase requests. Systems should be established to ensure that consolidation is considered during price analysis.

GAO found evidence that the spare parts initiatives are being implemented at Navy’s Aviation Supply Office and it is likely that they have had an effect. However, procurement officials were not taking full advantage of opportunities to consolidate purchase requests. At Ships Parts Control Center, there were inadequate price analyses on 16.3 percent of sampled procurements with price increases of 25 percent or more. Price increases of this magnitude should prompt scrutiny. Further, inadequate analyses occurred on 18.4 percent of sampled procurements with price increases up to 25 percent.

GAO found that in Army’s Aviation Systems Command 8.2 percent of 8,630 procurements totaling $510 million experienced price increases of 25 percent or more, while 55 percent had either no price change or a price decrease. GAO could not quantify how much the initiatives, as opposed to other factors, helped achieve these results. However, inadequate price analyses occurred in 24.5 percent of the sampled procurements with price increases of 25 percent or more. Further, inadequate price analyses occurred in 28.6 percent of the sampled first-time...
<table>
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<tr>
<th>Procurement:</th>
<th>Defense General Supply Center's Management of Contractor Delinquencies</th>
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<td>The policies, procedures, and practices that the Defense General Supply Center in Richmond, Virginia, used to manage contractor delinquencies were broad and allowed administrators to use their judgment in handling contractors that do not meet delivery dates. Therefore, differences were found in the treatment of individual contractors and were not inconsistent with DGSC's general policy of working cooperatively with delinquent contractors toward a goal of bringing them into compliance without undue adverse effect on DGSC customers. Data used to identify contractors with past due delivery dates were reliable.</td>
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<th>Contracting:</th>
<th>Air Force Procurement of Prototype Fuels Dispensing System</th>
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<td>In September 1985 the Air Force awarded Gull, Incorporated, a firm, fixed-price contract to design, fabricate, furnish, test, and install an automated data collection and fuels dispensing prototype system to determine the feasibility and cost effectiveness of automation for improved petroleum fuels accountability. In October 1985 Liquid Controls Corporation protested the award contending that Gull's product would not meet the contract specifications. The Air Force concluded that the allegations were speculative and did not show a deficiency in the Air Force determination of responsible bidder. GAO dismissed the protest. Contract modification provides for installation of the prototype system by June 1987.</td>
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<th>Army Airlift:</th>
<th>Need to Use Air Lines of Communications for Essential Items</th>
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<td>Army's Air Lines of Communication provides routine air transportation for class IX repair parts shipped to selected activities in Germany. The use of air transportation instead of surface transportation for overseas delivery has significantly reduced the delivery time for routine orders, and in turn reduced the amount of material in the supply pipeline. However, the program is presently airlifting nonessential materials that would not be airlifted in wartime. Because of the high cost of air transportation, the program is not cost effective for peacetime use. Using airlift instead of sealift to transport these materials increased overall costs</td>
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to the Department of Defense by about $30 million, after savings from reduced inventories were considered. GAO recommends that the peacetime airlift eligibility criteria under the ALOC program be made more consistent with the wartime airlift eligibility criteria.

Defense Health Programs: Sharing of DOD Aeromedical Evacuation System With VA Could Reduce Costs

An opportunity for sharing health care resources is available between the United States Air Force Regional Hospital and the Veterans Administration Outpatient Clinic, both in Anchorage, Alaska. Savings to the government could result if the military's aeromedical evacuation system could be used to transport VA beneficiaries in Alaska to both military and VA hospitals in the continental United States. VA use of the aeromedical evacuation system would not affect the established priorities for service and would be on a space-available referral basis. Such an agreement is now precluded because of a DOD regulation. Implementation of Public Law 97-174 would assist VA in obtaining medical care for its beneficiaries in Alaska and, possibly elsewhere, as well as save money.

Air Force Computers: Development Risks of Logistics Modernization Program Can Be Reduced

The Air Force has initiated a new modernization program—the Logistics Management Systems Modernization Program—to replace 94 of its more than 385 existing logistics management systems. The estimated 8-year acquisition and operating cost is $1.5 billion, of which $738 million is the acquisition cost. Previous failures with similar systems has raised concerns that the Air Force is not pursuing the most cost-effective alternatives or that the projects as designed will correct existing system deficiencies and achieve expected benefits. Individual projects are beginning to experience cost increases ranging from 8 to 98 percent and schedule delays ranging from 6 to 65 months. The Air Force did not seek delegations of procurement authority from the General Services Administration and should have done so. If a firm protests a future contract decision, a ruling could be rendered that a delegation is required.
Hazardous Waste:
Tinker Air Force Base Is Making Progress in Cleaning Up Abandoned Sites

Tinker Air Force Base in Oklahoma is a major generator of hazardous waste. Problems with the generation, storage, and disposal of the waste have resulted in the contamination of several sites on base. To clean up the contamination, Tinker established an Environmental Action Group to increase its responsiveness to hazardous waste issues and to act as a clearinghouse for all environmental actions. It also established a single point of contact for environmental issues by creating a new Environmental Management Directorate; created a Technical Working Group to establish agenda items concerning its Installation Restoration Program, such as possible cleanup alternatives; and contracted with the Army Corps of Engineers for completing the Installation Restoration Program on a cost-reimbursement basis. However, remedial actions are slow and much needs to be done.

Hazardous Waste:
Abandoned Disposal Sites May Be Affecting Guam's Water Supply

In 1978 Anderson Air Force Base in Guam discovered that the base's drinking water was contaminated with the cleaning solvent trichloroethylene, a suspected carcinogen. The sources of the contamination were old, abandoned landfills where the solvents had been disposed. Testing of the drinking water has been sporadic and has not included water consumed by portions of the installation populace. Anderson officials established procedures to test water samples monthly at different points in the water distribution system and if the test results indicate contamination, corrective action will be taken to make the drinking water safe, or the wells will be shut down.

Hazardous Waste:
DOD Installations in Guam Having Difficulty Complying With Regulations

DOD installations in Guam were not in compliance with the Resource Conservation and Recovery Act of 1976 because inadequate emphasis has been placed on (1) the importance of complying with the procedures for handling, storing, and disposing of hazardous waste, (2) education and training programs for personnel on the dangers of mishandling these wastes, and (3) the need for sufficient inspection and enforcement activities at base level. DOD has begun actions to address the causes of noncompliance. In addition, the installations are trying to improve hazardous waste management.
Family Housing: DOD Procedures to Identify Housing Needs Can Be Improved

Acc. No. 133520 (GAO/NSIAD-87-110), July 22.

The Department of Defense's family housing program increased by about $460 million from FY 1984 to FY 1986 with the majority of the increase, about $230 million, going for construction of new housing. At eight U.S. and five overseas locations, GAO identified several survey procedures and practices which limited the accuracy and reliability of the estimates of housing available in the community. Because of these limitations, survey results at the installations did not accurately reflect the need for additional military-controlled housing. GAO found that, by not following DOD survey instructions, one installation in Europe had inflated its need for new housing by about 200 percent. Annual housing surveys in the Pacific may be unnecessary because all off-base housing has been declared unsuitable. More accurate determination of housing needs is needed.

International Affairs

Liberia: Need to Improve Accountability and Control Over U.S. Assistance

GAO/NSIAD-87-173, July 16.

From FY 1980 through 1986, the United States provided approximately $434 million in assistance to the government of Liberia through economic, development, and food programs administered by the Agency for International Development. These programs have encountered several control problems, including non-compliance by the Liberian government with established assistance agreements and, in some instances, misuse of U.S. assistance. If the Liberian government does not fully abide by the P.L. 480 food agreement, the program's counterpart funds cannot help meet critical development objectives. Stringent controls are needed. GAO believes that counterpart funds should be placed in a commercial bank not affiliated with the Liberian government and that AID should be allowed to have prior approval authority for all checks written on the counterpart fund account. Independent verification of counterpart fund use should also be made by a party acceptable to both the Liberian and U.S. governments.
U.S.-Japan Trade:  
Interim Report on Sector-Selective Agreements

The Market-Oriented Sector-Selective talks were initiated as a result of a meeting between Japanese Prime Minister Nakasone and President Reagan in January 1985, at which time they discussed the MOSS format as a means to address the difficult issue of market access in Japan. Concern had risen with the increase in the U.S. trade deficit, and complaints of Japanese unfair trade barriers proliferated. The MOSS talks concept would allow negotiation of these issues on a sectoral rather than a case-by-case basis and could, therefore, address all trade barriers within a selected sector. This report delineates the issues involved in the MOSS talks on telecommunications and pharmaceuticals/medical equipment, and describes the results of the agreements reached thus far in these sectors.

International Trade:  

The Department of Agriculture failed to implement the pilot barter program which requires Agriculture to complete by September 1987 barter agreements with at least two countries to trade surplus agricultural commodities for "...strategic or other materials...for which national stockpile or reserve goals established by the law are unmet..." This report provides information on how much the Administration's refusal to meet statutory stockpile requirements has hindered the implementation of the barter program; the extent inter-departmental disputes over reimbursement and accounting procedures have hindered the implementation of the program; values Agriculture used for inventory commodities that could be used in barter transactions and their impact on Agriculture's ability to conclude barter transactions; and reasons the previous inter-agency working group on barter disbanded.

Export Controls:  
Assessment of Commerce Department's Foreign Policy Report to Congress

Commerce's report to the Congress on export controls for economic, national security, and foreign policy reasons addresses nine subjects for each control being extended—purpose, probability of achieving its intended purpose, compatibility with U.S. foreign policy objectives, reaction of other countries, economic impact, U.S. ability to enforce the control, consequences of modifying the control, alternative means for
achieving the control's purpose, and foreign availability of the controlled item. The report also addresses prior GAO recommendations concerning fuller discussion of alternative means for achieving the purpose of the controls, the difficulties in enforcing them, and the limitations in assessing their economic impact. GAO found the sections on foreign availability of controlled items to be straightforward, the foreign policy controls symbolic, and the enforcement sections of the report more complete than in the 1986 report.

Science, Space, and Technology

Space Station: National Aeronautics and Space Administration's 1987 Cost Estimate

The National Aeronautics and Space Administration formulated an estimate of $14.5 billion for space station development costs. Operations costs were estimated at $5.3 billion for FY 1987 to 1998, with subsequent annual operations costs of about $1 billion per year. Based on the above figures, space station development and operations costs through 1998 would be $19.8 billion. However, excluded costs could add billions to the initial cost. These costs could include shuttle missions needed to launch, assemble, and supply the station, a crew emergency return vehicle, and the cost of modifying the space shuttle fleet with devices for berthing with the space station.

National Science Foundation: Problems Found in Decision Process for Awarding Earthquake Center

The National Science Foundation awarded a $25-million cooperative agreement for an Earthquake Engineering Research Center to the State University of New York at Buffalo over the University of California-Berkeley, after eliminating four other applicants. Possible irregularities and bias in NSF's award decision process were cited. Only limited information exists on the panel's evaluation process but this information does not indicate that the panel showed favoritism towards a particular proposal. GAO did find, however, serious problems in NSF's management of the award process, such as lack of firm direction over the process as well as their preparation of inadequate and unbalanced documentation which made the NSF decision appear suspect. Further, reports of the
panel's meetings prepared by NSF staff present decidedly positive comments for the New York proposal but almost entirely negative ones for California.

Energy

Alternative Fuels: Feasibility of Expanding the Fuel Ethanol Industry Using Surplus Grain

This report examines two financing concepts in using surplus federally owned grain to further the development of the ethanol industry. There are (1) producers/developers would use surplus grain as collateral to obtain financing from lending institutions to construct new ethanol plants or expand existing facilities and (2) producers/developers would use surplus grain as a free feedstock to produce ethanol, which could induce lending institutions to finance the construction or expansion of ethanol plants or facilities. Surplus grain inventories are large enough to support these concepts. However, producers/developers and lenders are skeptical about the concepts’ usefulness for expanding the industry, given the current slump in the ethanol market. Most of producers/developers said the concepts were feasible; most lenders had little interest in the grain-as-collateral concept but were more interested in the feedstock-as-inducement concept. Department of Agriculture officials said that it is unlikely they would initiate the financing concepts unless directed by the Congress.

Natural Resources and Environment

Toxic Substances: Abandonment of PCBs Demonstrates Need for Program Improvements

In April 1985, SED, Inc, a PCB handling and disposal company, went out of business, abandoning approximately 7 million pounds of the highly toxic materials and equipment at its sites in Greensboro, North Carolina, and Hillsboro, Ohio. The Environmental Protection Agency did not act to prevent SED from continuing to acquire large amounts of PCB materials while it only disposed of a small portion and EPA inspections of SED operations were not frequent or forceful enough to keep the situation from
worsening. When inspections were made, the emphasis was placed on assessing a penalty, and inadequate attention was directed toward correcting the problems that were found and/or suspected.

Water Quality: Pollution of San Francisco Bay and the Sacramento-San Joaquin Delta

Water Pollution: EPA Controls Over Ballast Water at Trans-Alaska Pipeline Marine Terminal

Pollution in the San Francisco Bay and the Sacramento-San Joaquin Delta is a problem but the full extent of the problem and its impact on the overall health of the bay is not fully known. GAO found that federal wastewater dischargers contribute less than 1 percent of the total wastewater directly discharged in the bay and delta. Hazardous waste leaks from federal facilities have significantly less effect on overall water quality compared with other sources of bay and delta pollution. Federal studies are underway to better identify and quantify bay and delta pollution sources and to set priorities among pollution problems and develop a plan to enhance the bay's and delta's environmental health.

The Alyeska Pipeline Service Company at Valdez, Alaska, operates a water treatment plant at the terminal to treat ballast water, oily seawater that is carried in tankers to provide stability, before it is discharged into the bay. The Environmental Protection Agency is nearly 4 years late in issuing a new permit to Alyeska which regulates the types and amounts of pollution that can be discharged. Alyeska has been operating under an extension of its old permit whose conditions may be less stringent than the new permit will require. Prior to 1984, EPA monitored Alyeska's permit and identified instances of noncompliance with permit conditions, but its enforcement actions were limited to discussions and correspondence with Alyeska. In contrast, since 1984, EPA has begun taking enforcement actions as well as investigating allegations of other environmental problems. EPA should have acted sooner and until the new permit is issued, questions about the protection of marine life and water quality in Valdez Bay will remain unanswered.
Water Resources: Corps of Engineers Management of 1986 Flooding in Northeastern Oklahoma

To help control flooding in northeastern Oklahoma, the Corps of Engineers operates 37 projects (11 in and around the Tulsa area) in the Arkansas River Basin, which includes parts of 7 states. During a record-level rainfall that dumped up to 19 inches of water during 7 days in late September and early October 1986 that caused significant flooding, ruined homes and businesses, and devastated agriculture, the Corps followed its operating procedures for releasing floodwaters from the reservoirs, although problems in such areas as forecasting and communications arose during the flooding. The Corps has undertaken initiatives to address these problems.

Debt Collection: Interior's Efforts to Collect Royalty, Fine, and Assessment Receivables

As of September 1986 the Department of the Interior reported total receivables of $2.5 billion, of which $284 million were delinquent. Approximately 11 percent of these receivables and 84 percent of its total delinquencies originate from royalties, fines, and assessments. The Office of Surface Mining Reclamation and Enforcement reported about $158 million in receivables, of which $155 million were delinquent and OSMRE estimates that it will not collect as much as 80 to 85 percent of them. The Minerals Management Service's receivables totaled $105 million at the end of FY 1986. Of this amount, $75 million was delinquent. The Bureau of Land Management reported receivables of $8 million, of which about $7.5 million were delinquent as of September 1986. OSMRE, MMS, and BLM have taken or plan to take several steps to improve collection of delinquent debts by implementing some provisions of the Debt Collection Act and requiring that certain debts be secured by bonds or letters of credit.

Surface Mining: States Not Assessing and Collecting Monetary Penalties

In assessing and collecting civil penalties against coal mining operators who violate environmental standards, GAO found that the states of Kentucky, Indiana, and Colorado varied significantly in the number of violations assessed a penalty. Indiana assessed penalties on one-tenth of the sampled violations, and Kentucky assessed penalties on less than one-third of its sampled violations; Colorado assessed penalties on more than two-thirds of its sampled violations. Weaknesses in the states' penalty collection systems hamper the collection of penalties on the relatively.
few violations which are assessed penalties. From 1982 through 1985, Kentucky, Indiana, and Colorado collected about $5 million of the total $89.8 million assessed by the states. Indiana and Kentucky collected only 7 and 5 percent of their assessed penalties, respectively, whereas Colorado collected almost 55 percent of its assessed penalties.


Many of the Bureau of Land Management's 860 wilderness study areas contain nonfederal land and mineral rights that could be developed. These rights make it difficult for BLM to protect wilderness characteristics because of road construction by private owners having legal right to gain access to their property, and similar activities. BLM officials are concerned that they could be faced with management problems and costly acquisitions if additional wilderness areas are created containing nonfederal land and mineral rights. BLM has pertinent information concerning these land and mineral rights but only provides such information when specifically asked by the Congress. GAO believes that BLM should provide the information whether or not it is formally requested by the Congress.

Surface Mining: Office of the Solicitor Fiscal Year 1986 Staffing Needs

The backlog of open surface mining-related cases at the Office of the Solicitor in the Department of the Interior increased during FY 1986 raising the concern of inadequate legal support staff. However, Solicitor officials believe that using additional staff and waiting for financial information on coal operators will not affect the outcome of the cases. Conversely, former Solicitor managers believe that additional staff should have been hired to more aggressively reduce the surface mining caseload and to provide the financial information needed so as not to hamper the successful resolution of the cases.
Agriculture

Farm Payments: Basic Changes Needed to Avoid Abuse of the $50,000 Payment Limit

U.S. Department of Agriculture crop support payments increased from $4.2 billion in 1984 to about $8.8 billion in 1986. Concern has been raised that some producers were trying to avoid the $50,000 limit on payments to individual producers by reorganizing their farming operations to qualify for additional payments. It is relatively easy to reorganize a farming operation so that additional persons can receive payments. USDA has proposed changes in the law to tighten the payment limit which will eliminate most of the existing ways to avoid the payment limit, but not all of them. USDA can administratively change other regulations that will further tighten the payment limitation provisions. GAO found that USDA has not effectively administered existing law and regulations governing the payment limitation. As a result, many of the reorganizations that were approved by USDA did not comply with existing regulations and procedures.

Farm Finance: Legislative Proposals for Secondary Markets for Farm Real Estate Loans

This report provides information on the major provisions of nine legislative proposals, introduced in the 100th Congress to create an active secondary market for agricultural real estate loans. Some of the bills are essentially reintroductions from the 99th Congress, while others have resulted from the current debate on the issue. The report includes, when stated in the proposals, purpose of the market, market organization and operation, sources of funding for the market, cost to establish and operate the market, eligibility criteria for lenders, loan and underwriting criteria, market volume, regulatory oversight body and cost, targeted investors, risk bearers, and market duration.

Farm Finance: Secondary Markets for Agricultural Real Estate Loans

A secondary market is a market in which existing, rather than new, products are bought or sold. A secondary mortgage market is a market for the sale of mortgage loans or securities backed by mortgage loans. Currently, only limited secondary markets exist for farm real estate loans. No organized national-scope secondary markets exist, but several
small, organized regional-scope markets operate primarily in heavily
agricultural states. GAO identified nine proposals introduced in the 100th
Congress to create an active national-scope secondary market for farm
real estate loans. This report compares the nine proposals and raises
issues that merit further attention in the ongoing congressional debate
on secondary markets for agricultural real estate loans.

Farm Programs:
1985 Payments and Crop
Loans by State

Acc. No. 133523 (GAO/RCED-87-155FS), July 22.

This fact sheet details the distribution of (1) payments and crop loans,
by region and state, (2) payments, by crop and size of payment, and (3)
crop loans, by crop and size of loan. Nationally, some 980,000 producers
received almost $6.3 billion in payments; about 462,000 producers took
out loans totaling about $15.2 billion. Texas producers received more
payments than those of any other state—almost $730 million. Iowa pro-
ducers took out the largest amount of loans—$2.4 billion. About
804,000 producers received less than $10,000 in payments; about 15,000
producers received $50,000 or more. About 294,000 producers took out
loans of less than $25,000; about 6,800 producers took out loans of
$200,000 or more.

Crop Insurance:
Federal Crop Insurance
Corporation Needs to
Improve Decision-Making

Acc. No. 133522 (GAO/RCED-87-77), July 23.

GAO reviewed key management decisions affecting the Federal Crop
Insurance Corporation's financial viability and operations and found
that (1) FCIC's budget requests were based on forecasts of premium
income and indemnities that were supported largely by judgmental deci-
sions and program goals rather than by program experience, (2) FCIC's
analysis supporting its proposal to terminate master marketer sales and
to rely on reinsurance was neither accurate nor complete, and (3) FCIC
agreed to new gain/loss sharing provisions with reinsured companies
even though it had data showing that prior revisions to the provisions
tilted the sharing of gains and losses in the companies' favor and that
the new provisions would tilt them further. On the positive side, GAO
found that FCIC had adequate bases for the actions it took to improve
the program's actuarial soundness and that, when fully implemented,
these actions should enhance the program's actuarial soundness.
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Commerce and Housing Credit

Federal Research: Small Business Innovation Research Participants Give Program High Marks

Acc. No. 133554 (GAO/RCED-87-161BR), July 27.

The Small Business Innovation Research program is intended to fund R&D work in small, high technology companies by designating that a fixed percentage of an agency's annual external R&D budget be awarded to small businesses. Each federal agency with an R&D budget of $100 million or more must establish and operate an SBIR program and must designate that at least 1.25 percent of their external research expenditures for R&D projects be carried out by small businesses. SBIR projects are being undertaken by relatively new firms and almost 60 percent of the projects were carried out by firms that employed 25 or fewer full-time employees. The firms were relatively small in terms of revenues—over one-half had gross revenues of less than $1 million in FY 1985; 18 percent of the projects were being carried out by firms that had gross revenues of less than $100,000. Survey responses to questionnaires sent to program participants indicate a general satisfaction with federal agencies' administration of the program and benefits received but a dissatisfaction with the gap in funding between the end of phase I award and the onset of phase II support.


GAO/GGD-87-84FS, June 22.

This fact sheet provides a perspective on the Securities and Exchange Commission's workload, accomplishments, and staffing for FY 1979 through 1988, as well as the growth in the securities markets. It shows relatively constant Commission staffing levels while indicators of market activity have increased disproportionately. Workload trends indicate growth in Commission activities, as well as varying degrees of accomplishments.
Transportation

Department of Transportation: Enhancing Policy and Program Effectiveness Through Improved Management

Acc. No. 133538 (GAO/RCED-87-38), July 24.

This report, a supplement to the GAO report Department of Transportation: Enhancing Policy and Program Effectiveness Through Improved Management (RCED-87-3, April 13, 1987), provides information on the legislative and institutional history of the Department of Transportation; important issues and topics; safety programs and techniques for improving the management of these programs; grants management in a changing environment; and the importance of policy formulation and of a systematic framework for providing direction, coordination, and strategic focus to agency policies, plans, and programs. The information should be of interest and value not only to DOT managers but to managers in other agencies confronted with the need to better measure operational effectiveness, enhance productivity, and make optimal use of increasingly limited resources.

Aviation Security: FAA Needs Preboard Passenger Screening Performance Standards

Acc. No. 133539 (GAO/RCED-87-182), July 24.

While the preboard screening process, which is required by law, has provided a deterrent to crimes against civil aviation, shortfalls in the screening program and wide variations in the frequency with which weapons are detected have been identified. FAA needs to establish performance standards and to develop them in cooperation with the airline industry.

Railroad Regulation: Competitive Access and Its Effects on Selected Railroads and Shippers

GAO/RCED-87-109, June 18.

The Staggers Rail Act of 1980 allowed railroads to unilaterally cancel joint rates not yielding specified revenue levels. It also changed the criteria under which a protesting railroad or shipper could obtain a suspension of a cancelled joint rate or reciprocal switching agreement. Finally, the act permitted the Interstate Commerce Commission to require reciprocal switching where it is practical and in the public interest or necessary to provide railroad competition. Some railroads and shippers believe that joint rate and reciprocal switching cancellations have reduced railroad competition and hindered shippers' ability to get their goods to market. Cancellations caused protesting railroads and shippers
in joint rate and reciprocal switching cases to lose money and experience service deterioration. Retaliation for another railroad's cancellations appeared to be an important factor motivating cancelling railroads. The antitrust laws are available to railroads and shippers faced with a cancellation. But several factors exist that could limit the relief available from these laws. Legislation introduced in the 100th Congress addresses some of these factors.

Rail Abandonments: Abandonment Activity and Shipper Views on Rail Service Loss

GAO/RCED-87-82, July 17.

Railroad abandonments have caused a significant loss of freight service since the early 1970s. When evaluating an abandonment request, the Interstate Commerce Commission weighs the railroad's losses and the potential hardships for communities and shippers but concern has been expressed about the equity of the rail abandonment process. Some rail shippers said ICC allowed them insufficient time to prepare evidence for an abandonment case and were dissatisfied with ICC's consideration, during the abandonment process, of their alternative investment. While ICC regulations specify that it is to inform shippers of available assistance, it does not normally do so until after the shippers have submitted their protest documents. Most shippers found trucks to be an available, though more costly, substitute method of transportation after the abandonment. Shippers of bulk commodities appeared to have suffered more severe hardships and in some cases they found it necessary to relocate their businesses or modify their shipping facilities after rail abandonments.

Housing and Community Development

Federal Buildings: Purchase and Options to Expand the Silver Spring Metro Center


GAO reviewed various issues relating to the General Services Administration's purchase of one building and options to lease and purchase four additional buildings at the Silver Spring Metro Center. Numerous concerns raised in a GSA inspection report on the first building have, for the most part, been resolved. However, some of them could be raised in the
four buildings to be constructed. Further, the government's ability to obtain fee simple title to two of the buildings, should it desire to purchase them, may also be a future concern.

Social Services

Plant Closings: Limited Advance Notice and Assistance Provided Dislocated Workers

GAO/HRD-87-105, July 17.

In 1983 and 1984 closures and permanent layoffs at about 16,200 establishments having 50 or more employees resulted in the dislocation of 1.3 million workers. Few employers provided reemployment assistance before the dislocation occurred. The median length of notice provided to workers was 7 days. About a third of establishments provided no notice at all. About one in seven employers offered workers a comprehensive assistance package—income maintenance, continued health insurance coverage, counseling, and job search assistance but only 5 percent combined such assistance with more than 30 days' advance notice. Proposals to expand federal assistance to dislocated workers pending before the Congress would significantly increase the amount of assistance available to dislocated workers under the Job Training Partnership Act and encourage greater integration of public and private sector assistance by requiring states to establish rapid-response mechanisms.


Acc. No. 133450 (GAO/HRD-87-81), July 15.

Allegations have been made that in September 1985, staff of the Equal Employment Opportunity office in Birmingham, Alabama, were instructed to close discrimination charges without completing full investigations. Contrary to EEOC's policy of fully investigating discrimination charges, 29 percent of the charges were closed prematurely because of (1) pressure by district office managers to meet production goals for FY 1985 and (2) the perception on the part of most of the staff that some form of reprisal would be taken against them if they did not follow management's instructions. The Birmingham staff said that charge processing in September 1985 was no different from processing throughout the year, and district office management said they no longer investigate charges as prescribed by the compliance manual because the production goals are unrealistic.
### School Dropouts: Survey of Local Programs

**GAO/HRD-87-108, July 20.**

Bills pending before the Congress call for the Secretary of Education to competitively fund local dropout demonstration programs and to identify and generate information on the best approaches to reducing dropout rates. School dropout programs GAO found that school dropout programs are targeting poor and minority teenagers who have multiple problems and that they customarily provide multiple services, with most youth at risk receiving some type of basic education, counseling, and social service assistance. Local administrators cite several program elements often absent to these youths in their regular schools, as strongly influencing dropout reduction—a caring and committed staff, a safe and secure learning environment, individualized instruction, and school hours and support services that respond to individual needs. School district data are often difficult to interpret and lack comparability across jurisdictions. Data from national surveys provide reliable estimates of the dropout problem; local surveys do not.

### Job Training Partnership Act: Summer Youth Programs

**Acc. No. 133553 (GAO/HRD-87-101BR), June 30.**

The Congress now requires that local Summer Youth Employment and Training Programs, which are funded under the Job Training Partnership Act, must assess the reading and mathematics skills of participants and give some youths remedial education. Service delivery areas cited uncertainty about funding, what a good program should be like, and estimating how many youths would need remediation as problems in developing remediation plans. However, more youths will receive remediation in 1987 than in 1986 and more funds will be spent to provide it. The majority of SDI officials said the requirement to provide remedial education in the summer youth program is appropriate. But almost a third called it inappropriate, saying they viewed the program as the role of the school system, not the summer youth program.
RepmaIssuedinJuly1981

Health

Food and Drug
Administration:
Food Additive Approval
Process Followed for
Aspartame

Aspartame, a food additive marketed under the brand name NutraSweet and developed by G.D. Searle and Co., has long concerned the public about the quality of research supporting its safety and the long-term effects that increased consumption could have. The Food and Drug Administration has adequately reviewed all of Searle's aspartame studies, held a public board of inquiry to discuss safety issues surrounding the approval, formed a panel to advise the FDA Commissioner on those issues, and addressed safety issues raised internally and by outside scientists and concerned citizens. Twelve of 69 scientists that GAO questioned expressed major concerns about aspartame's safety. However, FDA and others have sponsored over 70 completed, ongoing, and planned studies on aspartame, including its effects on neurological behavior, children, and pregnant women. GAO believes that the planned and ongoing research and FDA's monitoring of adverse reactions, should provide a basis for determining what future actions, if any, are needed on aspartame.

Medicare:
Comparison of
Catastrophic Health
Insurance Proposals

The catastrophic health insurance bills GAO reviewed either placed an upper limit on beneficiary liability for Medicare deductibles and coinsurance or attempted to provide protection against some of the costs of services not currently covered by Medicare, such as long-term care and prescription drugs. Most of the proposals would essentially apply catastrophic dollar limits only to physician services and hospital care, which account for about 27 percent of the out-of-pocket costs incurred by the elderly. None of the catastrophic proposals would relieve Medicare beneficiaries of these out-of-pocket costs. Of the 14 proposals GAO reviewed, 9 would establish a catastrophic limit above which the beneficiary would no longer be liable for Medicare deductibles and coinsurance. Providing further relief to those elderly who incur high out-of-pocket health care costs would increase Medicare payments. The bills that would offer more extensive catastrophic protection propose a variety of financing mechanisms to spread the costs of catastrophic illnesses, over either all Medicare beneficiaries or all taxpayers, and are intended to be budget neutral.
Medicare: Preliminary Strategies for Assessing Quality of Care

Reports Issued in July 1987

Acc. No. 133417 (GAO/PEMD-87-15BR), July 10.

Optimal quality care review systems require data collection, analysis, and feedback on the Medicare program. Developing effective ways to measure and monitor quality of care requires the resolution of technical problems concerning the availability of methods and information and consideration of general policy issues involving the basic intent and operation of quality assessment in the Medicare program. Three possible strategies for producing comprehensive quality of care information are (1) taking steps to better integrate data collection and monitoring responsibilities of Medicare claims processors and Peer Review Organizations; (2) developing options for incorporating valid, reliable medical record review methodologies into peer reviews; and (3) creating epidemiological data bases, drawn from the entire Medicare population or from specific subpopulations potentially at risk with respect to access or quality of health care.

Medicare: Payments to Radiologists, Anesthesiologists, and Pathologists

GAO/HRD-87-114BR, July 20.

Sixteen hospitals in Maine, Rhode Island, Queens County, New York, and Dade County, Florida that GAO visited provided that (1) any physician giving radiology, anesthesiology, and pathology services could apply for medical staff privileges on the same basis as any other physician; (2) hospitals have little incentive to restrain fees when contracting for RAP services; (3) RAPs are among the physicians with the highest net income; (4) Medicare has no special requirements for prepayment review of RAP claims, beyond those normal for all physician services; and (5) there is considerable variation in Medicare payments for RAP services across the four geographic areas GAO looked at.

Block Grants: Proposed Formulas for Substance Abuse, Mental Health Provide More Equity

GAO/HRD-87-109BR, July 16.

In 1981, the Congress consolidated 10 project and formula grant programs into the Alcohol, Drug Abuse and Mental Health block grant. For FY 1987, the current formula allocated over 91 percent of block grant funds to states based on their funding under the prior categorical programs, and the remaining 9 percent based on their relative funding needs and ability to pay. The proposed formulas would substantially improve the equity of the distribution of federal funds. For substance abuse, they would help equalize service levels across states. For mental
health, they would preserve the targeting to poorer states that is provided by the current formula. In both areas, they are designed to provide similar grants per person for states with similar abilities to pay. These improvements are brought about both by phasing out the hold-harmless provision in current law and by using improved measures of need and ability to pay.

ADP Systems:
Examination of Non-Federal Hospital Information Systems

To gain additional knowledge about integrated hospital information systems in non-federal hospitals to be used in evaluating the Department of Defense's and Veterans Administration's efforts to develop and implement systems for federal hospitals, GAO used two methods—a review of literature and a survey of vendors and their client hospitals. Publications characterized hospital information systems as being less developed than analogous systems supporting other major industries but did not present convincing quantitative data to support these characterizations. Vendor and hospital surveys show three different product types as leading systems—an application development tool set, customized systems, and turnkey systems. Customized systems enable the vendor to integrate applications from various sources to form a complete system. With a turnkey system, the vendor provides hardware, software, installation, training, and other services before turning the system over to the hospital for operation.

Income Security

Social Security:
Clients Still Rate Quality of Service High

A client survey of the overall quality of service provided by the Social Security Administration in 1986 showed satisfaction of about the same or better than the service provided in 1984. No specific service aspects were rated significantly lower by 1986 respondents in comparison with 1984 respondents, and a number of service aspects were rated higher. For example, a slight improvement in accessibility to SSA by phone was noted as was less time spent waiting for service at field offices.
### Veterans Affairs

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<td>The Veterans Administration began installing the Decentralized Hospital Computer Program in 1983. GAO found that it did not adequately safeguard patient records from inaccurate data entry, unauthorized changes, or destruction, and permitted the creation of multiple patient records. These shortcomings existed because the office responsible for managing the project did not have authority to ensure that sound practices were used in all aspects of the system's development and implementation. VA has initiated corrective actions but is planning to embark on a multi-million dollar expansion of the system without an adequate analysis to determine the most cost-effective approach. The test of three commercial systems does not provide an appropriate basis for comparison with the VA system. Nevertheless, the agency believes the commercial systems are too expensive and are not a viable alternative to the decentralized system.</td>
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| The Veterans Administration needs stronger internal accounting controls for its reimbursements and to ensure that all veterans who have received medical services for which VA should be reimbursed are identified and billed. VA has made progress in complying with the Prompt Payment Act, but it should continue to monitor late payments to make sure that all penalties are paid as required. VA is not fully complying with the provisions of the Veterans' Rehabilitation and Education Amendments of 1980. GAO recommends that it review its delinquent 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. |

| **Veterans Administration: Procurement Actions for Crown Point Outpatient Clinic** | GAO/HRD-87-96, June 25. |
| The Veterans Administration announced plans to establish an outpatient clinic in Crown Point, Indiana. Concern was expressed that the VA did not follow (1) the Davis-Bacon Act provisions that require prevailing wages to be paid on federally funded or assisted construction projects |
and (2) require procurement procedures in the acquisition by lease. GAO found that VA generally followed Office of Management and Budget, General Services Administration, and its own procurement procedures for acquiring the clinic.

Administration of Justice

Counterterrorism:
Role of INTERPOL and the U.S. National Central Bureau

GAO/GGD-87-93BR, June 25.

INTERPOL is a network of National Central Bureaus in 142 countries who provide each other with information to assist law enforcement agencies in the detection and deterrence of international crime and criminals. The U.S. National Central Bureau opens a file immediately for any request for information that mentions terrorist activities, even if it does not involve a specific criminal incident or provide details of a crime. It has established an analytical unit to assist law enforcement agencies in their investigations of terrorist incidents as well as drug and financial fraud cases. Seventeen out of 16 countries contacted were satisfied with the quality, relevance, and timeliness of USNCB’s assistance. This report provides information on USNCB’s and INTERPOL’s role in counterterrorism and assesses what the USNCB does to protect the privacy rights of individuals about whom it exchanges counterterrorism-related information with foreign and U.S. law enforcement agencies.

Drug Smuggling:
Large Amounts of Illegal Drugs Not Seized by Federal Authorities

GAO/GGD-87-91, June 12.

The Bureau of Customs estimated that 196 tons of cocaine, 11,000 tons of marijuana, 7 tons of heroin, and 165 tons of hashish were smuggled into the United States in 1986. In FY 1986 the federal government spent $822 million on drug interdiction programs but relatively small proportions of these drugs are seized by agencies. This is because smugglers use methods and tactics that exploit gaps in the interdiction system’s coverage of the border and because of inadequate security over interdiction plans and operations. Interdiction agencies are also hindered by the lack of timely and accurate tactical intelligence—information about the identity, type, location, timing, and method of potential smuggling operations. Finally, the demand for illegal drugs makes smuggling highly
profitable, which would encourage smugglers to continue their activities.

Justice Department: Investigation of Alleged Fraud in an Air Force Contract

In 1982 the U.S. Attorney’s Office for the southern district of Florida investigated allegations of possible fraudulent claims against the government by Pratt & Whitney Aircraft. The questionable claims involved overhead expenses charged to an Air Force contract by P&W for cars and parties for P&W executives, trips for congressmen, political contributions, and golf and fishing trips for military personnel. The Attorney’s Office stated that the investigation did not have prosecutive merit. Federal Bureau of Investigation officials said that the P&W claims were outrageous and wrong but they agreed with the U.S. attorney’s decision that prosecution was not possible. The FBI then closed the case.

Freedom of Information Act: Fee Waiver Practices at the FBI

In making documents and records from the executive branch of the federal government available to the public, agencies are permitted to charge reasonable fees to individuals and organizations requesting such information. The Freedom of Information Act permits agencies to waive or reduce these fees when they determine that it is in the public interest because furnishing the information can be considered as primarily benefiting the general public, rather than the requester. The Federal Bureau of Investigation used criteria developed as governmentwide guidance by the Department of Justice in evaluating the requests and these criteria pertain both to characteristics of the person or organization making the request as well as to the nature of the requested material. In 48 cases that GAO examined, the FBI denied a fee waiver in 11. It partially reduced the fee in 31 cases and in the remaining six cases it granted full waivers.
General Government

Insurance:
Profitability of the Medical Malpractice and General Liability Lines

Despite incurring substantial underwriting losses from 1976 through 1985, the property/casualty insurance industry has more than offset those aggregate losses with investment gains. The losses resulted, in part, from the industry's cash flow underwriting pricing strategy in which companies sacrificed underwriting gains in an attempt to attract more business and thereby enhance investment gains. The industry had about $81 billion in after-tax income over this period; the industry’s method of calculation shows a profitability estimate of $54 billion. Profitability estimates for the medical malpractice and general liability lines depend primarily on the adequacy of the reserves for future payments of claims and whether those reserves are discounted to reflect their present values. GAO’s estimates show that from 1975 to 1985 the medical malpractice line incurred losses when the reserves were valued at their full estimated payout, but the line was profitable when the reserves were discounted to present values. The general liability line was profitable over this period under all but one assumption.

Insurer Failures:
Property/Casualty Insurer Insolvencies and State Guaranty Funds

From November 1969 through 1986, there have been about 140 insolvencies of property/casualty insurance companies. Forty-two percent of these insolvencies have occurred since 1983, and the number of companies designated as requiring regulatory attention because of troubling financial conditions has increased. Analysis of selected data on 49 of 95 property/casualty insurance companies that were liquidated in the 10-year period from 1977 through 1986 did not reveal any characteristics or trends common to all companies. Questions have been raised on the effectiveness of state regulation of solvency. Moreover, inconsistencies in the state fund laws have caused confusion and conflicts between the funds and also raised questions on whether the state-by-state approach is appropriate.
Budget Issues:
The Use of Spending Authority and Permanent Appropriations Is Widespread

Acc. No. 133463 (GAO/AFMD-87-44), July 17.

The Congressional Budget Act defines spending authority as authority provided in laws other than appropriation acts to obligate the U.S. government to make payments. It includes contract authority, authority to borrow, and entitlement authority if budget authority to make the required payments has not been provided in advance by appropriations acts. Spending authority and permanent appropriations are used to finance a large percentage of federal programs. In FY 1985, over $607 billion in permanent appropriations for entitlements not annually appropriated and for other programs was used. In addition, $22 billion in permanent appropriations was used to liquidate contract authority or debt. Over $50 billion in authority to borrow and over $34 billion in contract authority were used in the absence of a prior appropriation. Over $97 billion in offsetting collections from nonfederal sources was credited to appropriation or fund accounts as a result of previously enacted legislation.

Budget Issues:
Inventory of Accounts With Spending Authority and Permanent Appropriations, 1987

Acc. No. 133464 (GAO/AFMD-87-44A), July 17.

This report provides specific information on all agency budget accounts using spending authority and permanent appropriations. Spending authority is authority provided in laws other than appropriation acts to obligate the United States government to make payments. For each account, it includes selected information, such as a description, the agency's legal citation providing the spending authority or permanent appropriation, the amounts used, and reasons given by agency officials for having the authority. The report also includes a list of accounts for which such authority was repealed, received under conditions that no longer apply, or permanently transferred to another account during FY 1985 through 1987; a list of agencies and programs using the Federal Financing Bank's authority to borrow; a glossary; and an index to allow cross-searches.

Budget Issues:
Current Status and Recent Trends of State Biennial and Annual Budgeting

Acc. No. 133536 (GAO/AFMD-87-53FS), July 15.

States supporting biennial budgeting changed from an annual cycle to reduce time debating the budget in the off-year, to alleviate administrative burdens in the budgeting process, to impose a longer-range perspective in budget and fiscal planning, and to respond to a shift in political majorities in the legislature. Most states, however, and especially those
with large budgets, use an annual budget cycle—the prevailing trend. The most commonly cited results of changing to an annual budget cycle are improved revenue and spending forecasts and increased time spent on budget activities.

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<tr>
<th>Banking Services: Changes in Fees and Deposit Account Interest Rates Since Deregulation</th>
<th>Acc. No. 133421 (GAO/GGD-87-70), July 13.</th>
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<td>Fees associated with changes in savings and checking accounts and other banking services, such as check cashing, have generally increased since deregulation. Such fee increases have been offset to varying degrees for some consumers by interest they now receive on account balances. The type of main checking account used and the balance in the account determined whether consumers gained or lost as a result of changes related to deregulation. While various efforts have been made to provide low cost alternatives for certain consumers, these services are not available to all.</td>
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<td>About 15,000 commercial banks, savings and loans, and credit unions authorized to act as federal depositaries in the tax collection process accepted about 68 million payments from taxpayers in FY 1986. The Internal Revenue Service acquired optical character recognition equipment to electronically process information from the depositaries and ensure that taxpayers are properly credited for making payments. About 19 percent of the federal tax deposit coupons received by IRS in FY 1986 were encoded by the depositaries. This process (1) improves IRS operating efficiency; (2) reduces staff time associated with processing coupons; and (3) reduces time that optical character recognition equipment is needed to process coupons. Encoding could also improve the accuracy with which depositaries tabulate coupons and report total payment amounts to the Federal Reserve.</td>
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<th>Tax Administration: Gas Guzzler Tax Compliance Can Be Increased</th>
<th>Acc. No. 133465 (GAO/GGD-87-85), July 16.</th>
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<td>The federal government imposes a gas guzzler excise tax on manufacturers and importers of fuel inefficient vehicles. In FY 1985 the tax generated $39.8 million and in FY 1986 it generated $147.7 million. A sample of independent importers bringing in nonconforming vehicles through four Customs districts showed that less than 1 percent of those GAO</td>
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believed were liable paid the gas guzzler tax resulting in lost tax revenue of over $6 million. Conversely, most of the factory authorized importers were paying the tax. The Internal Revenue Service plans actions to improve compliance but if or when IRS district offices independently decide to initiate enforcement efforts, problems may arise.

Personnel Practices:
Detailing of Federal Employees to the White House

While the number of White House employees has reportedly been diminishing, there is evidence that the White House Staff has been increasingly augmented by employees detailed from other agencies. The President's annual reports to Congress have underreported the number of detailees each fiscal year and failed to reimburse the parent agency for them as required by law. The annual reports have been misleading because they included as reimbursements funds obligated but not expended. For FY 1982 through 1985, the reports showed $1,543,560 as reimbursements made to agencies for detailees when actually only $661,013 was paid.

Decennial Census:
1980 Post Census Day Improvement Programs

Spending about $73 million, the Census Bureau used 14 coverage improvement programs for the 1980 census which resulted in increasing the population count by about 2.6 million persons and assigning the tabulation of about 1 million persons to different geographic locations. However, it also resulted in double counting about 218,000 persons. The programs achieved varying levels of success—the Nonhousehold Sources Program cost the Bureau about $77 for each person added to the count and consequently the Bureau has decided to delete this program from the 1990 census coverage improvement program. In contrast, a Postal Service check to determine if housing units were missed cost only about $8 for each person added. A summary of the costs and benefits of the various programs is shown in this report.

Decennial Census:
Coverage Evaluation and Adjustment Activities

Coverage evaluation measures errors in the census counts, such as missed persons and double counting of others. Because census data is used to apportion seats in the House of Representatives, potentially redistrict state legislatures, and distribute federal funding, the Bureau is
considering an adjustment of the 1990 census counts to correct these errors. It is planning to develop an automated matching system and to decide on the technical and operational feasibility of adjusting the 1990 census counts.

Inspectors General: Compliance With Professional Standards by the GSA Inspector General


The General Services Administration's Office of Inspector General satisfactorily complies with 20 out of 23 audit and investigation standards. Of the remaining 3, the OIG complies with some aspects of the audit standards on supervision and evidence and the investigation standard on planning. However, improvements are needed in certain areas to bring the OIG into satisfactory compliance with these standards, such as documenting reviews of auditors' work, supporting audit report statements with work-paper evidence, and preparing an annual investigation plan. The OIG appears to have adequate quality-control policies and procedures for ensuring adherence to all standards.

Information Management: Status of Formerly Approved Paperwork Requests

GAO/IMTEC-87-22, June 16.

Clearance provisions of the Paperwork Reduction Act of 1980 concern reviewing and renewing information collection requests—requests for the public to provide information, or to maintain certain kinds of records for potential future use by an agency. Agencies are required to obtain approval before using information collection requests. These approvals lapse after an assigned expiration date. GAO found that of a sample of 90 collection requests, 38 were no longer needed, 43 were reapproved under new control numbers, and 9 were being used by the agencies after their expiration dates, a violation of the clearance requirements.

GSA Procurement: Quality Assurance for Common-Use Items Should Be Improved

GAO/GGD-87-65, June 29.

Weaknesses have been noted in the General Services Administration's quality assurance program concerning (1) defective items being shipped to customer agencies, (2) agencies not reporting quality complaints to GSA, (3) quality complaints not being resolved by GSA, and (4) GSA not documenting contractor performance histories. GAO visited 19 federal activities and none were reporting all quality defects to GSA's complaint system, thus hindering GSA's efforts to manage the quality assurance
program. When GSA did receive quality complaints from federal agencies, it did not obtain replacement items in a timely manner. Contractors submitting written quality control procedures to GSA did not comply with existing standards and preaward surveys that were used to determine if a contractor was responsible did not correctly represent past contractor performance.

Financial Audit:
Statement of Accountability of the House Finance Office for Fiscal Year 1986


The management of the Finance Office is responsible for establishing and maintaining a system of internal accounting controls which include the categories of payroll, official mail costs, expenses of special and select committees, expenditures from the allowances and expenses appropriations, and receipts. Management also makes estimates and judgments required to assess the expected benefits and related costs of control procedures. GAO disclosed a material weakness in the filing of employee payroll and benefits documents. These documents have not been filed for some time, and Finance Office staff had to spend an inordinate amount of time to locate the documents needed for GAO to complete the payroll segment of the audit.

Financial Audit:
House Beauty Shop Revolving Fund Financial Statements for 1986 and 1985

Acc. No. 133485 (GAO/AFMD-87-40, July 20).

The House Beauty Shop's management and operation is under the jurisdiction of the Committee on House Administration with direct oversight provided by the Subcommittee on Services through 1986, and now by the Subcommittee on Personnel and Police. The Shop had a net loss of $3,461 in 1985 and a net loss of $1,043 in 1986. In 1985 it had a balance of $37,531 and in 1986 the balance was $36,488.

Congressional Testimony by GAO Officials

Hazardous Weather Detection and Warning Systems, by Herbert R. McLure, Resources, Community, and Economic Development Division, before the Subcommittee on Investigations and Oversight, House Committee on Public Works and Transportation, June 30. GAO/T-RCED-87-38

Acc. No. 133444.

Uses and Limitations of Countertrade, by Allan I. Mendelowitz, National Security and International Affairs Division, before the Subcommittees


Reports Issued in July 1987


Reauthorization of the State and Local Cost Estimate Act, by J. William Gadsby, Human Resources Division, before the Subcommittee on Government Efficiency, Federalism and the District of Columbia, Senate Committee on Governmental Affairs, July 30. GAO/T-HRD-87-20.
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